This announcement contains inside information

18 February 2019 **LSE: PDL**

Petra Diamonds Limited
("Petra", "the Company" or "the Group")

Interim results for the six months to 31 December 2018

Petra Diamonds Limited announces its interim results (unaudited) for the six months to 31 December 2018 ("the Period" or "H1 FY 2019" or "H1").

Further to the sale of Petra's interest in the Kimberley Ekapa Mining Joint Venture ("KEM JV") and Helam Mining ("Helam"), which completed on 5 and 6 December 2018 respectively, all figures below are stated excluding the KEM JV and Helam operations, unless otherwise specified.

SUMMARY

Operations

- Safety: LTIFR improved to 0.16 (H1 FY 2018: 0.24).
- Production up 10% to 2,019,147 carats (H1 FY 2018: 1,843,956 carats).
- Carats sold increased 15% to 1,736,357 (H1 FY 2018: 1,510,361 carats) due to increased production.
- Absolute costs remain within expectations despite inflationary pressures.
- Capex down 41% to US$40.6 million (H1 FY 2018: US$69.4 million) excluding capitalised borrowing costs of US$3.7 million (H1 FY 2018: US$16.2 million), in line with the Group's declining Capex profile.

Financial

- Revenue: US$207.1 million (H1 FY 2018: US$191.8 million);
- Adjusted EBITDA[3]: US$75.6 million (H1 FY 2018: US$80.8 million);
- Adjusted net loss after tax[4]: US$4.5 million (H1 FY 2018: US$7.2 million profit);
- Loss on discontinued operations relating to KEM JV and Helam of US$39.7 million (H1 FY 2018: US$53.9 million loss – KEM JV only);
- Net loss after tax: US$57.9 million (H1 FY 2018: US$117.7 million loss);
- Cash generated from operations: US$62.8 million (H1 FY 2018: US$38.9 million);
- Basic loss per share: 6.57 US cents (H1 FY 2018: basic loss per share of 15.92 US cents); and
- Net debt[10] of US$559.3 million (30 June 2018: US$520.7 million); unrestricted cash and bank facilities of US$181.3 million (30 June 2018: US$225.6 million). As at 31 December 2018, the facilities were undrawn.

Outlook

- Full year production guidance of ca. 3.8 – 4.0 Mcts maintained;
- The Company's first tender of H2 FY 2019 in February is in the process of being finalised; provisional results indicate price increases of ca. 1% on a like-for-like basis compared to prices achieved in H1 FY 2019;
- The Company continues to hedge the conversion of US$-based sale proceeds to South African Rands with the aim to protect a floor of ZAR14.00 to US$1 with ca. 50% of its remaining H2 FY 2019 sales covered at these levels;
- The reduction in Petra's net debt remains a priority. However, should product mix and pricing remain at the levels achieved during H1, the Company expects its net debt position at 30 June 2019 to remain largely in line with the balances as at 31 December 2018, assuming BEE debt repayments are maintained according to the existing amortisation schedule (ca. US$25 million capital and interest due to be paid in May 2019), no sales proceeds from the blocked Williamson parcel being realised and no input VAT being recouped in Tanzania during H2. We are encouraged by the solid start in H2 production, specifically also Koffiefontein ramping back up to expected levels of production, coupled with what is usually a seasonally stronger period in the diamond market; and
- The Company's forecasts indicate that the Group continues to retain sufficient liquidity from existing cash resources and operating cashflows to meet its liabilities as they fall due.

Johan Dippenaar, CEO of Petra, commented:

"Whilst we delivered solid production and continued to improve our safety performance in the first half, we recognise the impact the lower value of the product mix at Cullinan had on our financial results for the Period. During the second half, we will accelerate the installation of drawpoints to improve access across the full footprint of the C-Cut Phase 1 block cave. Our focus remains to continue to deliver operational- and capex efficiencies at all of our operations, in order to generate positive free cashflow and subsequent debt reduction.

As we have also communicated today, these are the last results that I will be reporting as CEO, and I am pleased that we have accomplished our operational targets for the Period. I would like to take this opportunity to thank Petra's Board, management and staff for their tremendous support over the last fourteen years. I am very proud of the team's efforts to grow the company and more recently to overcome a number of challenges to lay the foundations for Petra's next phase of delivery."

SUMMARY OF RESULTS (unaudited)

	6 months to 31 December 2018 ("H1 FY 2019") US$ million	Restated[7] 6 months to 31 December 2017 ("H1 FY 2018") US$ million	Year ended 30 June 2018 ("FY 2018") US$ million
Revenue	207.1	191.8	495.3
Adjusted mining and processing costs[1]	(127.2)	(105.8)	(291.4)
Other direct income	0.2	0.3	1.2
Profit from mining activity[2]	**80.1**	**86.3**	**205.1**
Exploration expense	(0.2)	(0.4)	(0.6)
Corporate overhead	(4.3)	(5.1)	(9.1)
Adjusted EBITDA[3]	**75.6**	**80.8**	**195.4**
Depreciation	(50.8)	(39.1)	(128.0)
Share-based expense	(0.1)	(0.1)	(0.6)
Net finance expense	(31.7)	(18.9)	(59.6)
Tax credit / (expense) (excluding taxation charge on reduction of unutilised Capex benefits)	2.5	(15.5)	(5.6)
Adjusted net (loss) / profit after tax[4]	**(4.5)**	**7.2**	**1.6**
Impairment charge[5]	—	(66.0)	(66.0)
Net unrealised foreign exchange (loss) / gain	(13.7)	2.9	(26.2)
Taxation charge on reduction of unutilised Capex benefits	—	(7.9)	(8.2)
Loss from continuing operations	(18.2)	(63.8)	(98.8)
Loss on discontinued operations, net of tax[7]	(39.7)	(53.9)	(104.3)
Net loss after tax	**(57.9)**	**(117.7)**	**(203.1)**
Earnings per share attributable to equity holders of the Company – US cents			
Basic loss per share – from continuing and discontinued operations	**(6.57)**	**(15.92)**	**(31.29)**
Basic loss per share – from continuing operations	**(1.74)**	**(9.19)**	**(15.85)**
Adjusted (loss) / profit per share – from continuing operations[6]	**(0.16)**	**0.52**	**0.50**

	Unit	6 months to 31 December 2018 ("H1 FY 2019") (US$ million)	6 months to 31 December 2017 ("H1 FY 2018") (US$ million)	As at 30 June 2018 (US$ million)
Cash at bank – (including restricted amounts)	US$m	90.7	119.1	236.0
Diamond debtors	US$m	4.4	7.5	75.0
Diamond inventories	US$m	76.3	73.5	54.0
Diamond inventories	Carats	811,718	820,937	529,054
US$650 million loan notes[8]	US$m	650.0	650.0	650.0
Bank loans and borrowings[9]	US$m	—	113.8	106.7
Net debt[10]	US$m	559.3	644.7	520.7

Bank facilities undrawn and available	US$m	104.5	7.4	2.6
Consolidated net debt for covenant measurement purposes[11]	US$m	627.4	746.5	531.6
Consolidated net debt to consolidated EBITDA ratio for covenant measurement purposes	X	3.3	4.9	2.7

The following exchange rates have been used for this announcement: average for H1 FY 2019 US$1:ZAR14.19 (H1 FY 2018: US$1: ZAR13.40, FY 2018: US$1:ZAR12.86); closing rate as at 31 December 2018 US$1:ZAR14.35 (31 December 2017 US$1:ZAR12.38, FY 2018: US$1:ZAR13.73).

***Notes*:**

The Group uses several non-GAAP measures above and throughout this report to focus on actual trading activity by removing certain non-cash or non-recurring items and discontinued operations. These measures include adjusted mining and processing costs, profit from mining activities, adjusted EBITDA, adjusted net profit after tax, adjusted earnings per share, adjusted US$ loan note, net debt and consolidated net debt for covenant measurement purposes. As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies. The Board believes that such alternative measures are useful as they exclude one-off items such as the impairment of mines and non-cash items to help portray a clearer understanding of the underlying trading performance of the Group.

1. *Adjusted mining and processing costs are mining and processing costs stated before depreciation and share-based expense.*
2. *Profit from mining activities is revenue less adjusted mining and processing costs plus other direct income.*
3. *Adjusted EBITDA is stated before depreciation, share-based expense, net finance expense (excluding net unrealised foreign exchange gains and losses), tax expense (excluding taxation charge on unutilised Capex benefits), loss / profit on discontinued operations, impairment charges, net unrealised foreign exchange gains and losses and taxation charge on reduction of unutilised Capex benefits.*
4. *Adjusted net loss after tax is net loss after tax stated before losses on discontinued operations, impairment charge, net unrealised foreign exchange gains and losses and taxation charge on reduction of unutilised Capex benefits.*
5. *Impairment charge of US$nil (30 June 2018: US$66.0 million and 31 December 2017: US$66.0 million) was due to the Group's impairment review of the Koffiefontein operation). Refer to note 15 for further details.*
6. *Adjusted EPS from continuing operations is stated before impairment charge, net unrealised foreign exchange gains and losses and taxation charge on reduction of unutilised Capex benefits.*
7. *The loss on discontinued operations reflect the results of the KEM JV and Helam operations (net of tax), including impairment (H1 FY 2018 results have been restated for the KEM JV for comparability. The Helam prior period results are insignificant and as such have not been restated as per the requirements of IFRS 5, refer to Note 16.*
8. *The US$ loan note represents the gross capital of US$650 million (30 June 2018: US$650 million and 31 December 2017: US$650 million), excluding transaction costs.*
9. *During July 2018, the Company repaid the RCF (capital plus interest) of US$73.1 million and WCF (capital plus interest) of US$33.6 million in full, however the facilities were not cancelled and remain available.*
10. *Net debt is the US$ loan notes and bank loans and borrowings net of cash at bank (including restricted cash).*
11. *Consolidated Net Debt for covenant measurement purposes is bank loans and borrowings plus loan notes, less cash, less diamond debtors and includes the BEE guarantees of ca. US$72.5 million (ZAR1,039 million) (30 June 2018: US$88.8 million (ZAR1,218 million) and 31 December 2017: US$109.3 million (ZAR1,353 million)) issued by Petra to the lenders as part of the BEE financing concluded in December 2014 and which are included in the Group's balance sheet as BEE loans payable. This measure differs to the net debt in the table above.*

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

ANALYST PRESENTATION AND WEBCAST

A presentation for analysts will be held at 9:30am GMT on 18 February 2019 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. A live webcast of the analyst presentation will be available on Petra's website at www.petradiamonds.com and on the following link:
https://www.investis-live.com/petra-diamonds/5c483de0186fe71000c9defd/ttgs

A conference call line will also be available to allow participants to listen to the webcast by dialling one of the following numbers shortly before 9:30am GMT:

From the UK (toll free): 0800 358 9473
From South Africa (toll free): 080 011 1446
From the rest of the world: +44 33 3300 0804
Participant passcode: 47549191

A recording of the webcast will be available from 1:00pm GMT on 18 February 2019 on the website and on the link above.

Due to Monday 18 February 2019 being a public holiday in the United States, Petra will hold a conference call for international investors on Tuesday 19 February 2019 instead.

International investor Call - 4:00pm GMT / 11:00am EST – Tuesday 19 February
This call will include a discussion and a Q&A session with international investors. Participants are therefore advised to listen to the replay of the earlier webcast in advance, as the main management commentary will not be repeated.

From the United States (toll free): 1 855 857 0686
From the rest of the world: +44 333 300 0804
From the UK (toll free): 0800 358 9473
Participant passcode: 96726809

For further information, please contact:

Petra Diamonds, London
Marianna Bowes
Salisha Ilyas
Telephone: +44 20 7494 8203
investorrelations@petradiamonds.com

Buchanan
(PR Adviser)
Bobby Morse
Telephone: +44 20 7466 5000
pdl@buchanan.uk.com

About Petra Diamonds Limited
Petra Diamonds is a leading independent diamond mining group and a consistent supplier of gem quality rough diamonds to the international market. The Company has a diversified portfolio incorporating interests in three underground producing mines in South Africa (Finsch, Cullinan and Koffiefontein) and one open pit producing mine in Tanzania (Williamson). Petra also conducts a limited exploration programme in Botswana and South Africa, which is currently under review.

Petra's strategy is to focus on value rather than volume production by optimising recoveries from its high-quality asset base in order to maximise their efficiency and profitability. The Group has a significant resource base of ca. 290 million carats, which supports the potential for long-life operations.

Petra conducts all operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process. The Company aims to generate tangible value for each of its stakeholders, thereby contributing to the socio-economic development of its host countries and supporting long-term sustainable operations to the benefit of its employees, partners and communities. Petra is quoted with a premium listing on the Main Market of the London Stock Exchange under the ticker 'PDL' and is a constituent of the FTSE4Good Index. For more information, visit www.petradiamonds.com.

CEO'S REVIEW
In H1 FY 2019, Petra delivered solid production results, with production increasing 10% to 2,019,147 carats from 1,843,956 carats in the same period last year. We continued to see production reaching

consistent levels as Petra's main underground expansion projects are nearing completion, with both Finsch's Block 5 SLC and Cullinan's C-Cut Phase 1 continuing to ramp up during the Period. We have reiterated our full year FY 2019 production guidance of 3.8 – 4.0 Mcts.

For the Period under review, Finsch and Williamson both delivered solid results and production at Cullinan ramped up as expected. That said, the lower value product mix delivered at Cullinan offset the impact of higher volumes as production from the C-Cut phase 1 was largely concentrated in the south-western part of the footprint and therefore not representative of expected production from the full extent of the block cave. At Koffiefontein, ROM production started the Period on a positive trend, but community unrest, which hindered employee attendance, and lower than expected plant availability adversely impacted production during the second quarter. Subsequently, additional crushing capacity has been introduced to the plant, employee attendance has normalised and monthly production is currently ramping back up to levels observed in Q1 FY 2019. Post Period end, Williamson recovered two good quality pink stones (21ct and 10ct) which are in the process of being sold as part of the February 2019 tender.

The continued improvement in production performance was underpinned by a solid safety performance, with the lost time injury frequency rate falling to 0.16. This improvement in performance is extremely important to us as safety is the most important personal and organisational value and we continue to place great emphasis on this area. We will however continue to strive to do better, with our aim being a zero-harm workplace.

Further to the increased production in the Period, Petra's revenue increased 8% to US$207.1 million. With adjusted EBITDA of US$75.6 million, the Company recorded an adjusted EBITDA margin of 36% (H1 FY 2018: 42%), which is lower than the comparable Period, mainly due to a lower incidence of high value stones; specifically at Cullinan; weaker rough diamond prices across all the operations. and the community unrest at Koffiefontein. In Rand terms, the Group achieved absolute on mine costs in line with expectations.

The Group recorded a net loss of US$57.9 million for the Period, including the US$39.7 million loss incurred on the disposal of the KEM JV and Helam operations. Refer to Note 16 for further details.

Capex reduced by 41% in H1 FY 2019 to US$40.6 million (excluding capitalised borrowing costs) in line with Petra's declining capex profile.

SAFETY

The Group LTIFR reduced to 0.16 (H1 FY 2018: 0.24), with zero fatalities during the Period. The health and safety of our employees remains our highest priority and we continue to strive for a zero-harm workplace.

DIAMOND MARKET

The diamond market started the first half of FY 2019, in line with expectations, as seasonally the slowest time of the year in the rough diamond sales calendar. During September and October 2018, whilst demand for higher value stones remained strong, the rough diamond market experienced a softening in demand for lower value small diamonds impacting overall sales prices. This softening in demand was driven by a weakening in global markets and by seasonal destocking at a number of Indian midstream companies. During November and December demand for the lower value small stones saw some recovery due to renewed seasonal demand and the replenishment of stocks by companies in the cutting sector. In retail markets, generally the commentary referred to stable sales over the festive period in constant US-Dollar terms, with marginal declines in absolute terms.

The period from January to April is traditionally the strongest season of the year for the rough diamond market, as the pipeline commences restocking following the festive retail sales. The Company will hold four tenders during H2 FY 2019 and expects market conditions to remain stable during this time.

Diamond Pricing

Rough diamond prices (on a like-for-like basis, in comparison to H2 FY 2018) fell ca. 4%. As noted above, pricing at our first tender in H2 FY 2019 rose ca. 1% on a like-for-like basis compared to H1 FY 2019.

Cullinan prices achieved during the Period are below historical annual averages. Historically, Cullinan averaged US$140/ct from the sale of over 8.5Mcts for the 9.5-year period July 2009 to December 2018, and recorded:

- on an annual basis: high of US$185/ct and low of US$120/ct;
- on a half yearly basis: high of US$247/ct and low of US$87/ct; and
- on a quarterly basis: high of US$293/ct and low of US$63/ct.

The table below summarises diamond pricing achieved for H1 FY 2019, H1 FY 2018 and FY 2018.

Mine	**Actual H1 FY 2019 US$/carat**	**Actual H1 FY 2018 US$/carat**	**Actual FY 2018 US$/carat**
Finsch	105	104	108
Cullinan	96	140	125
Koffiefontein	447	511	525
Williamson	223	233	270

FINANCIAL RESULTS

Revenue
Revenue increased 8% to US$207.1 million in the Period (H1 FY 2018: US$191.8 million) driven by a 15% increase in sales volumes from 1,510,361 carats to 1,736,357 offset by lower prices per carat realised at all operations with the exception of Finsch.

Mining and processing costs
The mining and processing costs for H1 FY 2019 were, as in past periods, comprised on-mine cash costs as well as other operational expenses. A breakdown of the total mining and processing costs for the Period is set out below.

	On-mine cash operating costs[1] US$m	Diamond royalties US$m	Diamond inventory and stockpile movement US$m	Group technical, support and marketing costs[2] US$m	Adjusted mining and processing costs US$m	Depreciation[3] US$m	Mining and processing costs US$m
H1 FY 2019	135.5	7.3	(27.1)	11.4	127.2	50.4	177.7
H1 FY 2018	124.8	1.9	(30.2)	9.4	105.8	38.7	144.5
FY 2018	261.4	14.2	(9.5)	25.3	291.4	127.2	418.6

Notes:

1. *Includes all direct cash operating expenditure at operational level, i.e. labour, consumables, utilities and on-mine overheads.*
2. *Certain technical, support and marketing activities are conducted on a centralised basis.*
3. *Excludes exploration and corporate / administration.*

On-mine cash operating costs in H1 FY 2019 remained in line with expectations, despite the ongoing inflationary pressures. On-mine cash operating costs increased by 9% compared to H1 FY 2018, mainly due to:

- increased contribution from underground tonnes and volumes treated, due to the ongoing ramp-up of ROM production across the operations and the Cullinan Plant running at planned throughput levels for the Period (6% increase);
- inflationary increases, including the impact of labour costs (8% increase); and

- offset by, the effect of translating South African operations' ZAR denominated costs at a weaker ZAR/USD exchange rates (5% decrease).

Royalties increased to US$7.3 million (H1 FY 2018: US$1.9 million) due to the increased profit net of capex at Finsch, as defined in the royalty legislation of South Africa, on the back of increased profits and a reducing unredeemed capex profile.

Profit from mining activities
Profit from mining activities was down 7% to US$80.1 million (H1 FY 2018: US$86.3 million), due to lower rough diamond prices realised during the Period and an increase in mining costs.

Exploration
Petra incurred US$0.2 million of exploration expenditure during the Period (H1 FY 2018: US$0.4 million). Refer to the 'Exploration' section for further information.

Corporate overhead – General and Administration
Corporate overhead decreased to US$4.3 million for the Period (H1 FY 2018: US$5.1 million) benefitting in USD terms from the weakness in the ZAR during the Period.

Adjusted EBITDA
Adjusted EBITDA, being profit from mining activities less exploration and corporate overhead, decreased by 6% to US$75.6 million (H1 FY 2018: US$80.8 million), representing an adjusted EBITDA margin of 36% (H1 FY 2018: 42%), which is lower mainly due to lower incidence of high value stones, specifically at Cullinan, weaker rough diamond prices across all the operations and community unrest and lower than expected plant availability at Koffiefontein.

Depreciation
Depreciation for the Period was US$50.8 million (H1 FY 2018: US$39.1 million), mainly due to increased production from the newly commissioned assets associated with the expansion programmes and increased throughput.

Impairment charge
No impairment charge was considered necessary in the current Period. During H1 FY 2018, as a result of the impairment review carried out at the Koffiefontein operation an impairment charge of US$66.0 million was recognised.

Net financial expense (including unrealised foreign exchange)
Net financial expense of US$45.4 million (H1 FY 2018: US$16.0 million) increased due to a decrease in the capitalisation of interest as the Company moves from a phase of significant capital expenditure and the increase in net unrealised foreign exchange losses. Net financial expense comprises:

- interest received on bank deposits of US$0.4 million (H1 FY 2018: US$0.5 million);
- realised foreign exchange gains of US$nil (H1 FY 2018: US$1.8 million) on settlement of forward exchange contracts.

Offset by:

- Interest on the Group's debt and working capital facilities of US$20.5 million (H1 FY 2018: US$8.8 million) (stated after the capitalisation of interest of US$3.7 million (H1 FY 2018: US$16.2 million) associated with the funding of assets under development); the year-on-year increase is as a result of expansion programmes transitioning to production phases;
- net interest payable on the BEE partners' loans of US$4.9 million (H1 FY 2018: US$9.3 million);
- realised foreign exchange losses of US$2.8 million (H1 FY 2018: US$nil) on the settlement of forward exchange contracts;
- net unrealised foreign exchange losses of US$13.7 million (H1 FY 2018: US$2.9 million gain) representing (i) the unrealised foreign exchange gains on the foreign currency retranslation of cross border loans considered to be repayable in the foreseeable future (US$9.5 million) and (ii) unrealised losses on forward exchange contracts (US$4.2 million); and

- a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US$3.9 million (H1 FY 2018: US$3.1 million).

Tax charge
The tax credit of US$2.5 million (H1 FY 2018: US$23.4 million tax charge including the one-off settlement with the South African Revenue Service ("SARS") on the right to claim a reduction on unutilised capital allowances of US$7.9 million), comprising of deferred tax credit of US$7.6 million and an income tax charge of US$5.1 million (due to taxable profits generated by Finsch). The tax credit for H1 FY 2019 arises due to deferred tax (net of charges and credits), reflecting the deductible temporary differences at Cullinan.

Loss on discontinued operations
The loss on discontinued operations of US$39.7 million relates to the Group's disposal during the Period of its interests in the KEM JV and Helam operations and is made up of a US$3.6 million disposal consideration for KEM JV, net profit of US$6.7 million attributable to KEM JV and a net loss of US$0.7 million at Helam for the Period 1 July 2018 to disposal date and the recycling of the foreign currency translation reserve of US$1.5 million offset by a net asset disposal amount of US$14.6 million, a US$34.5 million recycling of non-controlling interest and a US$1.7 million impairment of current trade and other receivables. Refer to Note 16 for the detailed breakdown.

Net Loss
A net loss after tax of US$57.9 million was recorded for the Period (H1 FY 2018: US$117.7 million).

Earnings per share
Basic loss per share was 6.57 US cents (H1 FY 2018: basic loss per share of 15.92 US cents).

Cash generated from operations
Cash generated from operations for the Period increased to US$62.8 million (H1 FY 2018: US$38.9 million) mainly due to lower working capital cash outflow.

Cash, loans and borrowings and net debt

Cash
As at 31 December 2018 the Group had cash at bank of US$90.7 million (H1 FY 2018: US$119.1 million) and of these cash balances, US$76.8 million was held as unrestricted cash (H1 FY 2018: US$104.7 million), US$13.0 million was held by Petra's reinsurers as security deposits on the Group's cell captive insurance structure (with regards to the Group's environmental guarantees) (H1 FY 2018: US$13.4 million) and US$0.9 million was held by Petra's bankers as security for other environmental rehabilitation bonds lodged with the Department of Mineral Resources in South Africa (H1 FY 2018: US$1.0 million).

Loans and Borrowings
The Group had loans and borrowings (measured under IFRS) at Period end of US$649.5 million (H1 FY 2018: US$760.3 million), comprised of the loan notes plus accrued interest of US$649.5 million (H1 FY 2018: US$647.1 million) and bank loans and borrowings of US$nil (H1 FY 2018: US$113.2 million). During the Period, the Company settled (without cancelling) its bank loans and borrowings (capital plus interest) of US$106.7 million with its lending group. Bank debt facilities undrawn and available to the Group at 31 December 2018 were US$104.5 million (H1 FY 2018: US$7.4 million).

Net debt at 31 December 2018 was US$559.3 million (30 June 2018: US$520.7 million). During H1 FY 2019 positive operational cash flows were offset by:

- US$21.2 million advances to BEE partners, largely related to servicing of BEE bank debt in line with the Group's stated intent of reducing Consolidated net debt for covenant measurement purposes (which includes BEE banking facilities) with the advances recoverable against future BEE partner distributions;
- US$8.6 million funding advanced to the KEM JV, recoverable during H2 FY 2019;
- ca. US$10 million shortfall in revenues due to ongoing volatility in Cullinan's product mix;
- ca. US$9 million due to a 4% downward movement in like-for-like pricing; and

- ca. US$7 million due to the community unrest and lower than expected plant availability at Koffiefontein.

Covenant Measurements attached to banking facilities
The Group has a number of covenants related to its banking facilities, which can be found on Petra's website at: https://www.petradiamonds.com/investors/fixed-income-investors/banking-covenants/ . Covenant ratios are measured bi-annually on a rolling twelve-month period to 30 June and 31 December respectively.

The Company's covenants related to its banking facilities are as outlined below:

Covenant	**31 December 2018**	**30 June 2019 and thereafter**
Consolidated Net Debt to Consolidated EBITDA	Equal to or less than 3.5x	Equal to or less than 2.5x
Consolidated EBITDA to Consolidated Net Finance Charges	Equal to or more than 3.0x	Equal to or more than 4.0x
Consolidated Net Senior Secured Debt to Book Equity	Equal to or less than 0.4x	Equal to or less than 0.4x

The Group closely monitors and manages its liquidity risk. The Group has sufficient cash resources to meet its working capital and capital development requirements, although headroom remains sensitive to diamond prices, foreign exchange rates and production.

BEE loans receivable and payable
BEE loans receivable of US$79.0 million (H1 FY 2018: US$60.8 million) relate to the Group's BEE partners financing their interests in the Koffiefontein mine, advances provided to the BEE partners to enable the BEE partners to discharge interest and capital commitments under the BEE Lender facilities (refer to the information below regarding the guarantee provided by the Company) and other advances to the BEE partners which have enabled the BEE partners to make distributions to their beneficiaries (Petra directors and senior managers do not qualify as beneficiaries under the IPDET Trust Deed). During H1 FY 2019, Petra advanced US$18.3 million to facilitate the servicing of capital and interest payments on behalf of the BEE Partners and US$2.9 million for distributions to the beneficiaries of the Itumeleng Petra Diamonds Employee Trust and shareholders of Kago.

The BEE loans payable of US$112.4 million (H1 FY 2018: US$116.3 million) relate to the initial acquisition loan funding advanced by the Group's BEE partners to the operations to acquire their investments in the Cullinan, Finsch and Koffiefontein mines. The repayment of these loans by the mines to the BEE partners will be from future free cashflows generated by the mining operations.

Other Liabilities
Other than trade and other payables of US$72.1 million (comprising US$20.1 million trade creditors, US$11.7 million employee related accruals, current taxation payable of US$8.8 million and US$31.5 million other payables) (H1 FY 2018: US$123.1 million), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, post retirement employee related provisions and deferred tax.

Capex
H1 FY 2019 Capex for the Period was US$44.3 million (H1 FY 2018: US$85.6 million). The total Capex figure comprised of:

- US$28.5 million on expansion Capex (H1 FY 2018: US$60.2 million);
- US$12.1 million on sustaining Capex (H1 FY 2018: US$9.2 million); and
- US$3.7 million on capitalised borrowing costs with regards to the expansion Capex (H1 FY 2018: US$16.2 million).

Capex	Unit	H1 FY 2019	H1 FY 2018	Variance	FY 2018
Finsch	US$m	13.8	34.5	-60%	54.0
Cullinan	US$m	22.8	40.5	-44%	73.9
Koffiefontein	US$m	3.2	7.8	-59%	12.3
Williamson	US$m	3.2	2.2	+45%	4.6
Subtotal – Capex incurred by operations	US$m	43.0	85.0	-49%	144.8
Corporate / exploration and other	US$m	1.3	0.6	+117%	0.7
Total Group Capex	US$m	44.3	85.6	-48%	145.5

Notes:

1. *Capex for the Period includes US$3.7 million (H1 FY 2018: US$16.2 million) of capitalised borrowing costs, which is also included in the applicable mine by mine tables above. Petra's annual Capex guidance is cash based and excludes capitalised borrowing costs.*

Dividend

The Board remains focused on reducing net debt to a level of 2x or less EBITDA where after dividend payments will be considered.

OPERATIONAL REVIEW

H1 FY 2019 Sales, Production and Capex – Summary

	Unit	H1 FY 2019	H1 FY 2018	Variance	FY 2018
Sales					
Revenue	US$m	207.1	191.8	+8%	495.3
Diamonds sold	Carats	1,736,357	1,510,361	+15%	3,793,799
Production					
ROM tonnes	Mt	6.4	6.0	+7%	12.1
Tailings & other[1] tonnes	Mt	1.0	0.7	+43%	1.6
Total tonnes treated	**Mt**	**7.4**	**6.7**	**+10%**	**13.7**
ROM diamonds	Carats	1,946,717	1,728,626	+13%	3,649,704
Tailings & other[1] diamonds	Carats	72,430	115,330	-37%	186,132
Total diamonds	**Carats**	**2,019,147**	**1,843,956**	**+10%**	**3,835,836**
Capex					
Expansion	US$m	28.5	60.2	-53%	110.7
Sustaining	US$m	12.1	9.2	+32%	19.6
Subtotal	**US$m**	**40.6**	**69.4**	**-41%**	**130.3**
Borrowing costs capitalised	US$m	3.7	16.2	-77%	15.2
Total	**US$m**	**44.3**	**85.6**	**-48%**	**145.5**

Notes:

1. *'Other' includes alluvial diamond mining at Williamson.*

H1 FY 2019 production increased 10% to 2,019,147 carats (H1 FY 2018: 1,843,956 carats) mainly due to a 30% increase in Cullinan ROM production. Total ROM production increased 13% to 1.9 Mcts in the

Period versus 1.7 Mcts in H1 FY 2018 as the expansion projects continue to deliver more undiluted ore. The increase in production was impacted by the community unrest and lower than expected plant availability experienced at Koffiefontein during the Period. The Company has maintained its full year production guidance of ca. 3.8 – 4.0 Mcts.

The commentary below relates to operational results for the Period. Further detailed operational guidance is available on the Company's website at: https://www.petradiamonds.com/investors/analysts/analyst-guidance/. Guidance for FY 2019 remains as published, including cost guidance.

Finsch – South Africa

	Unit	H1 FY 2019	H1 FY 2018	Variance	FY 2018
Sales					
Revenue	US$m	87.0	100.8	-14%	231.9
Diamonds sold	Carats	829,530	970,446	-15%	2,152,786
Average price per carat	US$	105	104	+1%	108
ROM Production					
Tonnes treated	Tonnes	1,503,335	1,559,280	-4%	3,084,395
Diamonds produced	Carats	927,934	931,859	-0%	1,926,467
Grade[1]	Cpht	61.7	59.8	+3%	62.5
Tailings Production					
Tonnes treated	Tonnes	134,395	515,224	-74%	794,973
Diamonds produced	Carats	19,490	104,737	-81%	147,010
Grade[1]	Cpht	14.5	20.3	-29%	18.5
Total Production					
Tonnes treated	Tonnes	1,637,730	2,074,503	-21%	3,879,368
Diamonds produced	Carats	947,424	1,036,596	-9%	2,073,477
Costs					
On-mine cash cost per total tonne treated	ZAR	400	325	23%	329
Capex					
Expansion Capex	US$m	8.3	24.0	-65%	42.3
Sustaining Capex	US$m	4.1	3.4	+21%	7.7
Borrowing Costs Capitalised	US$m	1.4	7.1	-80%	4.0
Total Capex	US$m	13.8	34.5	-60%	54.0

Note:

1. *The Company is not able to precisely measure the ROM / tailings grade split because ore from both sources is processed through the same plant; the Company therefore back-calculates the grade with reference to resource grades.*

Production:
Finsch's ROM carat production was flat at 927,934 carats (H1 FY 2018: 931,859 carats). A planned winder upgrade was successfully completed, which necessitated a planned shut down from 21 December 2018 to 4 January 2019. Overall, Finsch production decreased by 9% to 947,424 carats (H1 FY 2018: 1,036,596 carats) due to the planned reduction in tailings production as the tailings resource nears depletion.

Sales:
Sales decreased 14% to US$87.0 million (H1 FY 2018: US$100.8 million), further to lower sales volumes during the Period.

Costs:
The on-mine unit cash cost per total tonne treated was ZAR400, an increase of 23% from H1 FY 2018 (ZAR325), due to all underground tonnes being mined from block 5 SLC and the planned reduction in the treatment of lower cost tailings tonnes.

Capex:
Capex of US$13.8 million for the Period (H1 FY 2018: US$34.5 million) was in line with guidance and the progression of the expansion project and associated underground development.

Cullinan – South Africa

	Unit	H1 FY 2019	H1 FY 2018	Variance	FY 2018
Sales					
Revenue	US$m	66.2	61.4	+8%	167.0
Diamonds sold	Carats	688,536	439,012	+57%	1,335,669
Average price per carat	US$	96	140	-31%	125
ROM Production					
Tonnes treated	Tonnes	1,996,624	1,783,229	+12%	3,741,086
Diamonds produced	Carats	785,444	602,594	+30%	1,342,020
Grade	Cpht	39.3	33.8	+16%	35.9
Tailings Production					
Tonnes treated	Tonnes	696,354	37,023	+1781%	412,749
Diamonds produced	Carats	46,582	4,640	+904%	26,700
Grade	Cpht	6.7	12.5	-47%	6.5
Total Production					
Tonnes treated	Tonnes	2,692,978	1,820,252	+48%	4,153,835
Diamonds produced	Carats	832,026	607,235	+37%	1,368,720
Costs					
On-mine cash cost per total tonne treated	ZAR	224	256	-13%	239
Capex					
Expansion Capex	US$m	17.3	30.0	-42%	56.2
Sustaining Capex	US$m	3.2	1.4	+129%	6.5
Borrowing Costs Capitalised	US$m	2.3	9.1	-75%	11.2
Total Capex	US$m	22.8	40.5	-44%	73.9

Production:
Cullinan's ROM diamond production increased 30% to 785,444 carats (H1 FY 2018: 602,594 carats), due to a 12% increase in ROM treated to 1.996Mt (H1 FY 2018: 1.783Mt) as well as an increase in the ROM grade of 16% to 39.3cpht (H1 FY 2018: 33.8cpht). This increase in volume and grade is due to the continued ramp up of production from the C-Cut phase 1 and a reduction in ore mined from old areas with higher waste dilution. During the Period, production from the C-Cut phase 1 was largely concentrated in the south-western part of the footprint and therefore not representative of expected production associated with the full extent of the C-Cut phase 1 block cave. The third and final underground crusher was

commissioned during December, delivering increased operational flexibility as mining progresses across the footprint of the cave.

The new Cullinan plant is fully operational and is meeting design parameters while normal optimisation is ongoing. Cullinan's total production increased by 37% to 832,026 carats (H1 FY 2018: 607,235 carats) with increased ROM production supplemented by the ramp-up of tailings production.

Cullinan's average value per carat of US$96 was 31% lower than that achieved in H1 FY 2018 (US$140) due to a weaker product mix combined with a softer pricing environment for lower value stones.

Sales:
Cullinan's revenue increased by 8% to US$66.2 million (H1 FY 2018: US$61.4 million), due to higher sales volumes and an increase in underground tonnes mined.

Costs:
The on-mine unit cash cost per total tonne treated was down 13% to ZAR224 (H1 FY 2018: ZAR256), mainly due to the increase in both ROM tonnes and lower cost tailings tonnes treated.

Capex:
Capex of US$22.8 million (H1 FY 2018: US$40.5 million) was in line with guidance.

Koffiefontein – South Africa

	Unit	H1 FY 2019	H1 FY 2018	Variance	FY 2018
Sales					
Revenue	US$m	10.5	11.0	-5%	27.2
Diamonds sold	Carats	23,406	21,555	+9%	51,936
Average price per carat	US$	447	511	-13%	525
ROM Production					
Tonnes treated	Tonnes	377,391	289,478	+30%	649,259
Diamonds produced	Carats	25,275	25,292	-0%	52,537
Grade	Cpht	6.7	8.7	-23%	8.1
Total Production					
Tonnes treated	Tonnes	377,391	289,478	+30%	649,259
Diamonds produced	Carats	25,275	25,292	-0%	52,537
Costs					
On-mine cash cost per total tonne treated	ZAR	585	634	-8%	596
Capex					
Expansion Capex	US$m	3.0	5.5	-45%	9.6
Sustaining Capex	US$m	0.2	2.3	-91%	2.7
Total Capex	US$m	3.2	7.8	-59%	12.3

Production:
Koffiefontein's ROM production remained flat at 25,275 carats (H1 FY 2018: 25,292 carats). Production was negatively impacted during the Period due to community unrest relating to municipal service delivery, operational challenges experienced relating to plant availability and a lower than planned grade recovered. As mentioned in the Q1 FY 2019 update, community-related protest actions against local government structures commenced during September. The situation worsened and severely disrupted operations at Koffiefontein throughout Q2 FY 2019 due to high employee absenteeism as a result of the protest actions. In spite of these challenges, ROM tonnes mined increased 40% to 434Kt (H1 FY 2018: 311Kt) and ROM tonnes treated increased 30% to 377Kt (H1 FY 2018: 289Kt). The differential between hoisted and treated

ROM tonnes was stockpiled on the surface stockpile, resulting in a ca. 90Kt ROM stockpile available for treatment. The recovered grade was negatively impacted by the stockpiling of partially treated coarse ROM material as well as delayed production from higher grade areas on 60L and 58L West given the impact of the protest actions on the operation. Since the start of January 2019, additional crushing capacity has been introduced to the plant, employee attendance has normalised and monthly production is expected to ramp up over January to levels observed in Q1 FY 2019.

Sales:
Koffiefontein's revenue decreased 5% to US$10.5 million (H1 FY 2018: US$11.0 million), due lower prices achieved during the Period.

Costs:
Unit cash cost per total tonne treated at Koffiefontein was ZAR585 (H1 FY 2018: ZAR634), above guidance due to lower than planned production as result of above mentioned operational challenges.

Capex:
Capex decreased 59% to US$3.2 million (H1 FY 2018: US$7.8 million) and remained primarily focused on underground development associated with the new SLC.

Williamson – Tanzania

	Unit	H1 FY 2019	H1 FY 2018	Variance	FY 2018
Sales					
Revenue	US$m	43.5	18.5	+135%	68.5
Diamonds sold	Carats	194,913	79,445[1]	+145%	253,524[1]
Average price per carat	US$	223	233	-4%	270
ROM Production					
Tonnes treated	Tonnes	2,510,451	2,403,393	+4%	4,659,563
Diamonds produced	Carats	208,064	168,881	+23%	328,681
Grade	Cpht	8.3	7.0	+18%	7.0
Alluvial Production					
Tonnes treated	Tonnes	195,557	193,172	+1%	385,721
Diamonds produced	Carats	6,357	5,953	+7%	12,421
Grade	Cpht	3.3	3.1	+5%	3.2
Total Production					
Tonnes treated	Tonnes	2,706,008	2,596,565	+4%	5,045,284
Diamonds produced	Carats	214,421	174,834	+23%	341,102
Costs					
On-mine cash cost per total tonne treated	US$	11.6	10.0	16%	10.7
Capex					
Expansion Capex	US$m	0.0	0.7	-100%	2.6
Sustaining Capex	US$m	3.2	1.5	+113%	2.0
Total Capex	US$m	3.2	2.2	+45%	4.6

[1]Negatively impacted by the blocked parcel of 71,655 carats.

Production:
Williamson's diamond production increased 23% to 214,421 carats (H1 FY 2018: 174,834 carats), mainly due to an 18% increase in the ROM grade recovered as well as a 4% increase in tonnes treated to 2.7Mt (H1 FY 2018: 2.6Mt).

Sales:
Williamson's revenue increased 135% to US$43.5 million (H1 FY 2018 US$18.5 million), due to Williamson's blocked parcel, with a Government of Tanzania provisional valuation of US$14.8 million not being sold in the corresponding Period.

The Company remains in discussions with the Government of Tanzania and local advisers in relation to the overdue VAT receivables and the blocked parcel.

Costs:
The on-mine unit cash cost per total tonne treated was US$11.6 (H1 FY 2018: US$10), which remains in line with guidance.

Capex:
Capex of US$3.2 million primarily related to waste stripping. All capex is funded from the mine's own cashflow and may be adjusted when issues relating to the blocked parcel and VAT are resolved.

EXPLORATION

As Petra continued to focus on the ramp up of its development programmes at its producing operations, only limited budget was committed to exploration in H1 FY 2019 of US$0.2 million (this was also the case in H1 FY 2018, with US$0.4 million spent). All exploration programmes are currently under review.

CORPORATE AND GOVERNANCE

The Nomination Committee is in the final year of its three-year Succession Plan. During the Period, the Company announced the appointment of two new Independent Non-Executive Directors, Mrs. Varda Shine and Mr. Bernard Pryor to Petra's Board effective 1 January 2019. As previously announced, the Nomination Committee expects to make further changes to the composition of the Board during this calendar year.

The Company also announced today the appointment of a new Chief Executive Officer. For more information, refer to announcement titled "Appointment of Chief Executive Officer" dated 18 February 2019.

PRINCIPAL BUSINESS RISKS

The Group is exposed to a number of risks and uncertainties which could have a material impact on its long-term development, and performance and management of these risks is an integral part of the management of the Group.

An overview of the key risks which could affect the Group's operational and financial performance was included in the Company's 2018 Annual Report, which can be accessed at www.petradiamonds.com. These may impact the Group over the medium to long term; however. the following key risks have been identified which may impact the Group over the next six months.

Short term demand and prices
The stability of financial markets and the corresponding effect on consumer demand impacts the Group and the diamond industry as a whole. Whilst the medium to long term fundamentals of the diamond market remain intact, with demand forecast to significantly outpace supply, in the short term the prevailing climate of global economic uncertainty may cause some volatility in rough diamond pricing.

Although diamond prices are influenced by numerous factors beyond the Company's control, the Group's management closely monitors developments in the international diamond market (across the pipeline from the rough market to the retail consumer market) to be in a position to react in a timely manner to changes in rough diamond prices and demand.

Product mix variability
Some level of variability in terms of product mix is associated with complex orebodies like Cullinan, where the recovery of high value stones varies on a period-to-period basis. Cullinan continued to experience variability in its product mix, with the average value per carat for H1 FY 2019 being below expectations due to a notable shortfall in the recovery of large, high value diamonds for which the mine is known; this is attributable to mining not yet delivering a representative mix of ore across the footprint of the new C-Cut Phase 1 block cave. Variability in overall diamond prices realised as a result of this product mix volatility may have an impact on the Group's financial performance.

Financing and liquidity
The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in rough diamond prices, product mix and foreign exchange rates, different production rates from the Group's producing assets and delays to development projects.

The Group's forecast, taking into account the risks described above and the covenants as discussed in the 'Covenant measurements attached to banking facilities' section of the Financial Review, show that the Group will be able to operate within its current debt facilities and have sufficient liquidity headroom for the remainder of the Group's Capex programme for at least the next twelve months, although headroom remains sensitive to diamond prices, foreign exchange rates and production. There remains a risk, given these factors and the impact on operating cashflows, that the Group's liquidity position could deteriorate and the resulting lack of adequate available cashflows, potential breach of covenants and restricted access to its debt facilities could impact development work and impact the operations.

Exchange rates
With Petra's operations mainly in South Africa, but diamond sales based in US Dollars, the volatility and movement in the Rand is a significant factor to the Group. Also, the Group undertakes transactions in a number of different currencies, including Tanzanian Shillings, GBP and Euro. Fluctuations in these currencies can have an impact on the Group's performance, albeit less significant than the impact of fluctuations in the ZAR/USD exchange rate.

In order to mitigate currency risk, the Group continually monitors the movement of the Rand against the US Dollar, the maturity dates and the level of the hedge book and takes expert advice from its bankers in this regard. It is the Group's policy to hedge, on a short term basis, linked to the tender calendar, a portion of US Dollar sales revenue when weakness in the Rand deems it appropriate.

Country and political risk
Petra's operations are predominantly based in South Africa, with lesser exposure to Tanzania and Botswana. Emerging market economies could be subject to greater risks, including legal, regulatory, taxation, economic, and political risks, and are potentially subject to rapid change.

Tanzania has introduced a number of legislative changes to the framework governing the natural resources sector, which have increased regulatory uncertainty. These changes are set out in the Company's 2018 Annual Report.

In addition, there is no certainty with regards to the outcome for the blocked Williamson parcel, which remains in the custody of the Government of the United Republic of Tanzania.

Johan Dippenaar
Chief Executive Officer
18 February 2019

Notes:

1. *The following exchange rates have been used for this announcement:*
    - a. *closing rate as at 31 December 2018 US$1:ZAR14.35 (31 December 2018 US$1:ZAR12.38)*
    - b. *average rate H1 FY 2019 US$1:ZAR14.19 (H1 FY2018 US$1:ZAR13.40)*
2. *The following definitions have been used in this announcement:*

a. ct: carat
b. cpht: carats per hundred tonnes
c. Exceptional Diamonds: stones that sell for more than US$5 million each
d. LTIFR: lost time injury frequency rate
e. Kt: thousand tonnes
f. Mcts: million carats
g. mL: metre level
h. Mt: million tonnes
i. ROM: run-of-mine, i.e. relating to production from the primary orebody
j. SLC: sub-level cave, a variation of block caving

3. *Diamond inventory carrying values are stated at the lower of cost of production on the weighted average basis or estimated net realisable value.*

PETRA DIAMONDS LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

US$ million	Notes	**(Unaudited) 1 July 2018- 31 December 2018**	(Unaudited) 1 July 2017- 31 December 2017[1]	(Audited) Year ended 30 June 2018[1]
Revenue		**207.1**	191.8	495.3
Mining and processing costs		**(177.7)**	(144.5)	(418.6)
Other direct income		**0.2**	0.3	1.2
Exploration expenditure		**(0.2)**	(0.4)	(0.7)
Corporate expenditure	5	**(4.7)**	(5.6)	(10.4)
Impairment charge – Koffiefontein	15	—	(66.0)	(66.0)
Total operating costs		**(182.4)**	(216.2)	(494.5)
Financial income	6	**2.7**	6.1	8.5
Financial expense	6	**(48.1)**	(22.1)	(94.3)
Loss before tax		**(20.7)**	(40.4)	(85.0)
Income tax credit / (charge)		**2.5**	(23.4)	(13.8)
Loss for the period from continuing operations		**(18.2)**	(63.8)	(98.8)
Loss on discontinued operations including associated impairment charges (net of tax)	16	**(39.7)**	(53.9)	(104.3)
Loss for the Period		**(57.9)**	(117.7)	(203.1)
Attributable to:				
Equity holders of the parent company		**(56.9)**	(93.3)	(166.9)
Non-controlling interest		**(1.0)**	(24.4)	(36.2)
		(57.9)	(117.7)	(203.1)
Loss per share attributable to the equity holders of the parent during the Period:				
From continuing operations:				
Basic loss per share – US cents	13	**(1.74)**	(9.19)	(15.85)
Diluted loss per share – US cents	13	**(1.74)**	(9.19)	(15.85)
From continuing and discontinued operations:				
Basic loss per share – US cents	13	**(6.57)**	(15.92)	(31.29)
Diluted loss per share – US cents	13	**(6.57)**	(15.92)	(31.29)

[1] Comparative results have been restated to reflect the results of the KEM JV within the loss on discontinued operations (net of tax) as per the requirements of IFRS 5, refer to Note 16. The Helam prior period results are insignificant and as such have not been restated.

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

US$ million	**(Unaudited) 1 July 2018- 31 December 2018**	**(Unaudited) 1 July 2017- 31 December 2017**	(Audited) Year ended 30 June 2018
Loss for the Period	**(57.9)**	(117.7)	(203.1)
Exchange differences on translation of the share-based payment reserve	**(0.1)**	1.1	1.3
Exchange differences on translation of foreign operations[1]	**(21.4)**	46.5	(41.3)
Exchange differences on non-controlling interest[1,]	**(1.6)**	2.2	(5.3)
Recycling of foreign currency translation reserve on disposal of operations[2]	**(1.5)**	—	—
Total comprehensive expense for the Period	**(82.5)**	(67.9)	(248.4)

Total comprehensive income and expense attributable to:			
Equity holders of the parent company	**(79.9)**	(45.7)	(206.9)
Non-controlling interest	**(2.6)**	(22.2)	(41.5)
	(82.5)	(67.9)	(248.4)

[1] These items will be reclassified to the consolidated income statement if specific future conditions are met.

[2] During the Period, the Company disposed of the KEM JV and Helam operations and recognised a foreign currency translation gain of US$1.5 million which has been recycled through the consolidated income statement as part of loss on discontinued operations (refer to note 16).

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

US$ million	Notes	**(Unaudited) 31 December 2018**	(Unaudited) 31 December 2017	(Audited) 30 June 2018
ASSETS				
Non-current assets				
Property, plant and equipment	7	**1 188.3**	1 449.8	1 244.2
BEE loans and receivables	12	**79.0**	60.8	64.7
Other receivables		**25.0**	14.5	20.3
Total non-current assets		**1 292.3**	1 525.1	1 329.2
Current assets				
Trade and other receivables		**47.1**	55.6	99.4
Inventories		**105.3**	121.6	78.1
Cash and cash equivalents (including restricted amounts)		**90.7**	119.1	236.0
Total current assets		**243.1**	296.3	413.5
Non-current assets classified as held for sale	16,17	**0.6**	—	46.5
Total assets		**1 536.0**	1 821.4	1 789.2
EQUITY AND LIABILITIES				
Equity				
Share capital	8	**133.4**	89.6	133.4
Share premium account		**790.2**	666.0	790.2
Foreign currency translation reserve		**(367.6)**	(256.9)	(344.7)
Share-based payment reserve		**7.7**	7.2	7.7
Other reserves		**(0.8)**	(0.8)	(0.8)
Accumulated (loss) / retained earnings		**(87.3)**	43.0	(30.4)
Attributable to equity holders of the parent company		**475.6**	548.1	555.4
Non-controlling interest		**43.1**	30.5	11.2
Total equity		**518.7**	578.6	566.6
Liabilities				
Non-current liabilities				
Loans and borrowings	9	**602.4**	600.0	601.2
BEE loans payable	12	**112.4**	116.3	110.5
Provisions		**58.1**	79.9	59.5
Deferred tax liabilities		**125.1**	163.2	139.2
Total non-current liabilities		**898.0**	959.4	910.4
Current liabilities				
Loans and borrowings	9	**47.1**	160.3	153.6
Trade and other payables		**72.1**	123.1	130.8
Total current liabilities		**119.2**	283.4	284.4
Liabilities directly associated with non-current assets classified as held for sale	16,17	**0.1**	—	27.8
Total liabilities		**1 017.3**	1 242.8	1 222.6
Total equity and liabilities		**1 536.0**	1 821.4	1 789.2

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

US$ million	Notes	**(Unaudited) 1 July 2018- 31 December 2018**	(Unaudited) 1 July 2017- 31 December 2017	(Audited) 1 July 2017- 30 June 2018
Loss before taxation for the Period from continuing and discontinued operation		**(60.4)**	(95.2)	(183.2)
Depreciation of property plant and equipment		**53.2**	42.7	135.7
Impairment charge	15	**—**	66.0	66.0
Loss on discontinued operations	16	**39.7**	52.0	92.7
Movement in provisions		**1.0**	(0.2)	(3.0)
Financial income	6	**(2.7)**	(7.2)	(8.9)
Financial expense	6	**49.0**	21.7	95.6
Profit on disposal of property, plant and equipment		**2.3**	0.3	—
Share based payment provision		**0.1**	0.1	0.6
Operating profit before working capital changes		**82.2**	80.2	195.5
Decrease / (increase) in trade and other receivables		**61.6**	9.1	(76.8)
(Decrease) / increase in trade and other payables		**(53.7)**	(10.3)	14.2
Increase in inventories		**(27.3)**	(40.1)	(18.8)
Cash generated from operations		**62.8**	38.9	114.1
Net realised (losses) / gains on foreign exchange contracts		**(2.8)**	2.4	0.2
Finance expense		**(21.2)**	(16.2)	(38.9)
Income tax paid		—	(1.2)	(7.5)
Net cash generated from operating activities		**38.8**	23.9	67.9
Cashflows from investing activities				
Acquisition of property, plant and equipment (including capitalised cash interest paid of US$3.7 million (30 June 2018: US$13.3 million; 31 December 2017: US$16.0 million))		**(44.3)**	(96.8)	(175.4)
Proceeds from sale of property, plant and equipment			—	0.6
Loans advanced to BEE partners		**(21.2)**	(13.4)	(31.0)
Loans advanced to KEM JV post disposal		**(8.6)**	—	—
Transfer from restricted cash deposits		**(2.0)**	—	—
Finance income		**0.5**	0.6	3.9
Net cash utilised in investing activities		**(75.6)**	(109.6)	(201.9)
Cashflows from financing activities				
Proceeds from the issuance of share capital (net of cash issue costs paid of US$6.5 million in FY2018)		—	—	166.9
Increase in borrowings		**2.8**	30.0	35.6
Repayment of borrowings		**(105.6)**	(31.5)	(32.8)
Net cash generated from financing activities		**(102.8)**	(1.5)	169.7
Net increase in cash and cash equivalents		**(139.6)**	(87.2)	35.7
Cash and cash equivalents at beginning of the Period		**223.0**	190.2	190.2
Effect of exchange rate fluctuations on cash held		**(6.6)**	1.7	(2.9)
Cash and cash equivalents at end of the Period[1]		**76.8**	104.7	223.0

The cashflows specific to the discontinued operation (net of tax) are included in the amounts above and are disclosed in Note 16.

[1] Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US$13.9 million (30 June 2018: US$14.4 million and 31 December 2017: US$14.4 million) and unrestricted cash of US$76.8 million (30 June 2018: US$221.6 million and 31 December 2017: US$104.7 million) and excludes unrestricted cash attributable to KEM JV of US$nil (30 June 2018: US$1.4 million and 31 December 2017: US$nil).

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

(Unaudited) US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained earnings	Attributable to the parent	Non-controlling interest	Total equity
At 1 July 2018	133.4	790.2	(344.7)	7.7	(0.8)	(30.4)	555.4	11.2	566.6
Loss for the Period	—	—	—	—	—	(56.9)	(56.9)	(1.0)	(57.9)
Other comprehensive income / (expense)	—	—	(22.9)	(0.1)	—	—	(23.0)	(1.6)	(24.6)
Non-controlling interest disposed	—	—	—	—	—	—	—	34.5	34.5
Equity settled share based payments	—	—	—	0.1	—	—	0.1	—	0.1
At 31 December 2018	133.4	790.2	(367.6)	7.7	(0.8)	(87.3)	475.6	43.1	518.7

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

(Unaudited) US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained earnings	Attributable to the parent	Non-controlling interest	Total Equity
Six month Period ending 31 December 2017:									
At 1 July 2017	89.6	666.0	(303.4)	12.8	(0.8)	129.5	593.7	52.7	646.4
Loss for the Period	—	—	—	—	—	(93.3)	(93.3)	(24.4)	(117.7)
Other comprehensive income / (expense)	—	—	46.5	1.1	—	—	47.6	2.2	49.8
Transfer between reserves for exercise of employee options and warrants	—	—	—	(6.8)	—	6.8	—	—	—
Equity settled share based payments	—	—	—	0.1	—	—	0.1	—	0.1
At 31 December 2017	89.6	666.0	(256.9)	7.2	(0.8)	43.0	548.1	30.5	578.6

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

(Unaudited) US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained earnings	Attributable to the parent	Non-controlling interest	Total equity
12 month Period ending 30 June 2018:									
At 1 July 2017	89.6	666.0	(303.4)	12.8	(0.8)	129.5	593.7	52.7	646.4
Profit / (Loss) for the Period	—	—	—	—	—	(166.9)	(166.9)	(36.2)	(203.1)
Other comprehensive income / (expense)	—	—	(41.3)	1.3	—	—	(40.0)	(5.3)	(45.3)
Transfer between reserves for exercise of employee options and warrants	—	—	—	(7.0)	—	7.0	—	—	—
Equity settled share based payments	—	—	—	0.6	—	—	0.6	—	0.6
Allotments during the Year:									
- Ordinary shares – Rights issue (net of US$7.4 million issue costs)	43.7	124.1	—	—	—	—	167.8	—	167.8
- Share options exercised	0.1	0.1	—	—	—	—	0.2	—	0.2
At 30 June 2018	133.4	790.2	(344.7)	7.7	(0.8)	(30.4)	555.4	11.2	566.6

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Petra Diamonds Limited (the "Company"), a limited liability company listed on the Main Market of the London Stock Exchange, is registered in Bermuda with its Group management office domiciled in the United Kingdom. The Condensed Consolidated Interim Financial Statements of the Company for the six month period ended 31 December 2018 comprise the Company and its subsidiaries, joint operations and associates (together referred to as the "Group").

2. ACCOUNTING POLICIES

The interim results, which are unaudited, have been prepared in accordance with the requirements of International Accounting Standard 34. This condensed interim report does not include all the notes of the type normally included in an annual financial report. This condensed report is to be read in conjunction with the Annual Report for the year ended 30 June 2018, and any public announcements made by the Group during the interim reporting period. The annual financial report for the year ended 30 June 2018 was prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS's") and the accounting policies applied in this condensed interim report are consistent with the polices applied in the annual financial report for the year ended 30 June 2018 unless otherwise noted.

The company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Customers' in the Period, following the standards becoming effective for accounting periods commencing on or after 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 'Financial instruments' addresses the classification and measurement of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. The adoption of IFRS 9 did not result in any material change to the consolidated results of the group from the beginning of the earliest period presented. Following an assessment of the consolidated financial assets no changes to classification of those financial assets was required. The group has applied the expected credit loss impairment model to its financial assets, focused in particular on its non current BEE receivables and no material credit losses are considered to apply. As per note 12, the Group provided a guarantee to the BEE Lenders over the repayment of loans advanced to the Group's BEE Partners. The BEE Partners will settle their loan obligations with the BEE Lenders from their share of future operational cashflows, either through repayment of the amounts owing to the BEE Partners by Petra or through recoverable advances provided by Petra from Group treasury. The adoption of IFRS 9 has not had any material impact on the accounting treatment of the BEE guarantee. The group's VAT receivables are excluded from the scope of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 introduced a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of IFRS 15 did not result in any material change to the group's revenue recognition. The Group recognises revenue to depict the transfer of promised diamond sales to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the diamond sales. Diamond sales are made through a competitive tender process.

The Group's performance obligations are considered to be satisfied and control of the rough diamonds transferred at the point the tender is awarded.

Where the Group makes rough diamond sales to customers and retains a vested right in the future sale of a polished diamond, the Group will record such revenue only at the date when the polished diamond is sold (and only its interest therein).

Basis of preparation including going concern

Background

The ca. US$ 170 million proceeds from a 5 for 8 Rights Issue, wherein the Company issued 332,821,725 ordinary shares to shareholders at 40 pence during June 2018, was used to repay the Revolving Credit and Working Capital facilities due to the Group's Lender group during the Period, with the facilities remaining available. The Rights Issue provided the necessary headroom to meet the 31 December 2018 lender covenants.

H1 FY 2019 was adversely impacted by lower value product mix at Cullinan and production shortfalls at Koffiefontein due to community unrest and lower than expected plant availability. This has, as a result, continued to put pressure on net debt and associated lender covenant requirements, which steps down to lower levels from 30 June 2019 onwards as tabled below, measured twice annually, on a rolling 12 month period at 30 June and 31 December respectively:

Covenant	30 June and 31 December 2018	30 June 2019 and thereafter
Consolidated Net Debt to Consolidated EBITDA	Not more than 3.5x	Not more than 2.5x
Consolidated EBITDA to Consolidated Net Finance Charges	Not less than 3.0x	Not less than 4.0x
Consolidated Net Senior Debt to Book Equity	Not more than 4.0x	Not more than 4.0x

Forecasts and associated risks

The following have been key considerations for the Board during the Period and to the date of this report:

- the ongoing roll-out and ramp-up of the Group's expansion projects, specifically the Cullinan C-Cut Phase 1 and the Finsch SLC;
- the initial production results from the Cullinan plant, and the resultant impact on value and grade expectations;
- the impact on Cullinan pricing due to product mix volatility;
- the impact of the Rand volatility on both liquidity and financial results;
- the production shortfalls at Koffiefontein;
- the impact of labour disruptions at certain of the Group's South African mines;
- the impact of electricity supply disruptions on South African production due to load-shedding by the national utility provider Eskom; and
- the ongoing uncertainty surrounding the outlook for sale of the blocked Williamson parcel.

The Board has reviewed the Group's forecasts and sensitivities for a period of at least 12 months from the date that the Interim Financial Statements were approved, including both forecast cashflows and covenants. In doing so, careful consideration was given to potential risks to the forecasts, including the matters above as applicable, with scenarios subsequently assessed for: a) reduced diamond prices; b) reduced diamond prices at Cullinan at levels commensurate with those achieved in H1 FY 2019; c) potential volatility in the South African Rand; or d) increased operating costs.

Under the base case and considering above sensitivities on an individual basis the Company forecasts that it will not need to utilise any of the South African banking facilities and the Group expects to retain sufficient liquidity from existing cash resources and operating cashflows to meet its liabilities as they fall due under the forecasts over a period of at least 12 months from the date that the Interim Financial Statements were approved. However, potential breaches in its EBITDA related covenants for the June 2019 and December 2019 reporting periods are projected further to the step-down in banking facility covenants from June 2019 as detailed in the table above. However, as stated above, the Group does not expect to rely upon the banking facilities. Base case forecasts assume an average exchange rate of ZAR13.75:US$1, incorporate further advances to BEE partners to enable them to meet their loan obligations with the BEE Lenders, and specifically excludes the proceeds from the sale of the blocked Williamson parcel during the forecast period.

Conclusion

The Board is cognisant of the scope and significance of the projects undertaken to date, and the ongoing risks around ramp-up to full production, coupled with the significant debt financing that has been required to accompany this transformational expansion programme alongside the macro-economic factors relating to the industry.

Subsequent to the receipt of the Rights Issue proceeds, with the Cullinan plant having achieved nameplate capacity, and Cullinan's C-Cut and Finsch's SLC in place and ramping up, the Board is of the opinion that the fundamental business plan of the Group is intact, given that the operations will be mining the majority of their ROM tonnes from new, undiluted areas from FY 2019 onwards. The Board is however cognisant of the impact the Cullinan product mix has on the Cullinan price and the associated impact on revenue and cashflow generation (ca. US$16 million per annum for every US$10 per carat move).

Based on this, alongside the Group's existing cash resources and facilities, the Board remains satisfied that the liquidity headroom remains adequate under the Group's current base case and reasonable sensitivities. Furthermore, the Board recognises the Company has some ability to preserve cash should it be required in the short-term (for example, by deferring non-essential cash payments, maintaining very tight control over costs and overheads, and by potentially deferring certain elements of its capital expenditure that are not essential to the current ramp-up plans).

Accordingly, the Board has concluded that the going concern basis in the preparation of the unaudited interim financial statements remains appropriate and that there are no material uncertainties that would cast doubt on that basis of preparation.

New standards and interpretations applied

The IASB has issued new standards, amendments to published standards and interpretations to existing standards with effective dates on or prior to 1 July 2018 which have an impact on the Group are:

- IFRS 9 Financial Instruments and
- IFRS 15 Revenue from Contracts with Customers

Refer to Accounting Polices above.

New standards and interpretations not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 July 2019 or later periods, which the Group has decided not to adopt early or which are yet to be European Union endorsed.

The only standard which is anticipated to be significant or relevant to the Group is:

IFRS 16 Leases

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognise all lease assets and liabilities on the balance sheet; recognise amortisation of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cashflow statement. The requirements of IFRS 16 extend to certain service contracts, such as mining contractors in which the contractor provides services and the use of assets, which may impact the Group. Accordingly, the Group is performing a review of relevant contracts to complete an impact assessment.

Significant assumptions and judgements:

The preparation of the condensed consolidated interim financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, reported revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the interim financial statements. Estimates and judgements are continually evaluated and based on management's historical experience and other factors, including future expectations and events that are believed to be reasonable. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results of the Group in future reporting periods are discussed below.

Key estimates and judgements:

Impairment reviews

The Group prepares impairment models and assesses mining assets for impairment. While conducting an impairment review of its assets using value in use impairment models using the current life of mine plans, the Group exercised judgement in making assumptions about future rough diamond prices, foreign exchange rates, volumes of production, ore reserves and resources included in the current life of mine plans, future development and production costs and factors such as inflation and discount rates. Changes in estimates used can result in significant changes to the 'Consolidated Income Statement' and 'Statement of Financial Position'.

Koffiefontein

The impairment test at Koffiefontein resulted in the recognition of an impairment charge of US$nil (30 June 2018: US$66.0 million and 31 December 2017: US$66.0 million) on a carrying value of property, plant and equipment of US$49.8 million (30 June 2018: US$118.2 million and 31 December 2018: US$118.2 million). For further details of the inputs, assumptions and sensitivities in the impairment model refer to note 15.

KEM JV

Refer to note 16 for impairment reviews in the prior periods and disposal of KEMJV in the Period.

Cullinan, Finsch and Williamson

The impairment test for Cullinan, Finsch and Williamson as at 31 December 2018, 30 June 2018 and 31 December 2017 did not result in any impairment on the carrying value of property, plant and equipment. For further details of the inputs, assumptions and sensitivities in the impairment models refer to note 15.

Recoverability of diamond parcel in Tanzania

The Group holds diamond inventory valued at lower of cost and net realisable value of US$12.4 million (30 June 2018: US$12.4 million and 31 December 2017: US$12.4 million) in the Statement of Financial Position in respect of the Williamson mine's confiscated diamond parcel. During FY2018, an investigation into the Tanzanian diamond sector by a parliamentary committee in Tanzania was undertaken to determine if diamond royalty payments were being understated. In connection with this, Petra announced on 11 September 2017 that a parcel of diamonds (71,654.45 carats) from the Williamson mine in Tanzania (owned 75% by Petra and 25% by the Government of the United Republic of Tanzania ("GoT")) had been blocked for export to Petra's marketing office in Antwerp.

The assessment of the recoverability of the diamond parcel required significant judgement. In making such a judgement, the Group considered their ongoing discussions with the GoT, confirmation received from the GoT during the Period that they still hold the diamond parcel of 71,654.45 carats, an assessment of the internal process used for the sale and export of diamonds confirming such process is in full compliance with legislation in Tanzania and the Kimberley Process and legal advice received from the Group's in-country attorneys which supports the Group's position.

During FY2018, Petra received authorisation from the GoT to resume diamond exports and sales from Williamson and all subsequent parcels of diamonds have been exported from Tanzania, for eventual sale at the Company's marketing office in Antwerp. While a resolution has not yet been reached with regards to the parcel of diamonds that was blocked from export, based on the above judgements and assessment thereof, management remain confident that the diamond parcel will be released by GoT and will be available for future sale.

Recoverability of VAT in Tanzania

The Group holds VAT receivables carried at US$25.0 million (30 June 2018: US$20.3 million and 31 December 2017: US$14.5 million) in the Statement of Financial Position in respect of the Williamson mine, all of which is past due and the receivables have been classified, after providing for a time-value of money provision, as non-current given the potential delays in receipt. Of the total VAT receivable, US$12.7 million (30 June 2018: US$12.7 million and 31 December 2017: US$14.5 million) relates to historic VAT pre July 2017. The assessment of the carrying value of the VAT receivable under the historic VAT legislation required significant judgement over the timing of future payments, progress and finalisation of VAT audits, ongoing discussions with the relevant authorities in Tanzania and the wider operating environment.

A further US$12.3 million (30 June 2018: US$7.6 million and 31 December 2017: US$nil) of VAT is receivable which relates to VAT under the current legislation, effective from July 2017. The assessment of the carrying value of the VAT receivable under the current VAT legislation required significant judgement over the timing of future payments, the definition of raw minerals under the new VAT legislation, ongoing discussions with the relevant authorities in Tanzania, legal advice and the wider operating environment. Management have considered the current legislation and consider that input VAT can continue to be recovered in relation to the export of rough diamonds, however note that the current legislation is unclear. As such, Management consider the VAT receivables under the new VAT legislation to be valid. Accordingly, the Group is pursuing near term payment in accordance with legislation.

While the total VAT balance is considered receivable, significant uncertainty exists regarding the timing of receipt. Accordingly, the receivable has been discounted by US$4.2 million (30 June 2018: US$3.9 million and 31 December 2017: US$2.7 million) which required estimates as to the timing of future receipts. A discount rate of 9.0% has been applied to the expected cash receipts inclusive of estimated country credit risk. A 1% increase in the discount rate would increase the provision by US$0.2 million and a one year delay would increase the provision by US$1.0 million.

Kimberley Ekapa Mining Joint Venture (30 June 2018)

In line with IFRS 5 and the Group's accounting policy for assets held for sale and discontinued operations, the Kimberley Ekapa Mining Joint Venture ("KEM JV") was classified as held for sale at the Year-end. Judgement was required in determining the fair value adjustment on reclassification of the KEM JV to non-current assets held for sale, with regards to the purchase offer, received from Ekapa Mining, for the Company's and its black economic empowerment ("BEE") partners' 75.9% interest. The fair value adjustment to property, plant and equipment, non-current trade and other receivables and trade and other receivables was to ensure the asset values of the KEM JV were reflected at fair value based on the consideration receivable under the purchase offer if the transaction completes. The accounting treatment involved consideration of the structure of the arrangement, the legal form and the contractual agreements between the parties. Refer to note 16 for further details. During the Period the KEM JV was disposed (Refer to note 16 for further details including the judgement and estimate regarding the fair value of consideration receivable).

BEE guarantee

The BEE partners obtained bank financing from ABSA, RMB and Investec (the "BEE Lenders") to refinance amounts owing by the BEE partners to Petra, which had provided funding to the BEE partners to enable them to acquire their interests in Finsch and Cullinan. As part of the refinancing the Group provided a guarantee to the BEE Lenders over the repayment of loans advanced to the Group's BEE partners. The BEE partners will settle their loan obligations with the BEE Lenders from their share of future operational cashflows, either through repayment of the amounts owing to the BEE partners by Petra or through recoverable advances provided by Petra from Group treasury.

Judgement has been applied by management is assessing the risk of the BEE partners defaulting under their obligations to the BEE Lenders including any acceleration of repayments due to future covenant positions. Management have considered the Group's future cashflows forecasts and its ability to meet planned forecast BEE partner distributions. Accordingly management are of the opinion the risk of default by the BEE partners to the BEE Lenders is remote (refer to note 12 for further details).

Other key estimates and judgements

In addition to the key estimates and judgements disclosed above, the following estimates and judgements have not significantly changed from those disclosed in the FY 2018 Annual Report and will be discussed in further detail in the FY 2019 Annual Report:

- Life of mine and ore reserves and resources
- Capitalisation of borrowing costs
- Provision for rehabilitation
- Inventory and inventory stockpile
- Depreciation
- Pension and post-retirement medical fund schemes
- Net investments in foreign operations

3. DIVIDENDS

No interim dividends have been declared in respect of the current Period under review (30 June 2018: US$nil).

4. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's operating and geographical segments:
Mining – the extraction and sale of rough diamonds from mining operations in South Africa and Tanzania.
Exploration – exploration activities in Botswana.
Corporate – administrative activities in United Kingdom.

Segments are based on the Group's management and internal reporting structure. Management reviews the Group's performance by reviewing the results of the mining activities in South Africa and Tanzania, reviewing the results of exploration activities in Botswana and reviewing the corporate administration expenses in United Kingdom. Each segment derives, or aims to derive, its revenue from diamond mining and diamond sales, except for the corporate and administration cost centre.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Segment results are calculated after charging direct mining costs, depreciation and other income and expenses. Unallocated items comprise mainly interest-earning assets and revenue, interest-bearing borrowings and expenses and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period. Eliminations comprise transactions between Group companies that are cancelled on consolidation. The results are not materially affected by seasonal variations. Revenues are generated from tenders held in South Africa and Antwerp for external customers from various countries, the ultimate customers of which are not known to the Group.

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities				Care and maintenance	Tanzania - Mining activities	Botswana	United Kingdom	South Africa		
US$ million	**Cullinan**	**Finsch**	**Koffiefontein**	**KEM JV**[5]	**Helam**[5]	**Williamson**	**Exploration**[4]	**Corporate and treasury**	**Beneficiation**[3]	**Inter-segment**	**Consolidated**
(6 month period ended 31 December 2018)	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018
Revenue	66.2	87.0	10.5	—	—	43.5	—	—	0.7	(0.8)	207.1
Segment result[1]	4.7	27.7	(6.8)	—	—	4.8	(0.2)	(4.7)	(0.7)	(0.3)	24.5
Other direct income	—	0.1	—	—	—	0.1	—	—	—	—	0.2
Operating profit / (loss)[2]	4.7	27.8	(6.8)	—	—	4.9	(0.2)	(4.7)	(0.7)	(0.3)	24.7
Financial income											2.7
Financial expense											(48.1)
Income tax credit											2.5
Loss on discontinued operation (net of tax) [5]											(39.7)
Non-controlling interest											1.0
Loss attributable to equity holders of the parent company											(56.9)
Segment assets	664.3	495.7	196.8	—	—	212.0	—	3 055.2	12.4	(3 100.4)	1 536.0
Segment liabilities	622.7	226.8	293.5	—	—	297.4	—	2 191.8	13.3	(2 628.2)	1 017.3
Capital expenditure	22.8	13.8	3.2	—	—	3.2	—	1.3	—	—	44.3

[1] Total depreciation of US$50.8 million included in the segmental result, comprises depreciation incurred at Finsch US$14.8 million, Cullinan US$27.4 million, Koffiefontein US$2.3 million, Williamson US$5.9 million, Exploration US$0.1 million and Corporate administration US$0.3 million.

[2] Operating profit is equivalent to revenue of US$207.1 million less total costs of US$182.4 million as disclosed in the Consolidated Income Statement.

[3] The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

[4] Assets of US$ 0.6 million and liabilities of US$ 0.1 million in respect of the exploration assets in Botswana have been classified as non-current assets held for sale (refer to note 17).

[5] The operating results in respect of KEM JV and Helam have been reflected within loss on discontinued operation (refer to note 16).

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities				Care and maintenance	Tanzania - Mining activities	Botswana	United Kingdom	South Africa		
US$ million	Cullinan	Finsch	Koffiefontein	KEM JV[5]	Helam[5]	Williamson	Exploration	Corporate and treasury	Beneficiation[4]	Inter-segment	Consolidated
(6 month period ended 31 December 2017)	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017
Revenue	61.4	100.8	11.0	—	—	18.5	—	—	0.5	(0.4)	191.8
Segment result[1]	15.8	39.1	(2.5)	—	(0.9)	(3.6)	(0.4)	(5.6)	(0.6)	—	41.3
Impairment charge	—	—	(66.0)	—	—	—	—	—	—	—	(66.0)
Other direct income	(0.3)	0.2	—	—	(0.2)	0.3	—	—	—	0.3	0.3
Operating (loss) / profit[2]	15.5	39.3	(68.5)	—	(1.1)	(3.3)	(0.4)	(5.6)	(0.6)	0.3	(24.4)
Financial income											6.1
Financial expense											(22.1)
Income tax expense											(23.4)
Loss on discontinued operation (net of tax) [5]											(53.9)
Non-controlling interest											24.4
Loss attributable to equity holders of the parent company											(93.3)
Segment assets	919.9	785.5	213.9	267.3	7.2	187.8	0.8	3 781.1	20.1	(4 362.2)	1 821.4
Segment liabilities	816.6	493.2	301.4	325.5	54.2	296.0	44.6	2 674.5	20.6	(3 783.8)	1 242.8
Capital expenditure	40.5	34.5	7.8	—	—[3]	2.2	—	0.6	—	—	85.6

[1] Total depreciation of US$39.1 million included in the segmental result, comprises depreciation incurred at Finsch US$10.5 million, Cullinan US$19.4 million, Koffiefontein US$3.2 million, Williamson US$5.0 million, Helam US$0.5 million, Exploration US$0.1 million and Corporate administration US$0.4 million.

[2] Operating profit is equivalent to revenue of US$191.8 million less total costs of US$216.2 million as disclosed in the Consolidated Income Statement.

[3] Capital expenditure at Helam includes work-in-progress of US$nil million in respect of the manufacture of plant and equipment for other mines within the Group.

[4] The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

[5] The operating results in respect of KEM JV have been reflected within loss on discontinued operation (refer to note 16). The Helam prior period results are insignificant and as such have not been restated.

4. SEGMENTAL INFORMATION (continued)

Operating segments	**South Africa – Mining activities**				**Care and maintenance**	**Tanzania - Mining activities**	**Botswana**	**United Kingdom**	**South Africa**		
US$ million	**Cullinan**	**Finsch**	**Koffiefontein**	**KEM JV[4,5]**	**Helam[5]**	**Williamson**	**Exploration[4]**	**Corporate and treasury**	**Beneficiation[3]**	**Inter-segment**	**Consolidated**
(12 month period ended 30 June 2018)	**2018**	**2018**	**2018**	**2018**	**2018**	**2018**	**2018**	**2018**	**2018**	**2018**	**2018**
Revenue	167.0	231.9	27.2	—	—	68.5	—	—	25.5	(24.8)	495.3
Segment result[1]	14.2	67.7	(12.5)	—	(1.7)	13.0	(0.7)	(10.4)	(1.0)	(3.0)	65.6
Impairment charge	—	—	(66.0)	—	—	—	—	—	—	—	(66.0)
Other direct income	(0.2)	0.3	—	—	(0.4)	0.4	—	—	—	1.1	1.2
Operating profit / (loss)[2]	14.0	68.0	(78.5)	—	(2.1)	13.4	(0.7)	(10.4)	(1.0)	(1.9)	0.8
Financial income											8.5
Financial expense											(94.3)
Income tax expense											(13.8)
Loss on discontinued operation (net of tax) [5]											(104.3)
Non-controlling interest											36.2
Loss attributable to equity holders of the parent company											(166.9)
Segment assets	727.3	557.4	135.8	—	7.2	211.3	—	3 323.8	13.0	(3 186.6)	1 789.2
Segment liabilities	653.3	281.8	291.0	—	50.1	302.5	—	2 304.5	14.1	(2 674.7)	1 222.6
Capital expenditure	73.9	54.0	12.3	—	—	4.6	—	0.7	—	—	145.5

[1] Total depreciation of US$128.0 million included in the segmental result, comprises depreciation incurred at Finsch US$41.7 million, Cullinan US$66.1 million, Koffiefontein US$9.1 million, Williamson US$9.5 million, Helam US$0.7 million, Exploration US$0.1 million and Corporate administration US$0.8 million.

[2] Operating profit is equivalent to revenue of US$495.3 million less total costs of US$494.5 million as disclosed in the Consolidated Income Statement.

[3] The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

[4] Assets of US$46.5 million and liabilities of US$27.8 million in respect of KEM JV and the exploration assets in Botswana were classified as non-current assets held for sale (refer to notes 16 and 17).

[5] The operating results in respect of KEM JV have been reflected within loss on discontinued operation and the assets and liabilities classified as held for sale (refer to note 16). The Helam prior period results are insignificant and as such have not been restated.

US$ million	**1 July 2018 - 31 December 2018**	1 July 2017 - 31 December 2017	1 July 2017 - 30 June 2018
5. CORPORATE EXPENDITURE			
Corporate expenditure includes:			
Depreciation of property, plant and equipment	**0.3**	0.4	0.7
London Stock Exchange and other regulatory expenses	**0.5**	0.7	1.4
Share-based expense - Directors	**0.1**	0.1	0.6
Other staff costs	**1.4**	1.7	3.6
Total staff costs	**1.5**	1.8	4.2

6. FINANCING EXPENSE

US$ million	**1 July 2018 - 31 December 2018**	1 July 2017 - 31 December 2017	1 July 2017 - 30 June 2018
Net unrealised foreign exchange gains	**—**	2.9	—
Interest received on BEE loans and other receivables	**2.3**	0.9	4.1
Interest received bank deposits	**0.4**	0.5	3.5
Realised foreign exchange gains on the settlement of foreign loans and forward exchange contracts	**—**	1.8	0.9
Financial income	**2.7**	6.1	8.5
Gross interest on senior secured second lien notes, bank loans and overdrafts	**(24.2)**	(25.0)	(62.7)
Interest on bank loans and overdrafts capitalised	**3.7**	16.2	15.2
Net interest expense on bank loans and overdrafts	**(20.5)**	(8.8)	(47.5)
Other debt finance costs, including BEE loan interest and facility fees	**(7.2)**	(10.2)	(16.5)
Unwinding of present value adjustment for rehabilitation costs	**(3.9)**	(3.1)	(4.1)
Net unrealised foreign exchange losses[1]	**(13.7)**	—	(26.2)
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts	**(2.8)**	—	—
Financial expense	**(48.1)**	(22.1)	(94.3)
Net financial expense	**(45.4)**	(16.0)	(85.8)

[1] The Group predominantly enters into hedge contracts where the risk being hedged is the volatility in the South African Rand, Pound Sterling and US Dollar exchange rates affecting the proceeds in South African Rand of the Group's US Dollar denominated diamond tenders. In the event of a capital raising, as was the case with the Rights Issue in FY2018, the Group may also enter into short dated hedges to facilitate the conversion between functional currencies across the Group as was the case with the settlement of the South African lender facilities out of the Pound Sterling Rights Issue proceeds in July 2018. The fair value of the Group's hedges as at the end of the Period are based on Level 2 mark-to-market valuations performed by the counterparty financial institutions. The contracts are all short dated in nature and mature within the next 12 months. An unrealised loss of US$13.7 million (30 June 2018: US$26.2 million loss and 31 December 2017: US$2.9 million gain) in respect of foreign exchange contracts and inter-group loans held at Period end and a realised foreign exchange loss of US$2.8 million (30 June 2018: US$0.9 million gain and 31 December 2017: US$1.8 million gain) in respect of foreign exchange contracts closed during the period is included in the net finance and expense amount.

7. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment for the Period is a decrease of US$55.9 million (30 June 2018: US$197.1 million and 31 December 2017: US$8.5 million). This is primarily as a result of:

- an increase in property, plant and equipment from capital expenditure of US$44.3 million (30 June 2018: US$159.3 million and 31 December 2017: US$93.7 million), which includes US$nil million (30 June 2018: US$13.8 million and 31 December 2017: US$nil) additions attributable to KEM JV;
- an increase in the rehabilitation asset of US$nil million (30 June 2018: US$2.7 million and 31 December 2017: US$nil), and

offset by:

- the movement in the US$/ZAR foreign exchange rate resulting in a foreign exchange decrease on Rand based assets of US$47.1 million (30 June 2018: US$62.5 million decrease and 31 December 2017: US$79.6 million increase);
- depreciation of US$50.8 million (30 June 2018: US$128.0 million and 31 December 2017: US$42.7 million);
- the impairment of the Koffiefontein assets of US$nil (30 June 2018: US$66.0 million and 31 December 2017: US$66.0 million);
- the impairment of the KEM JV assets of US$nil (30 June 2018: US$77.0 million and 31 December 2017: US$52.0 million);
- the transfer of the remaining KEM JV assets to non-current assets held for sale, of US$nil (30 June 2018: US$19.8 million and 31 December 2017: US$nil);
- the disposal of the Helam assets of US$1.5 million (30 June 2018: US$nil and 31 December 2017: US$nil);
- the transfer of the exploration assets of US$nil (30 June 2018: US$0.7 million and 31 December 2017: US$nil) to non-current assets held for sale; and
- assets of US$0.8 million (30 June 2018: US$5.1 million and 31 December 2017: US$4.1 million) disposed of during the Period.

8. SHARES ISSUED

There were no allotments by the Company during the Period under review.

During the period ending 30 June 2018, the Company raised gross proceeds of US$175.2 million (£133.1 million) comprising share capital of US$43.7 million (£33.3 million) and share premium of US$131.5 million (£99.8 million). The costs of US$7.4 million associated with the Rights Issue were capitalised against share premium. The proceeds from the Rights Issue were used to settle costs of US$7.4 million in respect of the Rights Issue, the RCF (capital plus interest) of US$73.1 million and the WCF (capital plus interest) of US$33.6 million held with the Group's Lenders (refer note 9).

Further details with regards to the Group's share plans are provided in the Group's 2018 Annual Report.

9. LOANS AND BORROWINGS

US$ million	**31 December 2018**	31 December 2017	30 June 2018
Non-current liabilities			
Loans and borrowings – Senior secured second lien notes	**602.4**	600.0	601.2
		600.0	601.2
Current liabilities			
Loans and borrowings – Senior secured lender debt facilities	**—**	113.2	106.7
Loans and borrowings – Senior secured second lien notes	**47.1**	47.1	46.9
	47.1	160.3	153.6
Total loans and borrowings - bank facilities	**649.5**	760.3	754.8

a) Senior Secured Lender Debt Facilities

The Group's lending group (Absa Corporate and Investment Banking ("Absa"), FirstRand Bank Limited (acting through its Rand Merchant Bank division) ("RMB"), and Nedbank Limited) and lending facilities are detailed in the table below. There have been no amendments to the facilities during the Period under review.

The Group's debt and hedging facilities are detailed in the table below:

Senior Lender Debt Facilities	**31 December 2018 Facility amount**	31 December 2017 Facility amount	30 June 2018 Facility amount
ZAR Debt Facilities:			
ZAR Lenders Revolving credit facility (RCF)	ZAR1,000 million	ZAR1,000 million	ZAR1,000 million
ZAR Lenders Working capital facility (WCF)	ZAR500 million	ZAR500 million	ZAR500 million
Absa/RMB – FX Hedging facilities	ZAR300 million	ZAR300 million	ZAR300 million

The repayment terms and interest rates remain unchanged. The terms and conditions are detailed in the Group's FY 2018 Annual Report.

The facilities are secured on the Group's interests in Finsch, Cullinan, Koffiefontein and Williamson.

On 09 July 2018, the Company settled the RCF loan (capital plus interest) of US$73.1 million with its lending group.

On 13 July 2018, the Company settled the WCF loan (capital plus interest) of US$33.6 million with its lending group.

The RCF and WCF have not been cancelled and still remain available to the Group.

As at date of this report, both the RCF and WCF remain undrawn.

Covenant ratios

There have been no changes to the covenant ratios during the Period under review. The changes referred to below occurred during the prior reporting periods.

30 June 2018

On 9 September 2017, agreement was reached with Petra's Lender group to waive the two EBITDA maintenance measurement covenant tests relating to its senior debt facilities for the 12-month period to, and as at 30 June 2017. The lender group further agreed to revised covenant ratios relating to EBITDA for the 12-month measurement period to 31 December 2017 as follows:

(i) the interest cover ratio is changed to no less than 2.7x (previously 3.85x); and

(ii) the net debt to EBITDA ratio is changed to no more than 4.0:1 (previously 2.80:1).

As announced on 9 October 2017, the Group highlighted that it was due to breach its EBITDA maintenance covenant measurements related to its senior debt facilities for the period ending, and as at, 31 December 2017 and a waiver was received for the 31 December 2017 measurement period after calendar year end from the Company's Lender group, coupled with the following:

- an increase of 1% in the interest rate charged on the banking facilities in the event that the Company's Consolidated Net Debt is greater than 2.5x but less than 3x Consolidated EBITDA and
- an increase of 2% in the interest rate charged on the banking facilities in the event that the Company's Consolidated Net Debt exceeds or is equal to 3x Consolidated EBITDA.

Furthermore, covenants for the 30 June 2018, 31 December 2018 and 30 June 2019 measurement periods, were set at the following levels:

Covenant	30 June and 31 December 2018	30 June 2019
Consolidated Net Debt to Consolidated EBITDA	Not more than 3.5x (revised from 2.5x)	Not more than 2.5x
Consolidated EBITDA to Consolidated Net Finance Charges	Not less than 3.0x (revised from 4.0x)	Not less than 4.0x

As part of the Rights Issue in June 2018, the Company requested and was granted a waiver from the Lender group in respect of the Consolidated EBITDA to Consolidated Net Finance Charges covenant and the Consolidated Net Debt to Consolidated EBITDA covenants for the 12 month measurement period to 30 June 2018.

Refer to the 'Financial Results' section within the CEO's Review for discussion with regards to covenants.

b) US$650 million Senior Secured Second Lien Notes

A wholly owned subsidiary of the Company, Petra Diamonds US$ Treasury Plc, issued debt securities consisting of US$650 million five-year senior secured second lien notes with a maturity date of 01 May 2022 (the "2022 Notes"). The 2022 Notes carried a coupon of 7.25% per annum, which is payable semi-annually in arrears on 1 May and 1 November of each year. The 2022 Notes are guaranteed by the Company and by the Petra Diamonds Group's material subsidiaries and are secured on a second lien basis on the assets of the Petra Diamonds Group's material subsidiaries.

Further details about the 2022 Notes (including security) are included in the Group's FY 2018 Annual Report.

10. COMMITMENTS

As at 31 December 2018, the Company has committed to future capital expenditure totalling US$19.5 million (30 June 2018: US$24.4 million and 31 December 2017: US$31.8 million), mainly comprising Cullinan US$8.1 million (30 June 2018: US$16.9 million and 31 December 2017: US$11.3 million), Finsch US$9.4 million (30 June 2018: US$6.3 million and 31 December 2017: US$14.2 million), Koffiefontein US$1.9 million (30 June 2018: US$1.2 million and 31 December 2017: US$1.6 million), KEM JV US$nil (30 June 2018: US$nil and 31 December 2017: US$4.7 million) and Williamson US$0.1 million (30 June 2018: US$nil and 31 December 2017: US$nil million).

11. RELATED PARTY TRANSACTIONS

The Group's related party BEE partners, Kago Diamonds (Pty) Ltd ("Kago Diamonds") and Sedibeng Mining (Pty) Ltd ("Sedibeng Mining"), and their gross interests in the mining operations of the Group are disclosed in the table and 'Group restructuring' paragraph below.

Mine	Partner and respective interest as at 31 December 2018 (%)	Partner and respective interest as at 31 December 2017 (%)	Partner and respective interest as at 30 June 2018 (%)
Finsch	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)
Cullinan	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)
Koffiefontein	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)
Kimberley Ekapa Mining JV[1]	Kago Diamonds (0.0%) Ekapa Mining (0.0%)	Kago Diamonds (8.4%) Ekapa Mining (24.1%)	Kago Diamonds (8.4%) Ekapa Mining (24.1%)
Helam[1]	Sedibeng Mining (0.0%)	Sedibeng Mining (26%)	Sedibeng Mining (26%)

[1] During the Period, the Company and its BEE Partners disposed of their interests in KEM JV and Helam (refer to note 16).

A prior restructuring of the Group and its BEE Partner structures, allowing for a simplified Group structure resulted in the IPDET acquiring a 12% interest in each of the Group's South African operations, with Petra's commercial BEE Partners holding the remaining 14% interest through their respective shareholdings in Kago Diamonds, in which Petra has a 31.46% interest. The effective interest percentages attributable to the remaining operations for the Group's shareholders, as a result of the restructuring, are disclosed in the table below:

Mine	Resultant Group's effective interest % - Post restructuring
Finsch	78.4
Cullinan	78.4
Koffiefontein	78.4

The non-current loans receivable, non-current loans payable, finance income and finance expense due from and due to the related party BEE partners and other related parties are disclosed in the table below:

US$ million	**1 July 2018 - 31 December 2018[3]**	1 July 2017 - 31 December 2017	1 July 2017 - 30 June 2018
Non-current receivable			
Sedibeng Mining	**—**	1.0	0.9
Kago Diamonds[1, 2]	**37.3**	21.7	26.2
Ekapa Mining[3]	**—**	2.1	—
	37.3	24.8	27.1
Non-current payable			
Kago Diamonds[1, 2]	**60.2**	62.6	59.5
	60.2	62.6	59.5
Current trade and other receivables			
KEM JV[4]	**9.7**	—	—
	9.7	—	—
Finance income			
Kago Diamonds[1]	**1.4**	0.9	1.8
Ekapa Mining	**—**	0.1	0.2
		1.0	2.0
Finance expense			
Kago Diamonds	**3.3**	3.2	6.7
Ekapa Mining[3]	**—**	0.1	0.2
	3.3	3.3	6.9

[1] Umnotho weSizwe Group (Pty) Ltd ("Umnotho"), holds a 16.34% interest in Kago Diamonds. Mr Dippenaar is directly or indirectly a beneficiary of a trust that is a shareholder in Umnotho.

[2] Included in non-current receivables are amounts advanced during the Period of US$12.5 million (30 June 2018: US$31.0 million and 31 December 2017: US$13.4 million).

[3] Additionally, included in current trade and other receivables are amounts of US$nil (30 June 2018: US$nil and 31 December 2017: US$15.4 million) receivable from Ekapa Mining (Pty) Ltd relating to working capital loans with the Group. In the period ending 30 June 2018, the Ekapa Mining (Pty) Ltd receivable had no value attributable to it as part of the proposed KEM JV sale proceeds and was therefore reduced to US$nil.

[4]. Included in current trade and other receivables is an amount of US$9.7 million (30 June 2018: US$nil and 31 December 2017: US$nil) advanced to the KEM JV as part of the disposal agreement. The amount is recoverable during H2 FY 2019.

Kago Diamonds is one of the BEE partners which obtained bank financing from ABSA, RMB and Investec (the “BEE Lenders”) to acquire its interests in Finsch and Cullinan. The Group has provided a guarantee to the BEE Lenders for repayment of loans advanced to the Group’s BEE Partners (refer to note 12 for further detail).

Helam disposal (refer note 16)

Jim Davidson, former technical director of Petra who retired from the Company on 30 June 2018, was approached by the existing owners of Lindleys Mining to be a co-shareholder in this venture given his extensive experience with Helam and to maximise their chances of success. Jim Davidson agreed to subscribe for 49% of the shares in Lindleys Mining. As such, Jim Davidson is considered to be a related party of the Company under Listing Rule 11.1.4R. Lindleys Mining purchased the Helam mine on 06 December 2018.

As disclosed in the Company’s FY 2012 annual report, Mr. Johan Dippenaar, CEO, and Mr. Jim Davidson, former technical director, exercised an option to acquire the Helam game farm from the Company for R2.5 million (ca. US$0.3 million at the prevailing exchange rate) granted in 2004. Although Mr Dippenaar and Mr Davidson duly paid the option price, the transfer of the properties has to date not been effected. In the interest of the Helam disposal (refer note 16), and to ensure the surface rights (including the mining right area and the Helam game farm) are transferred without any encumbrance to the new owners, Helam entered into a cancellation agreement with Mr Dippenaar and Mr Davidson prior to the Helam disposal as disclosed above, to unwind the exercise of the original option through the repayment of the original option price of R2.5 million (US$0.2 million at current exchange rates), the “Option Cancelation”. The Option Cancelation is classified as a small transaction as defined in Listing Rule 11 Annex 1.

Rental income receivable

The Group received US$nil (30 June 2018: US$nil and 31 December 2017: US$nil) of rental income from Pella Resources Ltd and US$nil (30 June 2018: US$0.4 million and 31 December 2017: US$0.2 million) from Alufer Mining Ltd. The Group has US$0.3 million (30 June 2018: US$0.3 million and 31 December 2017: US$0.3 million) receivable from Pella Resources Ltd and US$0.1 million (30 June 2018: US$0.4 million and 31 December 2017: US$0.4 million) receivable from Alufer Mining Ltd, both companies of which Mr Pouroulis is a director.

12. BEE LOANS RECEIVABLE AND PAYABLE

US$ million	**1 July 2018 - 31 December 2018**	1 July 2017 - 31 December 2017	1 July 2017 - 30 June 2018
Non-current assets			
Loans and other receivables	**79.0**	60.8	64.7
Non-current liabilities			
Trade and other payables	**112.4**	116.3	110.5

BEE Loans Receivable

The non-current BEE loans receivable represents those amounts receivable from the Group’s BEE partners (Kago Diamonds, Sedibeng Mining and the IPDET) in respect of financing their interest in the Koffiefontein mine, advances provided to the BEE partners to enable the BEE partners to discharge interest and capital commitments under the BEE Lender facilities (refer below guarantee provided by the Company) and other advances to the BEE partners which have enabled the BEE to make distributions to their beneficiaries (Petra directors do not qualify as beneficiaries under the IPDET Trust Deed).

As a result of prior period delays in the Cullinan plant ramp-up and the Finsch SLC ramp-up, the Group has elected to advance the BEE partners funds using Group treasury to enable the BEE partners to service their interest and capital commitments under the BEE Lender facilities (refer below). As a result the BEE loans receivable due to Petra have increased. The BEE partners are also required to settle future interest and capital repayments under the BEE Lender facilities and Petra may, at its discretion, elect to advance the BEE partners funds to enable the BEE partners to service those future interest and capital commitments. These loan advances will be recoverable from the BEE's share of future cashflows from the underlying mining operations.

US$ million	**1 July 2018 - 31 December 2018**	1 July 2017 - 31 December 2017	1 July 2017 - 30 June 2018
As at 1 July	**64.7**	35.0	35.0
Foreign exchange movement on opening balance	**(3.0)**	4.2	(3.7)
Discretionary advance – capital and interest commitment (BEE Lender facility)	**18.3**	8.7	24.3
Discretionary advance – distributions to beneficiaries	**2.9**	4.8	6.7
Interest receivable	**1.6**	1.3	2.4
BEE partner receivables written off – KEM JV disposal	**(5.5)**		
Restructuring of BEE partner structures and reclassification	**—**	6.8	—
As at end of Period	**79.0**	60.8	64.7

BEE loans payable

BEE loans payable represent those loans advanced by the BEE partners to the Group to acquire their interest in Finsch and Cullinan. Details of the movements are set out below.

US$ million	**1 July 2018 - 31 December 2018**	1 July 2017 - 31 December 2017	1 July 2017 - 30 June 2018
As at 1 July	**110.5**	99.5	99.5
Foreign exchange movement on opening balance	**(4.2)**	10.4	(1.5)
Interest payable	**6.1**	5.9	12.5
Restructuring of BEE partner structures and reclassification	**—**	0.5	—
As at end of Period	**112.4**	116.3	110.5

Group guarantee provided to BEE Lenders

The BEE partners obtained bank financing from ABSA, RMB and Investec (the "BEE Lenders") to refinance amounts owing by the BEE partners to Petra, which had provided funding to the BEE partners to enable them to acquire their interests in Finsch and Cullinan. As part of the refinancing the Group provided a guarantee to the BEE Lenders over the repayment of loans advanced to the Group's BEE partners. The BEE partners will settle their loan obligations with the BEE Lenders from their share of future operational cashflows, either through repayment of the amounts owing to the BEE partners by Petra or through recoverable advances provided by Petra from Group treasury.

As at 31 December 2018 the BEE lender facility for which Petra stands surety was US$72.5 million (30 June 2018: US$88.8 million and 31 December 2017: US$109.3 million) with interest and capital commitments as detailed below:

US$ million	**Interest repayments**	**Capital repayments**	**Balance**
BEE Lender facility as at 31 December 2018			72.5
Due and payable within 12 months	(7.2)	(42.8)	(50.0)
Due and payable in 1 – 2 years			22.5

The BEE Lender facility forms part of Petra's Consolidated Net Debt for Petra's covenant measurement purposes and is subject to the same covenant requirements (refer to note 9 for further detail).

The BEE Lender facility bears interest at SA JIBAR plus 6.5%, is repayable in bi-annual instalments (capital plus interest) in November and May with a final repayment date in May 2020. The probability of repayment default by the BEE Partners to Absa, Investec and RMB and any subsequent call by the Lender Group on the guarantee provided by Petra is considered remote.

13. EARNINGS PER SHARE

	Continuing operations 1 July 2018 - 31 December 2018 US$	**Discontinued operations 1 July 2018 - 31 December 2018 US$**	**Total 1 July 2018 - 31 December 2018 US$**	(Restated) Continuing operations 1 July 2017 - 31 December 2017 US$	(Restated) Discontinued operations 1 July 2017 - 31 December 2017 US$	(Restated) Total 1 July 2017 - 31 December 2017 US$	Continuing operations 1 July 2017 - 30 June 2018 US$	Discontinued operations 1 July 2017 - 30 June 2018 US$	Total 1 July 2017 - 30 June 2018 US$
Numerator									
Loss for the Period	**(15,061,674)**	**(41,801,657)**	**(56,863,331)**	(53,908,878)	(39,456,999)	(93,365,877)	(84,562,428)	(82,312,465)	(166,874,893)
Denominator									
	Shares	**Shares**	**Shares**	Shares	Shares	Shares	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS									
Brought forward	**865,336,485**	**865,336,485**	**865,336,485**	531,986,218	531,986,218	531,986,218	531,986,218	531,986,218	531,986,218
Effect of shares issued during the Period	**—**	**—**	**—**	156,685	156,685	156,685	1,248,794	1,248,794	1,248,794
Effect of FY 2018 Rights issue on prior Period	**—**	**—**	**—**	53,996,512	53,996,512	53,996,512	—	—	—
Carried forward	**865,336,485**	**865,336,485**	**865,336,485**	586,139,415	586,139,415	586,139,415	533,235,012	533,235,012	533,235,012
	Shares	**Shares**	**Shares**	Shares	Shares	Shares	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	**1,063,961**	**—**	**1,063,961**	2,476,485	—	2,476,485	2,011,279	—	2,011,279
Weighted average number of ordinary shares in issue used in diluted EPS	**866,400,446**	**865,336,485**	**866,400,446**	588,615,900	586,139,415	588,615,900	535,246,291	533,235,012	535,246,291
	US cents	**US cents**	**US cents**	US cents	US cents	US cents	US cents	US cents	US cents

Basic loss per share – US cents	**(1.74)**	**(4.83)**	**(6.57)**	(9.19)	(6.73)	(15.92)	(15.85)	(15.44)	(31.29)
Diluted loss per share – US cents	**(1.74)**	**(4.83)**	**(6.57)**	(9.19)	(6.73)	(15.92)	(15.85)	(15.44)	(31.29)

Due to the loss for the Period, the diluted loss per share is the same as the basic loss per share. The number of potentially dilutive ordinary shares, in respect of employee share options, Executive Director and Senior Management share award schemes is 1,063,961 (30 June 2018: 2,011,279 and 31 December 2017: 2,476,485). These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share.

For the 12 months ending 30 June 2018, the basic and diluted profit per share have been restated and adjusted by the bonus factor of 1.10 to reflect the bonus element of the June 2018 Rights Issue, in accordance with IAS 33 Earning per Share. Amounts as originally stated were 3.46 cents basic and 3.43 cents dilutive profit per share.

For the 6 months ending 31 December 2017, the basic and diluted loss per share have been restated and adjusted by the bonus factor of 1.10 to reflect the bonus element of the June 2018 Rights Issue, in accordance with IAS 33 Earning per Share. Amounts as originally stated were 17.55 cents basic loss and 17.55 cents dilutive loss per share.

14. ADJUSTED EARNINGS PER SHARE (non-GAAP measure)

In order to show earnings per share from operating activities on a consistent basis, an adjusted earnings per share is presented which excludes certain items as set out below. It is emphasised that the adjusted earnings per share is a non-GAAP measure. The Petra Board considers the adjusted earnings per share to better reflect the underlying performance of the Group. The Company's definition of adjusted earnings per share may not be comparable to other similarly titled measures reported by other companies.

	Continuing operations 1 July 2018 - 31 December 2018 US$	**Discontinued operations 1 July 2018 - 31 December 2018 US$**	**Total 1 July 2018 - 31 December 2018 US$**	(Restated) Continuing operations 1 July 2017 - 31 December 2017 US$	(Restated) Discontinued operations 1 July 2017 - 31 December 2017 US$	(Restated) Total 1 July 2017 - 31 December 2017 US$	Continuing operations 1 July 2017 - 30 June 2018 US$	Discontinued operations 1 July 2017 - 30 June 2018 US$	Total 1 July 2017 - 30 June 2018 US$
Numerator									
Loss for the Period	**(15,061,674)**	**(41,801,657)**	**(56,863,331)**	(53,908,878)	(39,456,999)	(93,365,877)	(84,562,428)	(82,312,465)	(166,874,893)
Net unrealised foreign exchange loss / (gain)	**13,665,574**	**—**	**13,665,574**	(2,924,388)	—	(2,924,388)	26,233,603	—	26,233,603
Impairment charge*	**—**	**—**	**—**	54,232,200	37,743,992	92,500,200	54,232,200	67,306,108	121,538,308
Taxation charge on reduction of unutilised Capex benefits*	**—**	**—**	**—**	5,660,862	—	5,660,862	6,736,719	—	6,736,719
Adjusted profit for the Period attributable to parent	**(1,396,100)**	**(41,801,657)**	**(43,197,757)**	3,583,804	(1,712,007)	1,870,797	2,640,094	(15,006,357)	(12,366,263)
*Portion attributable to equity shareholders of the Company									
Denominator									
	Shares	**Shares**	**Shares**	Shares	Shares	Shares	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS									
As at 1 July	**865,336,485**	**865,336,485**	**865,336,485**	531,986,218	531,986,218	531,986,218	531,986,218	531,986,218	531,986,218

Effect of shares issued during the Period	**—**	**—**	**—**	156,685	156,685	156,685	1,248,794	1,248,794	1,248,794
Effect of FY 2018 Rights issue on prior Period	**—**	**—**	**—**	53,361,445	53,361,445	53,361,445	—	—	—
Carried forward	**865,336,485**	**865,336,485**	**865,336,485**	586,504,348	586,504,348	586,504,348	533,235,012	533,235,012	533,235,012
	Shares	**Shares**	**Shares**	Shares	Shares	Shares	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	**1,063,961**	**—**	**1,063,961**	2,476,485	—	2,476,485	2,011,279	—	2,011,279
Weighted average number of ordinary shares in issue used in diluted EPS	**866,400,446**	**865,336,485**	**866,400,446**	588,980,833	586,504,348	588,980,833	535,246,291	533,235,012	535,246,291
	US cents	**US cents**	**US cents**	US cents	US cents	US cents	US cents	US cents	US cents
Adjusted basic (loss) / profit per share – US cents	**(0.16)**	**(4.83)**	**(4.99)**	0.52	(0.29)	0.23	0.50	(2.81)	(2.32)
Adjusted diluted (loss) / profit per share – US cents	**(0.16)**	**(4.83)**	**(4.99)**	0.52	(0.29)	0.23	0.49	(2.81)	(2.32)

For the 12 months ending 30 June 2018, the basic and diluted profit per share have been restated and adjusted by the bonus factor of 1.10 to reflect the bonus element of the June 2018 Rights Issue, in accordance with IAS 33 Earning per Share. Amounts as originally stated were 5.03 cents basic and 4.98 cents dilutive profit per share.

For the 6 months ending 31 December 2017, the basic and diluted profit per share have been restated and adjusted by the bonus factor of 1.10 to reflect the bonus element of the June 2018 Rights Issue, in accordance with IAS 33 Earning per Share. Amounts as originally stated were 0.35 cents basic and 0.35 cents dilutive profit per share.

15. IMPAIRMENT CHARGE

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of value in use and fair value less cost to sell.

During the Period under review, the Group reviewed the carrying value of its investments and operational assets for indicators of impairment. Following the assessment, no impairment of property, plant and equipment or reversal of impairment losses in prior Periods were considered appropriate for Cullinan, Finsch, Koffiefontein and Williamson. For impairment considerations at Helam and KEM JV refer to note 16.

Cullinan, Finsch and Williamson impairment considerations and assumptions

The Group performs impairment testing on an annual basis of all operations and when there are potential indicators of impairment. The results of the impairment testing performed did not result in any impairments on the mining operations during the Period. Koffiefontein impairment testing and assumptions are disclosed above. The key assumptions used in determining the recoverable value calculations, determined on a value in use basis, are listed in the table below:

Group assumptions:

Key assumptions	Explanation
LOM and recoverable value of reserves and resources	Economically recoverable reserves and resources are based on management's expectations based on the availability of reserves and resources at mine sites and technical studies undertaken in house and by third party specialists. Resources remaining after the current LOM plans have not been included in impairment testing for the operations.
LOM – capital expenditure	Management has estimated the timing and quantum of the capital expenditure based on the Group's current LOM plans for each operation. There is no inclusion of capital expenditure to enhance the asset beyond exploitation of the LOM plan orebody.
Diamond prices	The diamond prices used in the impairment test have been set with reference to recent achieved pricing and market trends, and long-term diamond price escalators reflect the Group's assessment of market supply/demand fundamentals. A long-term inflation rate of 3.0% (30 June 2018: 3.0%) above a long-term US inflation rate of 2.5% (30 June 2018: 2.5%) per annum was used for US$ diamond prices.
Discount rate	A discount rate of 8.5% (30 June 2018: 8.5%) was used for the South African operations and 9.0% (30 June 2018: 9.0%) for Williamson. Discount rates calculated based on a nominal weighted cost of capital including the effect of factors such as market risk and country risk as at the Year end.
Cost inflation rate	Long-term inflation rates of 3.5%–7.5% (30 June 2018: 3.5%–7.5%) above the long-term US$ inflation rate were used for Opex and Capex escalators.
Exchange rates	Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The US$/ZAR exchange rate range used, for all South African operations, commenced at ZAR13.75 (30 June 2018: ZAR12.75), further devaluing at 3.9% (30 June 2018: 3.9%) per annum a period of three years, reverting to 3.4% per annum thereafter.
Valuation basis	Discounted present value of future cashflows.

Specific assumptions and sensitivity analysis

South African mines

At Cullinan specific assumptions were made in relation to grade and pricing (US$129 per carat for H2 FY 2019) as production from the C-cut Phase 1 ramps up. At Finsch specific assumptions were made in relation to the reduction in certain operation costs such as outsourced services, automation of processes and reduction in processing of tailings and overburden dump material. The impact of applying sensitivities on the key inputs is noted below:

	31 December 2018	
	Finsch headroom %	Cullinan headroom %
Base case headroom	47%	20%
Increase in discount rate by 2%	32%	12%
Reduction in pricing by 5%over Life of Mine	32%	10%
Reduction in short-term production by 10%	40%	15%
Increase in Opex by 5%	42%	16%
Strengthening of the ZAR from US$/13.75 to US$/R13.00	31%	9%

Williamson – Tanzania

At Williamson, the key judgement is around the recoverability of the VAT receivable under the new legislation effective 20 July 2018. As detailed in note 2, Management consider the VAT to be fully recoverable. However, if the VAT were not to be recoverable the impact would be to reduce the base case headroom from 29% to 8% (30 June 2018: 44% to 19%).

Koffiefontein

Prior period impairment

During H1 FY 2017 impairment indicators were identified at Koffiefontein and a detailed impairment test was performed. The results of the impairment tests performed are detailed below.

Given the recent production volumes and costs, as well as engineering and pricing challenges, indicators of impairment were deemed to exist at 31 December 2017. Whilst conducting an impairment review of the Koffiefontein assets using a value in use impairment model, the Group exercised judgement in making assumptions about future exchange rates, rough diamond prices, volumes of production, ore reserves and resources included in the current life of mine ("LOM") plans, feasibility studies, future development and production costs and macro-economic factors such as inflation and discount rates.

Impairment of property, plant and equipment was considered appropriate given the outcome of the impairment review exercise and the Group recognised a Consolidated Income Statement charge of US$66.0 million at 31 December 2017 being management's estimate of value in use of the Koffiefontein assets (refer to 31 December 2017 Interim Financial Statement disclosures).

Koffiefontein impairment considerations and assumptions

The key assumptions used in the Koffiefontein impairment review are set out in the table below:

Key assumptions	Explanation
LOM and recoverable value of reserves and resources	Economically recoverable reserves and resources are based on Management's expectations based on the availability of reserves and resources at Koffiefontein and technical studies undertaken in-house and by third party specialists. Resources remaining after the current LOM plans have not been included in impairment testing for the operations.
LOM – capital expenditure	Management has estimated the timing and quantum of the capital expenditure based on Koffiefontein's current LOM plans. There is no inclusion of capital expenditure to enhance the asset beyond exploitation of the LOM plan orebody.
Diamond prices	Diamond prices of US$500 per carat in FY 2019 rising to US$528 per carat in FY 2020 (reflecting product mix and a short term price escalator) used in the impairment test have been set with reference to recent achieved pricing and market trends, product mix as a result of increased undiluted ore, increased volumes and diamond price escalators. Diamond prices are increased at a long-term diamond price escalator reflecting the Group's assessment of market supply/demand fundamentals post FY 2019 of 3.0% (30 June 2018: 3.0%) above a long-term US inflation rate of 2.5% (30 June 2018: 2.5%).
Discount rate	A discount rate of 8.5% was used and was calculated based on a nominal weighted cost of capital including the effect of factors such as market risk and country risk as at the Period end.

ROM	An increase in ROM throughput of 50% for H2 FY 2019 which takes account of the completion of the SLC expansion project and resolution to the community disruptions experienced during H1 FY 2019. The steady state ore production has been reduced to reflect a more conservative outlook compared to earlier guidance.
Cost inflation rate	Long-term South African inflation rate of ca. 8.5% (30 June 2018: ca. 8.5%) was used for Opex and Capex escalators.
Exchange rates	Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The US$/ZAR exchange rate range used commenced at ZAR13.75, further devaluing at 3.9% (30 June 2018: 3.9%) per annum for a period of three years, reverting to 3.4% per annum thereafter.
Valuation basis	Discounted present value of future cashflows.

Sensitivity analysis:

The recoverable value is calculated on the basis of management's best estimates, however any adverse change in any of the above assumptions would lead to an additional impairment charge. At Koffiefontein, Management consider that future development of new areas below the current SLC, increased production and expansion capital, exchange rates and diamond prices are the most sensitive assumptions. For example, a 5% reduction in carat production would result in an impairment of US$3 million, a strengthening of the South African Rand to the US Dollar from US$/R13.75 to US$/R13.00 would result in an impairment of US$4 million, a 5% reduction in diamond prices would result in an impairment of US$3 million and a 5% increase in operating costs would result in an impairment of US$ nil. To address the production sensitivities, management is currently focusing on increasing the average tonnes treated per day and installed additional crushing capacity to process the ROM and coarse stockpiles built up in the period to 31 December 2018.

16. DISPOSAL OF OPERATIONS

a) Disposal of KEM JV

On 5 December 2018, the Group and its black economic empowerment ("BEE") partners' disposed of their 75.9% interest in the KEM JV operation to the Company's joint venture partner Ekapa Mining (Pty) Ltd ("Ekapa Mining") for a gross cash consideration of ZAR300 million (US$18.6 million) (the "Disposal") comprising deferred and contingent elements.

The Disposal was on a going concern basis, with Ekapa Mining taking on all of the Company's financial, employee, environmental, health, safety and social obligations with regards to the KEM JV operation. The rationale for the Disposal is to ensure a sustainable future for KEM JV by placing the operation under the sole stewardship of an operator best suited to maximise its value. Ekapa Mining's extensive experience of operating specifically within Kimberley and its ability to solely focus on these assets is expected to provide the right fit for the operation, thereby ensuring continuation of diamond mining employment and related economic activity in this renowned diamond centre.

The terms of repayment of the ZAR300 million purchase consideration, originally to be payable in 24 monthly instalments starting in January 2019, were amended prior to completion to allow Ekapa Mining to maximise the prospects of the financial viability of the operation. According to the terms, the purchase consideration will be settled as follows:

- ZAR60 million payable in 24 monthly instalments starting on 1 April 2019;
- the balance, ZAR 240 million, of the purchase consideration will be repayable from a 50% share of future operating cash flows above set benchmark thresholds including proceeds from the sale of assets adjusted for sustaining capital of between R110 million and R130 million per annum, for a period of five years to 30 June 2024; and possible proceeds from a pending insurance claim, that is subject to ongoing discussions, in relation to the mud-rush incident at Bultfontein as previously announced.. The Company has fair valued the balance of the purchase consideration and deemed it to be US$nil having considered the historical trading performance of the asset, the Group's knowledge of the mine and risks and uncertainties.

On initial reclassification of the assets and liabilities of the KEM JV mining operation (being Petra's effective of 75.9% interest) as held for sale in the Statement of Financial Position at 30 June 2018, in accordance with IFRS 5, the Group recognised a US$92.7 million impairment loss. The financial results of the KEM JV for the Periods have been disclosed in the Consolidated

Income Statement in Loss on discontinued operation. The KEM JV mining operation was a separate operating segment for the purposes of the Group's segmental reporting.

Effect of the transaction

The transaction had the following effect on the Group's assets and liabilities:

i) Net assets of KEM JV:

US$ million	As at 30 November 2018	As at 30 June 2018
Mining property, plant and equipment	19.0	19.8
Non-current trade and other receivables	—	—
Trade and other receivables	9.2	12.0
Inventory	9.8	12.6
Cash and cash equivalents	0.7	1.4
Non-current assets held for sale	**38.7**	**45.8**
Environmental liabilities and other non-current trade and other payables	(13.6)	(14.2)
Trade and other payables	(11.2)	(13.0)
Non-current liabilities associated with non-current assets held for sale	**(24.8)**	**(27.2)**
Net assets disposed	**13.9**	**18.6**

ii) Result of KEM JV:

US$ million	**Period ended 30 November 2018**	01 July 2017 – 31 December 2017	01 July 2017 – 30 June 2018
Revenue	**31.3**	33.5	81.6
Cost of sales	**(23.7)**	(37.7)	(86.1)
Gross loss	**7.6**	(4.2)	(4.5)
Financial income	**0.1**	2.7	0.4
Financial expense	**(1.0)**	(1.2)	(1.3)
Profit/ (loss) before tax	**6.7**	(2.7)	(5.4)
Income tax (charge) / credit	—	2.7	(6.2)
Loss after tax before impairment charge	**6.7**	(1.9)	(11.6)
Impairment reversal charge	—	(52.0)	(92.7)[1]
Net profit / (loss) for the Period	**6.7**	(53.9)	(104.3)
Attributable to:			
- Equity holders of the parent	8.7	(39.4)	(85.6)
- Non-controlling interest	(2.0)	(14.5)	(18.7)
	6.7	(53.9)	(104.3)
Basic profit/(loss)per share (US cents)	**0.78**	(7.41)	(15.44)
Dilutive profit/(loss)per share (US cents)	**0.78**	(7.41)	(15.44)

1. The US$92.7 million impairment loss recorded on the KEM JV assets represents the difference between the fair value of the assets and liabilities and the consideration receivable upon the completion of the transaction. An impairment charge of US$56.2 million was recognised in respect of assets written down to carrying values in accordance with IAS 36 Impairment of assets. This includes US$52.0 million impairment recognised in H1 FY2018 and US$4.2 million impairment of assets damaged in the mudrush during H2 FY 2018. In addition, a further impairment charge of US$36.5 million was recognised to reduce assets of the KEM JV to equal the fair value less costs to sell, being the fair value of the consideration receivable.

During the Period, the Company advanced US$9.7 million funding to the KEM JV. The amount is recoverable during H2 FY 2019 and has been included under current trade and other receivables.

iii) Post tax profit/(loss) on disposal of KEM JV at:

US$ million	**Period ended 30 November 2018**
Fair value consideration receivable on disposal	**3.6**
Less: net assets disposed of	**(13.9)**
Less: impairment of Group receivable	**(1.7)**
Less: foreign currency translation recycled on disposal	**(1.9)**
Less: non-controlling interest	**(25.6)**
Loss on disposal of discontinued operation	**(39.5)**
Add: net profit for the Period	**6.7**
Loss on discontinued operation	**(32.8)**

iv) The consolidated cashflow statement includes the following amounts relating to KEM JV:

US$ million	**Period ending 30 November 2018**	01 July 2017 – 31 December 2017	01 July 2017 – 30 June 2018
Operating activities	**3.4**	**(2.8)**	(0.5)
Investing activities	**(2.1)**	**(19.5)**	(23.4)
Net cash utilised in discontinued operations	**(16.1)**	**23.0**	(0.6)

b) Helam

On 06 December 2018 the Company and its BEE partners disposed of their interest in Helam Mining (Pty) Ltd (“Helam”) to Lindleys Mining (Pty) Ltd ("Lindleys Mining") for a nominal consideration of ZAR200 with immediate effect.

The Helam mine was put on care and maintenance by the Company during FY 2015, following previous attempts to source a suitable purchaser, and no mining activities have been conducted by Petra since. The rationale for the disposal is to support the South African Government’s intention to prolong the lives of mines facing closure by facilitating opportunities for emerging miners to the benefit of entrepreneurs, host communities and local employment. The disposal is also in line with Petra’s strategic priorities, which include that the Board continues on an ongoing basis, to review the asset portfolio of the business with a view to maximising return on capital and to ensure that all assets are in a position to contribute positive cash flow to the business.

The disposal shall have the following benefits:

- an owner-manager approach will ensure sole focus on the optimisation of the Helam assets; and
- it will reduce Group cash outflow with existing care and maintenance expenditure amounting to ca. US$2 million per annum and
- Lindleys Mining will take on all of the Company's environmental obligations with regards to Helam, currently estimated at ca. ZAR23 million excluding VAT (ca. US$1.7 million).

As part of the disposal, agreement has been reached for the joint use of the processing plant at Helam, which has historically been utilised to conduct resource and production sampling and analyses for the Petra Group. Lindleys Mining have agreed to continue with such sampling and analyses for a period of up to two years. Petra intends to establish appropriate sampling facilities elsewhere in the Group which, once commissioned, will replace the need to continue with this arrangement.

Helam generated a net loss of US$0.7 million for the Period which is disclosed in the Consolidated Income Statement in Loss on discontinued operation and the net assets disposed of amounted to US$0.7 million.

i) Post tax profit/(loss) on disposal of Helam at:

US$ million	**Period ended 30 November 2018**
Fair value consideration receivable on disposal	0.0
Less: net assets disposed of	**(0.7)**
Add: foreign currency translation recycled on disposal	**3.4**
Less: non-controlling interest	**(8.9)**
Loss on disposal of discontinued operation	**(6.2)**
Less: net loss for the Period	**(0.7)**
Loss on discontinued operation	**(6.9)**

17. ASSETS HELD FOR SALE

Botswana (exploration)

During the year ended 30 June 2018, the Company took the decision to sell its exploration assets held in Botswana and considered from potential purchasers, offers to purchase its exploration assets held in Botswana. The offers to purchase were not accepted however the Company is still actively seeking potential purchasers for the exploration assets. The assets and liabilities of the Botswana exploration operation have been classified as held for sale in the Statement of Financial Position, in accordance with IFRS 5.

US$ million	**01 July 2018 – 31 December 2018**	01 July 2017 – 30 June 2018
Mining property, plant and equipment	0.6	0.6
Trade and other receivables	—	0.1
Non-current assets held for sale	**0.6**	**0.7**
Trade and other payables	(0.1)	(0.6)
Non-current liabilities associated with non-current assets held for sale	**(0.1)**	**(0.6)**
Net assets	**0.5**	**0.1**

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the Condensed Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

(b) the Interim Management Report includes a fair review of the information required by FCA's Disclosure and Transparency Rules (DTR 4.2.7 R and 4.2.8 R).

By order of the Board

Johan Dippenaar
Chief Executive Officer
18 February 2019

INDEPENDENT REVIEW REPORT TO PETRA DIAMONDS LIMITED

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2018 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, the consolidated statement of cashflows and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP
Chartered Accountants
Location: United Kingdom
Date: 18 February 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).