This announcement contains inside information

19 September 2016 **LSE: PDL**

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

Preliminary Results Announcement for the Year ended 30 June 2016 (unaudited)

Petra Diamonds Limited announces its preliminary results (unaudited) for the year ended 30 June 2016 ("the Year" or "FY 2016").

Financial Highlights

- Revenue up 1% to US$430.9 million (FY 2015: US$425.0 million).
- Adjusted EBITDA[3] up 18% to US$164.3 million (FY 2015: US$139.3 million).
- Adjusted net profit after tax[4] up 1% to US$63.6 million (FY 2015: US$62.8 million).
- Net profit after tax up 12% to US$66.8 million (FY 2015: US$59.6 million).
- Adjusted EPS[4]: 9.76 US$ cents per share (FY 2015: 10.09 US$ cents per share).
- Basic EPS: 10.38 US$ cents per share (FY 2015: 9.46 US$ cents per share).
- Adjusted operating cashflow[8] up 36% to US$192.0 million (FY 2015: US$141.3 million).
- Net debt[7]: US$384.8 million (30 June 2015: US$171.7 million).

Operational Highlights

- Production up 16% to 3.7 Mcts (FY 2015: 3.2 Mcts), ahead of Company guidance.
- Capex of US$324.1 million (FY 2015: US$274.1 million), reflecting the peak activity around the Group's expansion programmes.
- Safety: Group LTIFR stable at 0.29 (FY 2015: 0.29).
- Gross Diamond Resources (inclusive of Reserves) increased 1% to 312.2 Mcts (30 June 2015: 308.7 Mcts).

Corporate

- Acquisition of the Kimberley Mines assets in South Africa from De Beers in January 2016 in a joint operation with Ekapa Mining Pty Limited ("Ekapa Mining") and subsequent merger of Petra's Kimberley operations with the operations of Ekapa Mining to create Kimberley Ekapa Mining Joint Venture ("KEM JV") in July 2016. From FY 2017, Petra will account for its share of investment in the KEM JV reflecting its 75.9% interest in the results of the joint operation.
- Simplification of Group and black economic empowerment ("BEE") partner holding structure in the South African operations, effective from 1 July 2016, with the Itumeleng Petra Diamonds Employee Trust now holding a consistent 12% interest in each of the South African operations.
- Agreement reached with Petra's lender group during June 2016 to revise the covenant ratios related to its senior debt facilities for the next three bi-annual measurements, starting 30 June 2016.
- Director change – David Abery stepped down as Finance Director on 30 June 2016; Jacques Breytenbach appointed as Chief Financial Officer and Koos Visser appointed as Chief Operating Officer, both effective 1 July 2016.

Outlook

- Production expected to rise to 4.4 – 4.6 Mcts in FY 2017 (excluding ca. 0.2 Mcts attributable to Petra's joint venture partner at KEM JV), before reaching Petra's stated long-term target of ca. 5 Mcts in FY 2018, a year earlier than expected, and rising further to ca. 5.3 Mcts by FY 2019 – both targets representing production attributable to Petra. Barring the exclusion of production attributable to Petra's joint venture partner at KEM JV, the Company maintains its production guidance as published on 25 July 2016.
- All expansion programmes materially on track and on budget, with both the new sub level cave ("SLC") at Finsch and the new block cave at Cullinan expected to deliver undiluted ore in excess of ca. 1 Mt each during FY 2017. The new Cullinan plant remains on track to be fully operational by Q4 FY 2017.
- Despite a cautious outlook on the diamond market, Petra has made a solid start to FY 2017, with the first tender held in early September yielding ca. US$94 million (ca. 745 kcts sold); two more tenders will be held during H1 FY 2017. Prices on a like-for-like basis were generally on par with H2 FY 2016. In terms of production, the operations are performing according to expectations, with an improved product mix and increase in ROM grades witnessed across all operations (in line with guidance).
- Petra's revised maintenance covenants were comfortably met for the measurement period to 30 June 2016. However, distribution covenants were not met for the measurement period to 30 June 2016 and Petra will therefore not declare a dividend for FY 2016. Should the current positive production and trading conditions continue, Petra will revisit this with its lender group post H1 FY 2017, with the intention to resume dividends as soon as possible.

Johan Dippenaar, CEO, said:

"The Company delivered a strong set of results notwithstanding the number of challenges faced during FY 2016, which included managing production from heavily diluted areas at our underground mines, as well as market related pressure on prices particularly in H1.

"I am particularly pleased with the continued steady progress that has been made with our expansion programmes, which have remained on target over the last seven years. FY 2017 is forecast to be the first year that the Company reaps the benefit of this work as we are in line to become free cashflow positive in H2, with our cashflow profile rising strongly thereafter.

"We now enter the final phase of our capital expansion programmes in a strong position, with a robust balance sheet, efficient cost base and the drive to succeed."

Results Presentation, Webcast and Conference Call

Presentation:
A presentation for analysts will be held at 9:30am BST on 19 September 2016 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN.

Webcast:
A live webcast of the presentation will be available on Petra's website at www.petradiamonds.com and on: http://www.investis-live.com/petra-diamonds/57c057a3f66fa9090012353f/r8d52s. A recording will be available from 1:00pm BST on 19 September 2016 on the same link.

Conference Call
A conference call with management to cater for North American and other international investors will be held at 4:00pm BST on 19 September 2016. Participants are advised to view the results presentation webcast in advance of the call, as the main management commentary on the results will not be repeated.

- From the United States (toll free): 1866 928 7517
- From the rest of the world: 44 203 428 1542
- From the UK (toll free): 0808 237 0040
- From South Africa (toll free): 0800 222 290
- Participant passcode: 91009633#

SUMMARY OF RESULTS (unaudited)

	Year ended 30 June 2016 ("FY 2016") US$ million	Year ended 30 June 2015 ("FY 2015") US$ million
Revenue	430.9	425.0
Adjusted mining and processing costs[1]	(257.7)	(272.7)
Other direct income	2.8	2.2
Profit from mining activities[2]	**176.0**	**154.5**
Exploration expense	(2.7)	(5.6)
Corporate overhead	(9.0)	(9.6)
Adjusted EBITDA[3]	**164.3**	**139.3**
Depreciation	(51.8)	(38.3)
Share-based expense	(4.1)	(6.6)
Net finance expense	(36.2)	(6.2)
Tax expense	(8.6)	(25.4)
Adjusted net profit after tax[4]	**63.6**	**62.8**
Net unrealised foreign exchange gains/(losses)	3.2	(3.2)
Net profit after tax – Group	**66.8**	**59.6**
Earnings per share attributable to equity holders of the Company		
Basic profit per share (US$ cents)	**10.38**	**9.46**
Adjusted basic profit per share (US$ cents)	**9.76**	**10.09**

	Unit	As at 30 June 2016	As at 30 June 2015
Cash at bank (including restricted amounts)	US$M	48.7	166.6
Diamond debtors	US$M	63.4	57.6
Diamond inventories	US$M	43.6	33.5
Diamond inventories[5]	Carats	549,620	339,489
US$300 million loan notes (issued May 2015) (including accrued interest) [6]	US$M	302.0	303.3
Bank loans and borrowings	US$M	131.5	35.0
Net debt[7]	US$M	384.8	171.7
ZAR bank facilities undrawn and available	ZARM	1,525	2,800
USD bank facilities undrawn and available	US$M	6.1	25.0
Total bank facilities undrawn and available	US$M	110.0	255.1
Adjusted operating cashflow[8]	US$M	192.0	141.3

Notes:

The Group uses several non-GAAP measures above and throughout this report, including adjusted mining and processing costs, profit from mining activities, adjusted EBITDA, adjusted net profit after tax, adjusted earnings per share, adjusted operating cashflow and net debt. Management considers the adjusted figures to be more appropriate when comparing results year on year. As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Company's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

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, tax expense and net unrealised foreign exchange gains and losses.
4. Adjusted net profit after tax and adjusted basic earnings per share are net profit after tax and earnings per share stated before net unrealised foreign exchange gains and losses.
5. Diamond inventory increase mainly due to the Kimberley Mines joint operation and toll treatment arrangement. Refer to the 'Kimberley Operations' section.
6. The US$ loan note of US$302.0 million (FY 2015: US$303.3 million) represents the gross proceeds of US$300 million and accrued interest of US$2.0 million (excluding transaction costs).
7. Net debt is the US$ loan notes and bank loans and borrowings net of cash at bank.
8. Adjusted operating cashflow is operating cashflow adjusted for the cash effect of the movement in diamond debtors between each financial year end, adjusted for unrealised foreign exchange translation movements in diamond debtors.

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About Petra Diamonds Limited

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company has interests in five producing operations: three underground mines in South Africa (Finsch, Cullinan and Koffiefontein), the Kimberley Operations (including the Kimberley Underground mine and extensive tailings retreatment operations) and one open pit mine in Tanzania (Williamson). It also maintains an exploration programme in Botswana.

Petra has a core objective to steadily increase annual production to ca. 5.3 million carats by FY 2019. The Group has a significant resource base in excess of 300 million carats.

Petra conducts all operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process. 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 the Company's website at www.petradiamonds.com.

CEO'S REVIEW

FY 2016 saw further growth in throughput to 19.0 Mt and production to 3.7 Mcts, representing record production levels for the Group.

The Company's financial results were impacted by the weaker diamond market for the Year, with pricing achieved by Petra being down ca. 6% on a like for like basis for the Year, coupled with realised foreign exchange losses on forward exchange contracts entered into to cover a portion of US Dollar proceeds from the Company's South African tenders. However the impact of these items was mitigated by our focus on efficiencies and cost control, as well as the significant weakening of the South African Rand (lower US Dollar reported costs when translating the South African operations' ZAR denominated costs at weaker ZAR:USD exchange rates). The Company therefore recorded an Adjusted EBITDA margin of 38% (FY 2015: 33%), despite the challenging market conditions.

We are now on track to deliver further growth to 4.4 – 4.6 Mcts (excluding ca. 0.2 Mcts attributable to our joint venture partner at KEM JV) in FY 2017 and are then expected to reach our target of ca. 5 Mcts in FY 2018, a year earlier than expected, with production forecast to rise to ca. 5.3 Mcts in FY 2019.

Petra will provide analyst guidance post FY 2019 in due course, but, as we have previously noted, our focus will be on maximising overall value, as opposed to maximising volumes. We will achieve this by optimising production and plant processes, suited to the unique characteristics of each mine's orebody, as well as by monitoring market demand and prices. Given our well-diversified asset base, along with the quality and size of our orebodies, we will have a lot of flexibility in how we can maximise the value of our production in the future.

Petra remained in a transitionary period in FY 2016, as we contended with the dilution in the old mining areas of our underground mines, while the expansion programmes worked hard to open up the new, undiluted areas. However by keeping the development work on track, Petra has navigated the most difficult stretch of this journey, and our progress is evident in the improving ROM grade and product mix achieved at both Finsch and Cullinan for the Year. The new SLC at Finsch and the new block cave at Cullinan are both expected to deliver undiluted ore in excess of 1 Mt in FY 2017 and we have therefore provided guidance for higher grades and a better average quality of diamonds at both operations for the year, though with the caution that we could see some volatility.

An important development during the Year was the acquisition of the Kimberley Mines assets from De Beers in January 2016 in a partnership with Ekapa Mining. Following this, Petra and Ekapa Mining entered into a toll treatment agreement for the rest of FY 2016, prior to the merger of Petra and Ekapa Mining's mining assets in Kimberley in July 2016. Combining these assets will lead to a number of operational synergies, especially with the use of the high volume Central Treatment Plant that was acquired with the Kimberley Mines transaction. This is expected to allow for a much longer mine life of ca. 20 years for both the Kimberley Underground operation and the various tailings programmes, thereby contributing to the sustainability of diamond mining operations in Kimberley, to the benefit of all stakeholders. During and after our initial two year period whilst development work is undertaken, the business unit will remain entirely self-funded from its own cashflow and is expected to remain cashflow positive.

Overall, the bigger picture for Petra remains the same in that FY 2016 represented the Company's peak Capex year with total capital spend of US$297.6 million (excluding capitalised borrowing costs). While we have one more year of significant Capex ahead in FY 2017, the guided level of ca. US$218 million is already substantially lower than FY 2016, and will then decrease even further to ca. US$130 million in FY 2018 and ca. US$85 million in FY 2019 (FY 2017 money terms). Petra remains fully financed to the completion of this Capex profile. The Group is expected to become free cashflow positive from the second half of FY 2017, and strongly cashflow generative from FY 2018 onwards.

In terms of health and safety, our LTIFR remained stable at 0.29 for the Year, which is a solid achievement in the context of the high level of construction activities currently underway and for underground operations. However, we regrettably reported a fatality in July 2015 at the Tailings Treatment Plant at the Cullinan mine. Post Year end, Petra also experienced a fatality at the Williamson mine in August 2016, related to work on an overhead power line. The safety of all Petra employees is unquestionably the most important priority for the business and we will therefore keep striving to achieve a zero-harm workplace.

It was encouraging that labour relations in South Africa remained stable for the Year, which we believe is in part due to the high level of focus we place on this area. An important component of our labour relations strategy was realised with the restructure and simplification of the Group and affiliated BEE holdings of our South African operations, effective from 1 July 2016. This has allowed for the Itumeleng Petra Diamonds Employee Trust ("IPDET") to hold a consistent 12% stake in each of our South African mines, thereby allowing all beneficiaries (comprising South African employees) to directly benefit from the positive outlook for our operations by way of annual distributions to beneficiaries of the trust based on the South African operations' profitability. For further detail on the impact of the Group's effective interest in its underlying operations refer to note 16 in the financial statements.

Finally, there was a change to our Board at the end of the Year, when David Abery stepped down as Finance Director on 30 June 2016. David had been with Petra for 13 years and I would like to thank him for his outstanding contribution to the Company over this period. Effective 1 July 2016, we made two senior management changes, with the promotion of Jacques Breytenbach to Chief Financial Officer and Koos Visser to Chief Operating Officer. These new roles will be integral to the daily management of the Company and its operations, as well as to the delivery of our medium- to long-term strategy.

DIVIDEND

Petra's lender group's distribution covenants were not met for the measurement period to 30 June 2016 and Petra will therefore not declare a dividend for FY 2016.

Petra is highly committed to returns to shareholders and the resumption of dividend payments remains a priority for the Board. Should the current positive production and trading conditions continue, Petra will revisit this with its lender group post H1 FY 2017, with the intention to resume dividends as soon as possible.

THE DIAMOND MARKET

The rough diamond market experienced challenging conditions in H1 FY 2016, as it continued to be impacted by excess polished inventory in the pipeline, liquidity issues in the midstream, the strong US Dollar and a slowdown in retail demand from China.

However, a number of steps were taken to address the market challenges, including reduced supply from the major diamond producers (via production cuts and decreased sales volumes), reduced rough diamond pricing, and increased consumer marketing (both branded and generic diamond marketing). This led to the market stabilising in early calendar 2016, with good sales demand from the midstream of the diamond pipeline (the cutting and polishing / manufacturing segment) leading to improved sales volumes of rough diamonds.

Given that the first half of the calendar year is the seasonally stronger time for the rough diamond market, Petra remains cautious with regards to the market outlook for the remainder of the calendar year. Market conditions are likely to depend on continued supply control from the major producers to the midstream and stable retail demand, particularly in the US, the largest global market.

Global diamond supply remained constrained in 2015, with output only rising 1.6% from 125 Mcts to 127 Mcts, which remains significantly below the high of 177 Mcts in 2005 (Kimberley Process Statistics). While there are some new mines due to come into production over the next two years, none are sufficiently sizeable to address the declining production profile of some of the world's largest diamond mines, nor have there been any major diamond discoveries since the 1990s. It is therefore likely that the world has already seen peak diamond production.

On the demand side, while macroeconomic conditions remain volatile and damaging to consumer confidence in the short-term, Petra still anticipates a positive long-term outlook for the industry due to the ever-growing numbers of middle classes in emerging markets, as well as continued growth in the major US market. Petra is taking an active role in the sustainability of consumer demand via its position as a founder member of the Diamond Producers Association, which will shortly commence its first marketing campaign to consumers in the US, thereby assuming responsibility for the generic marketing of our unique product.

Diamond Prices:
Rough diamond prices fell ca. 9% in H1 FY 2016, before recovering ca. 3% in H2 due to the stabilisation of the diamond market, leading to rough prices being overall down ca. 6% for the Year (compared to prices realised in FY 2015).

The Company held its first tender of FY 2017 in early September yielding ca. US$94 million (ca. 745 kcts sold) (including KEM JV diamonds sold at a 75.9% attributable basis); two more tenders will be held during H1 FY 2017. The market is noted as being on a stable footing, with prices on a like-for-like basis generally on par with H2 FY 2016.

Given Petra's cautious outlook for the diamond market, the Company is using flat pricing on a like for like basis in its models for FY 2017. However, the continued shift from the old, diluted mining areas to the new, undiluted mining areas, as well as the higher contribution of ROM carats versus tailings at the Company's underground mines in South Africa, is expected to see an improved product mix at Finsch, Cullinan and Koffiefontein, leading to a higher average value per carat. Hence, Petra's price guidance below reflects the impact of an improved product mix, at current market pricing.

Mine	**Guidance** **US$/ct[1]** **FY 2017**	**Actual** **US$/ct[2]** **FY 2016**	**Actual** **US$/ct[2]** **FY 2015**
Finsch	100 – 105	89	90
Cullinan	105 – 115	126[3]	174[3]
Koffiefontein	520 – 550	462	386
Kimberley Operations	125 – 130	132[4]	302[4]
Williamson	220 – 230	384[5]	298

Notes:
1. *Guidance is based on expected weighted average prices for full year FY 2017, incorporating all sales (ROM and tailings), but not including Exceptional Diamonds (stones above US$5 million in value).*
2. *All sales (ROM and Tailings) including Exceptional Diamonds were used to calculate the above average values.*
3. *Excluding Exceptional Diamonds, the average value per carat for FY 2016 was US$109 and for FY 2015 was US$119.*
4. *The average value per carat for FY 2015 reflects ROM sales from Kimberley Underground only, whereas the average value per carat for FY 2016 reflects the dilutionary impact of combining tailings and ROM sales from H2 FY 2016 onwards.*

5. *Excluding Exceptional Diamonds, the average value per carat for FY 2016 was US$238 per carat and US$298 per carat for FY 2015.*

FINANCIAL REVIEW

Revenue

Group revenue for FY 2016 increased 1% to US$430.9 million (FY 2015: US$425.0 million) due to an increase in volumes sold, most notably tailings carats sold from the Kimberley Mines joint operation and tolling agreement, partially offset by softer diamond prices in FY 2016.

Exceptional Diamonds contributed US$36.3 million for the Year (FY 2015: US$38.7 million), further to the sale of two pink diamonds from Williamson for US$25.1 million, with the remaining US$11.2 million being US$6.0 million from the sale of an exceptional 121 carat white stone from Cullinan and US$5.2 million from Petra's 15% share in the sales proceeds (after expenses) of the 24.18 carat Cullinan Dream in June 2016.

Petra sold both of the pink diamonds mentioned above into polishing partnerships:

- the 23 carat pink was sold for US$10.1 million and Petra has retained a 20% interest in the sales proceeds (net of expenses) of the polished; and
- the 32 carat pink was sold for US$15.0 million and Petra will receive 10% of the value uplift of the polished.

The polished stones from both pink diamonds are expected to be sold in FY 2017 and only then will the proceeds from Petra's share in the retained interest held be recognised as revenue.

Mining and processing costs

The mining and processing costs for the Year are comprised of on-mine cash costs as well as other operational expenses. A breakdown of the total mining and processing costs for the Year is set out below.

	On-mine cash 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	Share based expense[3] US$m	Total mining and processing costs (IFRS) US$m
FY 2016	246.4	5.4	(14.1)	20.0	257.7	51.0	1.6	310.3
FY 2015	253.4	4.7	(6.0)	20.6	272.7	37.5	3.7	313.9

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.*

Operating costs in FY 2016 remained in line with expectations, despite ongoing inflationary pressures. Group on-mine US$ cash costs decreased by 3% due to:

- an increase in tonnes treated versus FY 2015 (including the impact of additional tonnes treated and fixed costs incurred at the Kimberley Operations) (7% increase);
- inflationary increases, including the impact of electricity and labour costs (7% increase);
- offset by the positive effect of translating the South African operations' ZAR denominated costs at the weaker ZAR:USD exchange rate (17% decrease).

Unit costs on a mine by mine basis are covered in the operational review below.

Certain cost categories in South Africa, in particular electricity and labour, increased in excess of South African inflation (South African CPI stood at ca. 6% at 30 June 2016), but as the bulk of Petra's operating costs are incurred in ZAR, the weakening of the average ZAR exchange rate against the

US Dollar (FY 2016 ZAR14.51:US$1 versus FY 2015 ZAR11.45:US$1) negated the increased costs in USD reported terms as mentioned above.

Profit from mining activities
The Company's profit from mining activities (before depreciation and share based payments) increased 14% to US$176.0 million (FY 2015: US$154.5 million), mainly due to the benefit of the weakening ZAR:USD exchange rate and the effect on USD reported costs.

Adjusted operating cashflow
Adjusted operating cashflow (IFRS operating cashflow adjusted for the cash effect of the movement in diamond debtors between each financial year end, excluding unrealised foreign exchange translation movements) was up 36% to US$192.0 million (FY 2015: US$141.3 million), due to the increase in profits from mining activities and improved working capital position at Year end.

Operating cashflow was US$177.3 million (FY 2015: US$132.4 million) but management considers the adjusted figure to provide a more useful view of the underlying growth in operating cashflow, as the IFRS figure does not reflect the level of diamond debtors at Year end of US$63.4 million (30 June 2015: US$57.6 million) – refer to the '*Cash and Diamond Debtors'* section.

Exploration
Exploration expenditure (before depreciation) decreased to US$2.7 million (FY 2015: US$5.6 million) due to reduced exploration activities – refer to the '*Exploration'* section.

Corporate overhead – General and Administration
Corporate overhead (before depreciation and share based payments) decreased 6% to US$9.0 million for the Year (FY 2015: US$9.6 million). Given that the Group's corporate overhead is predominantly denominated in ZAR, with some expenditure in GBP, the impact of the weaker Rand and Pound for the Year benefitted overhead costs. Excluding this impact, overhead costs still remained tightly controlled.

Adjusted EBITDA
Adjusted EBITDA rose 18% to US$164.3 million (FY 2015: US$139.3 million), reflecting an Adjusted EBITDA margin of 38% (FY 2015: 33%), which is a solid achievement given that Petra is still in the process of transitioning from older mining areas to the mining of undiluted ore.

Depreciation
Depreciation for the Year increased to US$51.8 million (FY 2015: US$38.3 million), mainly due to initial portions of new production areas being commissioned (increase of US$5.3 million), the accelerated depreciation associated with the old treatment plants at Cullinan and Kimberley Underground (US$14.0 million) and the addition of the Kimberley Mines joint operation (US$0.5 million), partially offset by the weakening in the ZAR:USD foreign exchange rate (US$6.7 million).

Net financial expense
Net financial expense of US$33.0 million (FY 2015: US$9.4 million) comprises:

- unrealised foreign exchange gain of US$3.2 million (FY 2015: US$3.2 million loss) representing the net effect of foreign currency retranslation of cross border loans considered to be repayable in the foreseeable future, at the Year end closing rate; and
- net realised finance expense of US$36.2 million (FY 2015: US$6.2 million) comprising:
    - interest received of US$3.8 million (FY 2015: US$8.5 million); offset by
    - realised foreign exchange losses on the settlement forward exchange contracts of US$20.7 million (FY 2015: US$1.3 million gain);
    - interest payable on the BEE partner loans and the post retirement pension and medical aid scheme charges of US$12.5 million (FY 2015: US$10.8 million);
    - interest payable on the Group's bank debt and working capital facilities of US$2.6 million (FY 2015: US$2.0 million) (stated after the capitalisation of interest of US$26.5 million (FY 2015: US$14.7 million)) associated with the funding of expansion projects / assets under development; and
    - a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US$4.2 million (FY 2015: US$3.2 million).

Tax charge
The tax charge of US$8.6 million (FY 2015: US$25.4 million), comprised deferred tax of US$10.5 million (FY 2015: US$26.3 million), and an income tax credit of US$1.9 million (FY 2015: US$0.9 million), arising due to the utilisation of certain capital allowances, predominantly at Finsch and Cullinan, during the Year and the release of prior period income tax provisions. The effective tax rate of 11% is lower than FY 2015 mainly due to taxable profits in Tanzania offset by tax losses not previously recognised as deferred tax assets.

Adjusted net profit after tax
An adjusted net profit after tax of US$63.6 million was recorded for the Year (FY 2015: US$62.8 million), adjusted for net unrealised foreign exchange gains and losses. These adjusted profit figures are considered to be more appropriate in comparing results year on year.

Group profit
The Group's net profit after tax increased 12% to US$66.8 million (FY 2015: US$59.6 million).

Earnings per share
A basic earnings per share from operations of 10.38 US$ cents was recorded (FY 2015: 9.46 US$ cents). Adjusted basic earnings per share from operations (stated before net unrealised foreign exchange gains and losses) of 9.76 US$ cents was recorded (FY 2015: 10.09 US$ cents).

Cash and Diamond Debtors
As at 30 June 2016, Petra had cash at bank of US$48.7 million (30 June 2015: US$166.6 million). Of these cash balances, US$36.7 million was held as unrestricted cash (30 June 2015: US$153.5 million), US$11.1 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) (30 June 2015: US$11.6 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 (30 June 2015: US$1.5 million).

Diamond debtors (relating to the June 2016 tenders and settled shortly after Year end) at 30 June 2016 were US$63.4 million (30 June 2015: US$57.6 million).

Loans and Borrowings
The Group had gross loans and borrowings at Year end of US$433.5 million (30 June 2015: US$338.3 million), comprised of the Loan Notes plus accrued interest of US$302.0 million (30 June 2015: US$303.3 million) and bank loans and borrowings of US$131.5 million (30 June 2015: US$35.0 million).

At 30 June 2016, the Group had debt facilities undrawn and available to the Group of US$110.0 million (30 June 2015: US$255.1 million).

BEE loans receivable and payable
BEE loans receivable of US$28.8 million (FY 2015: US$29.6 million) relate to the acquisition and financing at Koffiefontein and Kimberley Underground mines by Petra on behalf of its BEE partners, post the refinancing of the BEE Partner's loans at Cullinan and Finsch.

The BEE loans payable of US$86.2 million, including the portion held in liabilities directly associated with non-current assets held for sale (FY 2015: US$94.0 million), relate to the initial acquisition loan funding advanced by the Group's BEE partners to the operations to acquire their investments in Cullinan, Finsch, Koffiefontein and Kimberley Underground 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$134.6 million, including the portion held in liabilities directly associated with non-current assets held for sale, (comprising US$74.5 million trade creditors, US$20.4 million employee related accruals and US$39.7 million other payables) (FY 2015: US$79.3 million), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, post retirement employee related provisions and deferred tax.

Capex

Total Group Capex for the Year was US$324.1 million (FY 2015: US$274.1 million), in line with the roll-out of the Group's expansion programmes. The total Capex figure comprised of operational Capex of US$322.3 million (FY 2015: US$266.9 million), corporate / exploration Capex of US$1.8 million (FY 2015: US$7.2 million) and includes capitalised borrowing costs.

FY 2016 Operational Capex of US$322.3 million (FY 2015: US$266.9 million) comprised of US$275.2 million on expansion Capex (FY 2015: US$212.0 million), US$20.6 million on sustaining Capex (FY 2015: US$40.2 million) and US$26.5 million on capitalised borrowing costs with regards to the expansion Capex (FY 2015: US$14.7 million).

Capex Reconciliation	**Unit**	**FY 2016**	**FY 2015**
Finsch	US$M	73.8	88.0
Cullinan	US$M	179.4	121.5
Koffiefontein	US$M	27.5	26.8
Kimberley Operations	US$M	16.8	13.9
Williamson	US$M	24.4	16.2
Helam	US$M	0.1	0.3
Subtotal – Capex incurred by operations	US$M	322.0	266.7
Petra internal projects division – Capex under construction / invoiced to operations[1]	US$M	0.3	0.2
Corporate / exploration	US$M	1.8	7.2
Total Group Capex[2]	US$M	**324.1**	**274.1**

Notes:

1. *Petra operates an internal projects / construction division and although this division's spend is reported in the Group's total Capex, it is policy not to account for it on a specific mine's Capex until the work completed is invoiced to the relevant operation.*
2. *Capex for the Year includes US$26.5 million (FY 2015: US$14.7 million) of capitalised borrowing costs, which is also included in the applicable mine by mine tables below.*

Banking Facilities and Covenant Measurements

Effective 20 June 2016, the Company agreed revisions to the bank debt maintenance covenant measurements related to its senior debt facilities for the next three measurement periods, being 30 June 2016, 31 December 2016 and 30 June 2017. The covenants are set out in the table below:

	Maintenance Covenants[1]				**Distribution Covenants**
	12 months to 30 Jun 2016	**12 months to 31 Dec 2016**	**12 months to 30 Jun 2017**	**12 months to 31 Dec 2017 and thereafter**	**All periods**
Net Debt[2] to EBITDA	≤3.1x (Revised from ≤2.5x)	≤2.8x (Revised from ≤2.5x)	≤2.5x	≤2.5x	≤2.0x
EBITDA to net finance charges	≥3.7x (Revised from ≥4.0x)	≥3.85x (Revised from ≥4.0x)	≥4.0x	≥4.0x	≥6.0x
Net Debt[2] to Book Equity	≤0.6x (Revised from ≤0.75x)	≤0.6x (Revised from ≤0.5x)	≤0.6x (Revised from ≤0.5x)	≤0.5x	≤0.3x

Notes:

1. *Fees to the lender group relating to the abovementioned changes in covenants and facilities are US$0.9 million.*
2. *Net Debt is Consolidated Debt per published results, plus guarantee for BEE Partners loan facilities of ZAR1,303 million as at 30 June 2016 (30 June 2015: ZAR1,163 million).*

Post Year end, the Company agreed a revision to the profile of its senior lender ZAR facilities, effective 1 July 2016, with revolving facilities being ZAR1,250 million (30 June 2016: ZAR1,500 million), amortising facilities being ZAR900 million (30 June 2016: ZAR665 million) and working capital facilities being ZAR700 million (30 June 2016: ZAR500 million); overall ZAR facilities became, effective 1 July 2016, ZAR2,850 million (30 June 2016: ZAR2,665 million). The interest and repayment terms remained unchanged.

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 diamond prices, exchange rates and expected production from the Group's mines, including total carats and mix. The Group's forecasts show that Petra has sufficient banking facilities to meet its working capital and capital development requirements and maintains headroom against its financial covenants.

OPERATIONAL REVIEW

Combined operations:

	Unit	FY 2016[1]	FY 2015	Variance
Sales				
Diamonds sold	Carats	3,448,084	3,168,650	+9%
Revenue	**US$M**	**430.9**	**425.0**	**+1%**
Production				
ROM tonnes	Mt	11.3	11.1	+2%
Tailings & other tonnes	Mt	7.7	6.0	+28%
Total tonnes treated	**Mt**	**19.0**	**17.1**	**+11%**
ROM diamonds	Carats	2,582,135	2,276,168	+13%
Tailings & other[2] diamonds	Carats	1,119,270	910,307	+23%
Total diamonds	**Carats**	**3,701,405**	**3,186,475**	**+16%**
On mine cash costs	**US$M**	**246.4**	**253.4**	**-3%**
Capex				
Expansion	US$M	275.2	212.0	+30%
Sustaining	US$M	20.6	40.2	-51%
Borrowing Costs Capitalised	US$M	26.5	14.7	+80%
Total operational capex	**US$M**	**322.3**	**266.9**	**+21%**

Note:

1. *FY 2016 production, sales and Capex stated on an attributable basis, including 75.9% of the Combined Kimberley Operations from 18 January 2016 to 30 June 2016.*
2. *'Other' includes mining of the Ebenhaezer satellite kimberlite pipe at Koffiefontein and alluvial diamond mining at Williamson.*

FY 2016 diamond production increased 16% to 3.7 Mcts, above market guidance of 3.6 – 3.65 Mcts, due to an increased contribution from undiluted ROM ore and additional production from the Combined Kimberley Operations following the acquisition of Kimberley Mines on 18 January 2016.

Finsch – South Africa

	Unit	FY 2016	FY 2015	Variance
Sales				
Revenue	US$M	186.4	185.4	+1%
Diamonds sold	Carats	2,085,123	2,067,933	+1%
Average price per carat	US$	89	90	-1%

ROM Production				
Tonnes treated	Tonnes	3,547,798	3,016,385	+18%
Diamonds produced	Carats	1,572,725	1,298,914	+21%
Grade[1]	Cpht	44.3	43.1	+3%
Tailings Production				
Tonnes treated	Tonnes	2,295,918	2,656,471	-14%
Diamonds produced	Carats	641,339	766,960	-16%
Grade[1]	Cpht	27.9	28.9	-4%
Total Production				
Tonnes treated	Tonnes	5,843,716	5,672,856	+3%
Diamonds produced	Carats	2,214,064	2,065,875	+7%
Costs				
On-mine cash cost per tonne treated	ZAR	183	164	+12%
Capex				
Expansion Capex	US$M	56.5	65.1	-13%
Sustaining Capex	US$M	6.7	16.1	-58%
Borrowing Costs Capitalised	US$M	10.6	6.8	+56%
Total Capex	US$M	73.8	88.0	-16%

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 increased 7% to 2,214,064 carats (FY 2015: 2,065,875 carats), mainly due to an increase in ROM tonnes and ROM grades, partially offset by a reduction in tailings tonnes and grades.

Despite the increase in production, revenue remained essentially flat at US$186.4 million (FY 2015: US$185.4 million) due to the weaker diamond market experienced during the Year.

Costs:

The on-mine cash cost of ZAR183/t (FY 2015: ZAR164/t) was largely in line with management's expectations, although it represented a year-on-year increase of ca. 12%, mainly due to the higher levels of ROM tonnes treated.

Development plan:

Petra's development plan at Finsch is due to increase higher value ROM production from 1.6 Mcts in FY 2016 to ca. 2 Mctpa by FY 2018, by which point there is no longer planned to be any tailings production included in the mine's output. Petra's initial mine plan has a life to 2030, but resources in Block 6 and the adjacent Precursor kimberlite, which sits next to the main body of the Finsch kimberlite pipe, are expected to considerably prolong the actual life of mine ("LOM"). The mine has a significant gross resource of 49.1 Mcts.

Mining is currently transitioning from the block cave on the 630 metre level ("mL") to an SLC over four levels from 700mL to 780mL. The new Block 5 Cave will then be installed at 900 mL from FY 2023 / FY 2024. A schematic of the Finsch mine and orebody is available on Petra's website at: www.petradiamonds.com/investors/analysts/analyst-guidance/.

Production from the first level of the SLC commenced in FY 2016 and is due to deliver in excess of 1 Mt in FY 2017, which is expected to see the ROM grade rise to 53 – 55 cpht for FY 2017. Total ROM throughput of 3.6 Mt is planned in FY 2017, which is expected to rise to 3.8 Mtpa for FY 2018 and FY 2019. As the mine's underground production profile gradually changes from mostly diluted to mostly undiluted ore, the ROM grade is expected to increase to steady state 55 – 58 cpht from FY 2018. Finsch's steady state ROM production will be at 3.5 Mtpa from FY 2020 onwards.

Treatment of the Pre 79 Tailings is planned at 1.3 Mt at a grade of ca. 17 cpht for FY 2017 and is expected to come to an end during Q4 2017.

Capex:
Capex of US$73.8 million was ca. US$8 million above guidance mainly due to the bringing forward of spend, scheduled for FY 2017, related to underground development.

Cullinan – South Africa

	Unit	FY 2016	FY 2015	Variance
Sales				
Revenue	US$M	83.3	122.2	-32%
Diamonds sold	Carats	663,175	700,896	-10%
Average price per carat	US$	126[1]	174[2]	-28%
ROM Production				
Tonnes treated	Tonnes	2,302,892	2,513,004	-8%
Diamonds produced	Carats	643,724	611,993	+5%
Grade	Cpht	28.0	24.4	+15%
Tailings Production				
Tonnes treated	Tonnes	886,289	2,458,306	-64%
Diamonds produced	Carats	37,089	117,503	-68%
Grade	Cpht	4.2	4.8	-13%
Total Production				
Tonnes treated	Tonnes	3,189,181	4,971,310	-36%
Diamonds produced	Carats	680,813	729,496	-7%
Costs				
On-mine cash cost per tonne treated	ZAR	257	154	+67%
Capex				
Expansion Capex	US$M	156.2	104.8	+49%
Sustaining Capex	US$M	7.3	8.8	-17%
Borrowing Costs Capitalised	US$M	15.9	7.9	+101%
Total Capex	US$M	179.4	121.5	+48%

Notes:
1. *Excluding exceptional diamonds, the average value for FY 2016 was US$109 per carat.*
2. *Excluding exceptional diamonds, the average value for FY 2015 was US$119 per carat.*

Production at Cullinan decreased 7% to 680,813 carats (FY 2015: 729,496 carats) due to the decision taken to reduce ROM throughput during FY 2016 to focus on grade control.

The mitigating measures to manage the ROM grade at Cullinan as the mine transitions from the old mining areas to the new block cave yielded results in FY 2016, with a continued improvement in the ROM grade to 30.3 cpht achieved for H2 FY 2016 versus 25.7 cpht for H1 FY 2016.

Cullinan’s revenue was down 32% to US$83.3 million for the Year (FY 2015: US$122.2) due to lower production and sales volumes, as well as the lower average value per carat. Excluding Exceptional Diamonds and Petra’s share in the Cullinan Dream, the average of US$109 per carat versus last year’s US$119 per carat mainly reflects the impact of weaker market conditions.

Costs:
On-mine cash costs at Cullinan increased 67% to ZAR257/t (FY 2015: ZAR154/t) mainly due to the planned reduction in ROM tonnes treated as well as lower volumes of lower cost tailings tonnes treated during the Year.

Development Plan
Cullinan contains a world-class diamond resource of 194.2 Mcts (including 17.3 Mcts in tailings), and the Company is capitalising on this by undertaking an expansion programme at the mine to take annual production to ca. 2.2 Mcts by FY 2019 (comprising ca. 2.0 Mcts ROM and ca. 0.2 Mcts tailings).

This expansion plan will establish a new block cave, known as C-Cut Phase 1, on the western side of the orebody in the upper portion of the major C-Cut resource (estimated to contain some 131 Mcts in total) and will also involve a large tailings operation. Petra's current mine plan has a life to 2030, but the major residual resources at the mine indicate that the actual life of mine ("LOM") could be in excess of 50 years. A schematic of the Cullinan mine and orebody is available on Petra's website at: www.petradiamonds.com/investors/analysts/analyst-guidance/.

The C-Cut Phase 1 project is progressing well and in line with expectations, with initial production having commenced towards the end of FY 2016. The C-Cut Phase 1 Block Cave production ramp up will continue during FY 2017 and is expected to contribute ca. 1 Mt of FY 2017's planned ROM throughput of 2.8 Mt. The remainder of ROM tonnes will consist of pillar and reclamation mining of 1 Mt (providing access to largely undiluted areas) and old, diluted mining areas of 0.8 Mt. This increase in tonnage throughput of undiluted ore is expected to increase the ROM grade to 33 – 35 cpht in H1 FY 2017 and 42 – 44 cpht in H2 FY 2017, resulting in a planned average ROM grade of ca. 39 cpht in FY 2017.

An additional US$16 million in Capex for FY 2017 has been earmarked for enlarging the C-Cut footprint, extending towards the Eastern side of the orebody. This will enable the decommissioning of the older mining areas in the B-Cut during FY 2018 (two years earlier than previously planned), allowing for production to be focused on just two areas (as opposed to the current five areas). Cost savings associated with this simplified mining operation will enable the Company to counter ongoing inflationary pressures.

ROM grade is expected to increase further to ca. 47 cpht by FY 2018 and to ca. 50 cpht by FY 2019, when Cullinan's C-Cut Phase 1 Block Cave is in full production (yielding undiluted ore) and the new Cullinan Plant is in operation (providing improved diamond liberation). The plant configuration has been altered to utilise slotted screens resulting in an effective bottom cut of 1.1 – 1.2 mm (up from the previous 1.0 mm). This change has resulted in lower ROM grades being guided for FY 2018 and FY 2019 due to a reduction in the planned recovery of finer diamonds, while maintaining the average value per tonne at levels commensurate with previous guidance.

During FY 2017, ca. 0.4 Mt of higher grade recovery tailings will be treated at a grade of ca. 25 cpht. From FY 2018 onwards, tailings treatment is planned at ca. 2.4 Mtpa at a grade of ca. 7 – 8 cpht.

Capex:
Capex of US$179.4 million was ca. US$16 million above guidance mainly due to the acceleration of spend, scheduled for FY 2017, related to the new plant.

New Cullinan Plant:
The construction of the new Cullinan Plant is progressing well and in line with expectations. The commissioning of the new plant is planned to commence during Q3 FY 2017 and is expected to be complete and fully operational during Q4 FY 2017.

Koffiefontein – South Africa

	Unit	FY 2016	FY 2015	Variance
Sales				
Revenue	US$M	25.7	17.8	+44%
Diamonds sold	Carats	55,500	46,033	+21%
Average price per carat	US$	462	386	+20%
ROM Production				
Tonnes treated	Tonnes	681,344	341,783	+99%
Diamonds produced	Carats	50,825	27,756	+83%
Grade	Cpht	7.5	8.1	-7%
Tailings / Ebenhaezer Production				
Tonnes treated	Tonnes	446,854	524,244	-15%
Diamonds produced	Carats	11,365	17,628	-36%
Grade	Cpht	2.5	3.4	-27%
Total Production				
Tonnes treated	Tonnes	1,128,198	866,027	+30%
Diamonds produced	Carats	62,190	45,384	+37%
Costs				
On-mine cash cost per tonne treated	ZAR	317	303	+5%
Capex				
Expansion Capex	US$M	24.6	23.1	+7%
Sustaining Capex	US$M	2.9	3.7	-22%
Total Capex	US$M	27.5	26.8	+3%

Diamond production increased 37% to 62,190 carats (FY 2015: 45,384 carats), due to an increase in ROM tonnes treated as the SLC project commenced ramping up to its planned throughput of 1.1 Mtpa.

As the SLC was in the process of ramping up during Q4 FY 2016, the majority of production was sourced from the diluted 52 mL, resulting in grade underperformance. Grades are expected to increase to ca. 8 cpht in FY 2017 and then on to steady state 8 – 9 cpht from FY 2018 onwards.

Revenue increased 44% to US$25.7 million (FY 2015: US$17.8 million) for the Year due to the higher proportion of ROM versus tailings carats sold, which command a higher average value per carat.

Costs:
The marked increase in higher value, higher-cost, underground production resulted in a 5% increase in the unit cash cost per total tonne treated to ZAR317 (FY 2015: ZAR303/t). Unforeseen break-downs and associated maintenance costs contributed to the increase in unit cost.

Development Plan
Petra's expansion plan at Koffiefontein will increase production from 55,500 ctpa in FY 2016 to ca. 95,000 ctpa by FY 2017 (underground only). Petra's current mine plan has a life to 2025, but the residual resources at the mine indicate that the actual LOM could be in excess of 20 years.

As at Finsch, the SLC mining method will be used at Koffiefontein, before putting in place a new block cave. The SLC will be mined over three levels from 560 mL to 600 mL. Production has now commenced on the 560 mL of the SLC. A schematic of the Koffiefontein mine and orebody is available on Petra's website at: www.petradiamonds.com/investors/analysts/analyst-guidance/.

The SLC will continue ramping up during FY 2017, with ROM throughput planned at 1.1 Mtpa at an average grade of ca. 8 cpht for FY 2017.

Capex:
Capex of ca. US$27.5 million was ca. US$6 million above guidance, mainly spent on the SLC capital programme.

Kimberley Operations – South Africa

	Unit	FY 2016	FY 2015	Variance
Sales				
Revenue	US$M	57.7	41.8	n/a
Diamonds sold	Carats	438,680	138,052	n/a
Average price per carat	US$	132	302	n/a
KUM Production[1]				
Tonnes treated	Tonnes	721,513	1,196,269	n/a
Diamonds produced	Carats	88,572	137,226	n/a
Grade	Cpht	12.3	11.5	n/a
Combined Kimberley Operations Production – attributable to Petra[2]				
Tonnes treated	Tonnes	3,583,758	n/a	n/a
Diamonds produced	Carats	442,897	n/a	n/a
Grade	Cpht	12.4	n/a	n/a
Total Production				
Tonnes treated	Tonnes	4,305,271	1,196,269	n/a
Diamonds produced	Carats	531,469	137,226	n/a
Costs				
On-mine cash cost per tonne treated	ZAR	140	264	n/a
Capex				
Expansion Capex	US$M	14.7	10.5	n/a
Sustaining Capex	US$M	2.1	3.4	n/a
Total Capex	US$M	16.8	13.9	n/a

Notes:

1. *KUM production represents the Kimberley Underground ROM and Tailings production for the period up to 17 January 2016 (pre the establishment of the Combined Kimberley Operations).*
2. *Combined Kimberley Operations production represents Petra's 75.9% attributable share (including both ROM production from Kimberley Underground and Tailings production), further to the acquisition of the Kimberley Mines assets in partnership with Ekapa Mining on 18 January 2016 and the associated tolling agreement.*

In January 2016, Petra and its consortium partner Ekapa Mining completed the acquisition of the Kimberley Mines assets from De Beers in a jointly controlled operation. For the period 18 January 2016 to 30 June 2016 the parties further agreed to jointly operate their respective operations in Kimberley, being the Kimberley Underground mine, numerous tailings retreatment programmes around Kimberley and the Central Treatment Plant ("CTP") – referred to in this announcement as the "Combined Kimberley Operations". This joint operation utilised a toll treatment arrangement, with a resultant attributable interest to Petra of 75.9% in the production from the Combined Kimberley Operations.

Petra's results for FY 2016 reflect Petra's 100% interest in Kimberley Underground until 17 January 2016 and Petra's attributable interest of 75.9% in the Combined Kimberley Operations from 18 January 2016 to 30 June 2016. The Combined Kimberley Operations resulted in Petra's attributable production increasing to 531,469 carats and revenue rising to US$57.7 million for the Year.

Post Year end, Petra and Ekapa Mining concluded a formal combination of their respective operations in Kimberley (effective 1 July 2016) into what is now known as the Kimberley Ekapa Mining Joint Venture ("KEM JV"). Petra has a 75.9% interest in the KEM JV but, due to the joint control provisions in the relevant agreements, its interest in Kimberley Underground will change from a subsidiary to a joint venture. Accordingly, the Consolidated Statement of Financial Position at 30 June 2016 recognises 24.1% of Kimberley Underground's assets and liabilities (being the share attributable to Ekapa) as being held for sale in anticipation of the establishment of the joint venture, and from 1 July 2016 Petra will account for its 75.9% interest in the assets, liabilities, revenues and costs of KEM JV.

Costs:
The on-mine cash cost decreased to ZAR140/t (FY 2015: ZAR264/t), due to the higher volume and proportion of lower cost tailings tonnes treated during the Year, following the acquisition of Kimberley Mines.

Development plan (stated in 100% terms; Petra to record at 75.9%):
The combined operations will yield synergies leading to cost savings in overheads, processing and hauling costs, and will allow for a mine plan to 2035 (previously Petra's Kimberley Underground operation only had a mine plan to 2026).

FY 2017 ROM production is planned at ca. 1.2 Mt ROM at a grade of ca. 16 cpht. The aforementioned synergies will allow for increased longer-term production levels at Kimberley Underground, with ROM tonnages planned to reach steady state of ca. 1.6 Mtpa from FY 2019 onwards. Petra has therefore assigned additional Capex of US$25 million in FY 2017 to underground development and shaft upgrades in order to achieve these higher production levels. This Capex will be self-funded by KEM JV's free cashflow.

FY 2017 tailings treatment is planned at ca. 8.6 Mt at an average grade of 9 – 10 cpht, with 5.5 Mt to be processed through the CTP and 3.1 Mt through existing tailings treatment facilities contributed to KEM JV.

Petra and its joint venture partner will spend ca. US$5 million on enhancements to the CTP plant in FY 2017 in order to increase throughput from ca. 6 Mtpa to 8.5 – 9.0 Mtpa, as well as introducing a crushing circuit in order to treat ROM material. The existing plants at Kimberley Underground, Joint Shaft Plant and Wesselton Plant, which are together capable of processing ca. 1.1 Mt, are currently being decommissioned, with the plan for all Kimberley Underground ore to be processed through the CTP from Q2 FY 2017 onwards.

The KEM JV business plan envisages a combined steady state throughput of ca. 8.5 – 9 Mtpa (ca. 1.6 Mtpa ROM and 7.2 Mtpa tailings) from FY 2019 onwards.

Capex:
Capex of ca. US$16.8 million was ca. US$7 million above guidance, mainly due to the initial capital spent on projects relating to the Combined Kimberley Operations.

Williamson – Tanzania

	Unit	FY 2016	FY 2015	Variance
Sales				
Revenue	US$M	78.9	62.1	+27%
Diamonds sold	Carats	205,548	208,351	-1%
Average price per carat	US$	384	298	+29%

ROM Production				
Tonnes treated	Tonnes	4,003,180	4,056,638	-1%
Diamonds produced	Carats	199,796	194,048	+3%
Grade	Cpht	5.0	4.8	+4%
Alluvial Production				
Tonnes treated	Tonnes	417,452	369,406	+13%
Diamonds produced	Carats	13,073	8,216	+59%
Grade	Cpht	3.1	2.2	+41%
Total Production				
Tonnes treated	Tonnes	4,420,632	4,426,044	0%
Diamonds produced	Carats	212,869	202,265	+5%
Costs				
On-mine cash cost per tonne treated	US$	11	12	-8%
Capex				
Expansion Capex	US$M	23.0	8.3	+177%
Sustaining Capex	US$M	1.4	7.9	-82%
Total Capex	US$M	24.4	16.2	+51%

Williamson performed well for the Year, with production increasing 5% in FY 2016 to 212,869 carats (FY 2015: 202,265 carats), mainly due to an increase in both the ROM and alluvial grades achieved.

Revenue increased 27% to US$78.9 million (FY 2015: US$62.1 million) due to the higher average price per carat of US$384 in FY 2016 (FY 2015: US$298). This higher average was mainly assisted by the recovery and sale of two exceptional pink diamonds in FY 2016, which together generated revenue of US$25.1 million.

Costs:
The on-mine cash cost of US$11/t (FY 2015: US$12/t) was in line with expectations.

Development Plan:
Petra's expansion plan at Williamson will see tonnage throughput ramp up to ca. 5 Mtpa from FY 2018, which, at a grade of ca. 7 cpht, is expected to deliver ca. 350,000 ctpa. Petra's current mine plan for Williamson has a life extending to 2033, but given that the Mwadui kimberlite hosts a major resource of 40.4 Mcts, there is potential to extend the LOM considerably. A schematic of the Williamson mine and Mwadui orebody is available on Petra's website at: www.petradiamonds.com/investors/analysts/analyst-guidance/.

ROM throughput is planned at 4.6 Mt at a grade of ca. 6 cpht during FY 2017, in line with previous guidance, as the enhancements being made to the plant (introduction of an additional crusher circuit and two autogenous mills) are expected to come into effect during FY 2017.

Throughput is expected to increase to ca. 5 Mtpa by FY 2018 at a grade of ca. 7 cpht, resulting in a 7 – 10% increase in revenue per tonne compared to the FY 2017 guided level of 6 cpht.

Capex:
Capex of US$24.4 million for the Year (FY 2015: US$16.2 million) exceeded guidance of ca. US$20 million, mainly due to additional waste stripping costs incurred.

EXPLORATION
FY 2016 saw a shift to a more focused, strategic exploration approach. This was reflected in the Company's exploration spend (excluding depreciation) decreasing from US$5.6 million in FY 2015 to US$2.7 million in FY 2016 and a budgeted spend of ca. US$1 million for FY 2017.

Botswana
In Botswana, Petra's focus remains the evaluation of the KX36 deposit. Further to the work carried out in H1 FY 2016, the KX36 Resource is now classified at an Indicated level of confidence to a depth of 320 metres and an Inferred level of confidence to a depth of 516 metres below surface. The grade and density estimates were used to calculate the FY 2016 resource figures.

The Indicated Resource Estimate is 6.3 Mcts contained in 17.9 Mt at an average of 35 cpht, while the Inferred Resource Estimate is 2.4 Mct contained in 6.7 Mt at an average grade of 36 cpht. This gives a total of 8.7 Mct contained in 24.6 Mt, at an average grade of 35 cpht.

The size frequency distribution models are significantly finer compared to results for FY 2015 due to an increase in recoveries of diamonds smaller than 7 DTC sieve size further to an improved crushing circuit in the sample plant.

Having gathered all the relative information on KX 36, desktop compilation and interpretation of the data is being undertaken so as to produce a pre-feasibility report for this kimberlite.

Petra also holds four contiguous prospecting licences that constitute the Orapa South West Project Area, where it is following up a number of prospective anomalies.

South Africa
In South Africa, Petra's focus is the investigation of the Reivilo kimberlite, which is situated approximately 110 kilometres north-east of the Finsch mine.

Ground follow-up of the low level aeromagnetic survey revealed three separate bodies, the largest of which has a geophysically estimated size of 3.1 hectares, and two smaller bodies with geophysically estimated sizes of 1.7 and 0.9 hectares, with a resultant aggregate size of 5.7 hectares. Geological mapping revealed three sub-cropping bodies with partial calcrete cover, from which soil samples were taken of the two larger bodies. All three kimberlites occur within a cluster defined by a 250 metre radius, with subsequent laboratory samples suggesting these are probably Group 2 kimberlites.

Electron micro-probe results of the indicator mineral grains from the abovementioned samples revealed an abundance of diamond stability field G10 garnets, as well as an abundance of diamond stability field high sodium eclogitic paragenesis garnets. In addition to the above, the peridotitic paragenesis garnets indicate temperatures of formation well within that required for the formation of diamond. Thus these initial kimberlitic indicator minerals results are highly encouraging.

A drilling programme is now planned for FY 2017 in order to obtain primary kimberlite material for micro diamond testing, so as to establish diamond total content for use in grade estimation on total content curves, as well as petrographic studies. The drilling programme will be designed to more accurately determine the size of the bodies as well as the depth of weathering.

SAFETY
The health and safety of all Petra people is the Company's most important operational metric and Petra has a wide range of initiatives, training and awareness programmes in place to foster a zero harm workplace.

The Group's LTIFR for the Year stayed flat at 0.29 (FY 2015: 0.29), which is a good achievement in comparison to international industry standards and to other mining companies in South Africa, particularly for underground operations, especially given the level of activity currently underway around the expansion programmes.

While Petra's mining methods and operations are inherently safe, there is an ever present risk of accidents. For this reason, Petra aims to have a deeply-ingrained safety culture, backed up by effective systems and processes, with managers through all levels of the business leading by example.

However, it is with deep regret that Petra experienced a fatality in July 2015 at the Tailings Treatment Plant at Cullinan, which was equipment related and happened whilst maintenance work was being conducted. Post Year end, Petra also experienced a fatality at the Williamson mine in August 2016, related to work on an overhead power line.

The above mentioned accidents are not acceptable and Petra is working hard to carry over the findings from the investigations into both incidents, with new control procedures being put in place and findings being shared with the entire Petra Group.

Petra's annual Sustainability Report provides further information on its sustainable development policies and practices, covering areas such as Health and Safety, Environment, Community and Employment. It is available on the Petra website at www.petradiamonds.com/sustainability.

GROSS RESERVES & RESOURCES

Petra manages one of the world's largest diamond resources. This major resource suggests that the potential mine lives of Petra's assets could be considerably longer than the current mine plans in place at each operation, or could support significantly higher production rates. A summary of the Group's gross Reserves and Resources is below and the Group's full 2016 Resource Statement can be accessed at www.petradiamonds.com/our-operations/reserves-resources/.

Gross Resources

As at 30 June 2016, the Group's gross Diamond Resources (inclusive of Reserves) increased 1% to 312.2 Mcts (30 June 2015: 308.6 Mcts).

The main reason for the increase in gross Diamond Resources relates to a 42% increase (ca. 2.6 Mcts) in the Resource at Petra's Combined Kimberley Operations, further to the acquisition of an interest in the Kimberley Mines assets in January 2016, a 6% overall increase (ca. 2.3 Mcts) in the Resource at Williamson further to work carried out during FY 2016 to update the Resource model, and the inclusion of a portion of the overburden dumps at Finsch based on sampling done during FY 2016 (ca. 1.2 Mcts).

Gross Reserves

The Group's gross Diamond Reserves decreased by 4% to 47.9 Mcts (30 June 2015: 49.8 Mcts) due to depletion by mining activity, and re-assessment of remaining Reserves based on mine plan revisions and plant simulations. This includes the update of Reserves at Cullinan (-6% or ca. 1.4 Mcts) which includes depletions and the expected impact of the new plant performance based on metallurgical simulations and bottom cut-off changes, and Finsch (-3% or ca. 0.7 Mcts) due to mining depletions and updates to the Block 5 mining plan.

The following table summarises the gross Reserves and Resources status of the combined Petra Group operations as at 30 June 2016.

	Gross		
Category	**Tonnes (millions)**	**Grade (cpht)**	**Contained Diamonds (Mcts)**
Reserves			
Proved			
Probable	103.2	46.4	47.9
Sub-total	**103.2**	**46.4**	**47.9**
Resources			
Measured	0.2	263.9	0.6
Indicated	441.4	49.8	219.7
Inferred	1,434.2	6.4	91.9
Sub-total	**1,875.8**	**16.6**	**312.2**

Notes:

1. *Reserves and Resources have been reported in accordance with the South African code for the reporting of mineral reserves and mineral resources (SAMREC 2016).*
2. *The Petra 2016 annual Resource Statement as shown above is based on information compiled internally within the Group under the guidance and supervision of Jim Davidson, Pr. Sci. Nat. (reg. No.400031/06). Jim Davidson has 44 years' relevant experience in the diamond industry and is a full-time employee of Petra.*
3. *All Reserves and Resources have been independently reviewed and verified by John Kilham, Pr. Sci. Nat. (reg. No. 400018/07), a competent person with 36 years' relevant experience in the diamond mining industry, who was appointed as an independent consultant by the Company for this purpose.*

GOVERNANCE

Board changes

On 30 June 2016, David Abery stepped down as Finance Director after 13 years with the Company in order to pursue other business opportunities. In order to assure a smooth handover, Mr Abery is currently available to the Company on a consultancy basis up to 31 January 2017.

Following Mr Abery stepping down, the Petra Board consists of seven members:

- Two Executive Directors (Johan Dippenaar – CEO and Jim Davidson – Technical Director);
- One Non-Executive Director (Adonis Pouroulis – Non-Executive Chairman); and
- Four Independent Non-Executive Directors (Tony Lowrie – Senior Independent Director, Patrick Bartlett, Gordon Hamilton and Octavia Matloa).

OUTLOOK

Our Capex profile is now on a declining trend given the advanced stage of the expansion programmes, with the new shaft and plant at Cullinan to be completed in H2 FY 2017. This declining trend in capital, coupled with increased production as the Cullinan C-Cut Phase 1 and Finsch Block 5 SLC projects come on-line, will have a positive impact on our cash generation. Consequently the Company expects to become free cashflow positive during FY 2017, with cashflows expected to rise strongly from FY 2018 onwards.

The economics of our business are therefore forecast to be transformed over the next two years, as the ever increasing contribution from undiluted ore at our operations will lead to an increase in average value per carat, diamond grade and associated operating margins.

Given the positive outlook for Petra as set out in this results announcement, the Company is committed to resuming dividend payments in the near future.

Petra's continuing success is a direct result of a strong operational team and our positive reciprocal relationships with each of our stakeholders. I would therefore like to extend my thanks to each and every Petra employee for their dedication and also to our valued partners, including our host Governments, joint operation partners, BEE partners including the Itumeleng Petra Diamonds Employee Trust, representative Trade Unions and community stakeholders, whose support enables us to continue on our mission to build a leading independent diamond mining group.

Johan Dippenaar
Chief Executive
19 September 2016

Notes

1. *The following exchange rates have been used for this announcement: average for the Year US$1: ZAR14.5062; closing rate as at 30 June 2016 US$1:ZAR14.6800.*
2. *The following definitions have been used in this announcement:*
    a. *BEE: black economic empowerment*
    b. *ct: carat*
    c. *cpht: carats per hundred tonnes*
    d. *kcts: thousand carats*
    e. *Mctpa: million carats per annum; and Mcts: million carats*
    f. *mL: metre level*
    g. *Mt: million tonnes*
    h. *Mtpa: million tonnes per annum*
    i. *LOM: life of mine*
    j. *LTIFR: lost time injury frequency rate*
    k. *ROM: run-of-mine, i.e. relating to production from the primary orebody*
    l. *SLC: sub-level cave, a variation of block caving*

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

US$ million	Notes	**2016**	2015
Revenue		**430.9**	425.0
Mining and processing costs		**(310.3)**	(313.9)
Other direct income		**2.8**	2.2
Exploration expenditure		**(2.9)**	(5.8)
Corporate expenditure	5	**(12.1)**	(13.1)
Total costs		**(322.5)**	(330.6)
Financial income	6	**7.0**	6.6
Financial expense	6	**(40.0)**	(16.0)
Profit before tax		**75.4**	85.0
Income tax charge		**(8.6)**	(25.4)
Profit for the Year		**66.8**	59.6
Attributable to:			
Equity holders of the parent company		**54.2**	48.6
Non-controlling interest		**12.6**	11.0
		66.8	59.6
Profit per share attributable to the equity holders of the parent during the Year:			
From continuing operations:			
Basic profit per share – US$ cents	13	**10.38**	9.46
Diluted profit per share – US$ cents	13	**10.14**	9.19

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

US$ million	**2016**	2015
Profit for the Year	**66.8**	59.6
Exchange differences on translation of the share-based payment reserve	**(2.9)**	(1.5)
Exchange differences on translation of foreign operations[1]	**(121.4)**	(71.9)
Exchange differences on non-controlling interest[1]	**(9.6)**	(7.4)
Exchange differences on hedging and other reserves[1]	**—**	(0.4)
Unrealised loss on foreign exchange hedges transferred directly to equity[1]	**—**	(2.7)
Total comprehensive expense for the Year	**(67.1)**	(24.3)

Total comprehensive income and expense attributable to:		
Equity holders of the parent company	**(70.1)**	(27.9)
Non-controlling interest	**3.0**	3.6
	(67.1)	(24.3)

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

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

US$ million	Note	**2016**	2015
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1 079.3**	968.8
Deferred tax asset		**7.1**	6.3
BEE loans receivable	12	**28.8**	29.6
Other receivables	11	**2.7**	—
Total non-current assets		**1 117.9**	1 004.7
Current assets			
Trade and other receivables		**115.9**	87.9
Inventories		**57.9**	48.7
Cash and cash equivalents (including restricted amounts)		**48.7**	166.6
Total current assets		**222.5**	303.2
Non-current assets classified as held for sale	16	**18.8**	—
Total assets		**1 359.2**	1 307.9
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**88.6**	87.6
Share premium account	8	**665.2**	664.0
Foreign currency translation reserve		**(372.1)**	(250.7)
Share-based payment reserve		**14.4**	21.7
Hedging and other reserves		**(0.8)**	(0.8)
Retained earnings		**109.1**	61.3
Attributable to equity holders of the parent company		**504.4**	583.1
Non-controlling interest		**42.4**	39.4
Total equity		**546.8**	622.5
Liabilities			
Non-current liabilities			
Loans and borrowings	9	**317.2**	298.2
BEE loans payable	12	**84.6**	94.0
Provisions		**59.7**	72.0
Deferred tax liabilities		**106.0**	113.0
Total non-current liabilities		**567.5**	577.2
Current liabilities			
Loans and borrowings	9	**107.3**	28.9
Trade and other payables		**125.4**	79.3
Total current liabilities		**232.7**	108.2
Liabilities directly associated with non-current assets classified as held for sale	16	**12.2**	—
Total liabilities		**812.4**	685.4
Total equity and liabilities		**1 359.2**	1 307.9

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2016

US$ million	Note	2016	2015
Profit before taxation for the Year		**75.4**	85.0
Depreciation of property plant and equipment	7	**51.8**	38.3
Movement in provisions		**(0.7)**	1.5
Financial income	6	**(7.0)**	(6.6)
Financial expense	6	**40.0**	16.0
(Profit) / loss on disposal of property, plant and equipment		**(0.1)**	0.4
Share based payment provision		**4.1**	6.6
Operating profit before working capital changes		**163.5**	141.2
Increase in trade and other receivables		**(46.8)**	(12.6)
Increase in trade and other payables		**64.9**	11.6
Increase in inventories		**(4.3)**	(7.8)
Cash generated from operations		**177.3**	132.4
Realised (losses) / gains on foreign exchange contracts		**(20.7)**	1.3
Finance expense		**(2.6)**	(2.0)
Income tax (paid) / refund		**(0.3)**	1.0
Net cash generated from operating activities		**153.7**	132.7
Cashflows from investing activities			
Acquisition of assets at Kimberley Mines net of cash		**(3.0)**	—
Acquisition of property, plant and equipment (including capitalised cash interest paid of US$24.3 million (30 June 2015 US$10.6 million))		**(327.9)**	(267.1)
Loans advanced to BEE partners		**(6.8)**	(6.1)
Repayment from BEE partners		**3.4**	98.3
Finance income		**0.4**	1.5
Transfer from restricted cash deposits		**(0.5)**	(1.0)
Net cash utilised in investing activities		**(334.4)**	(174.4)
Cashflows from financing activities			
Proceeds from the issuance of share capital		**1.4**	7.1
Increase in borrowings (net of Bond issue costs of US$nil; 30 June 2015: US$11.5 million)		**137.0**	349.2
Dividends paid		**(15.4)**	—
Repayment of borrowings		**(40.4)**	(177.3)
Net cash generated from financing activities		**82.6**	179.0
Net (decrease) / increase in cash and cash equivalents		**(98.1)**	137.3
Cash and cash equivalents at beginning of the Year		**153.5**	20.2
Effect of exchange rate fluctuations on cash held		**(18.7)**	(4.0)
Cash and cash equivalents at end of the Year[1]		**36.7**	153.5

[1] Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US$12.0 million (30 June 2015: US$13.1 million) and unrestricted cash of US$36.7 million (30 June 2015: US$153.5 million).

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

(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 2015	87.6	664.0	(250.7)	21.7	(0.8)	61.3	583.1	39.4	622.5
Profit for the Year	—	—	—	—	—	54.2	54.2	12.6	66.8
Other comprehensive expense	—	—	(121.4)	(2.9)	—	—	(124.3)	(9.6)	(133.9)
Dividends paid	—	—	—	—	—	(15.4)	(15.4)	—	(15.4)
Transfer between reserves for exercise of options	—	—	—	(9.0)	—	9.0	—	—	—
Equity settled share based payments	—	—	—	5.3	—	—	5.3	—	5.3
Allotments during the Year:									
- Share options exercised	0.2	1.2	—	—	—	—	1.4	—	1.4
- LTSP share grants	0.8	—	—	(0.7)	—	—	0.1	—	0.1
At 30 June 2016	88.6	665.2	(372.1)	14.4	(0.8)	109.1	504.4	42.4	546.8

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

(Audited) 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 2014	86.7	657.8	(178.8)	18.3	2.3	9.8	596.1	35.8	631.9
Profit for the year	—	—	—	—	—	48.6	48.6	11.0	59.6
Other comprehensive expense	—	—	(71.9)	(1.5)	(3.1)	—	(76.5)	(7.4)	(83.9)
Transfer between reserves for exercise of options	—	—	—	(2.9)	—	2.9	—	—	—
Equity settled share-based payments	—	—	—	7.8	—	—	7.8	—	7.8
Allotments during the Year:									
- Share options exercised	0.6	3.2	—	—	—	—	3.8	—	3.8
- Warrants exercised	0.3	3.0	—	—	—	—	3.3	—	3.3
At 30 June 2015	87.6	664.0	(250.7)	21.7	(0.8)	61.3	583.1	39.4	622.5

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 Jersey. The Condensed Consolidated Preliminary Financial Statements of the Company for the year ended 30 June 2016 comprise the Company and its subsidiaries, joint operations and associates (together referred to as the "Group").

2. ACCOUNTING POLICIES

The preliminary results, which are unaudited, do not include all the notes of the type normally included in an annual financial report. Accordingly, this unaudited preliminary report is to be read in conjunction with the Annual Report for the year ended 30 June 2015, and any public announcements made by the Group during the reporting period. The annual financial report for the year ended 30 June 2015 was prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and the accounting policies applied in this preliminary report are consistent with the policies applied in the annual financial report for the year ended 30 June 2015.

In addition to the above accounting policies, the Group has adopted the following accounting policies in the Year:

Revenue

Where the Group enters into tolling agreements under which the combined production of the parties is sold by the Group, the Group only recognises revenue from the portion of sales for which it acts as principal. No revenue is recognised for the remaining portion, for which the Group acts as an agent and receives no further income.

Non- current assets held for sale

Non-current assets or disposal groups are classified as held for sale when they are available for immediate sale, management have committed to a plan to sell, it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn and that the sale will be completed within 12 months from the date of classification. The non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Basis of preparation

After a review of the Group's operations, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the unaudited condensed interim financial statements. Further details of the Group's funding position are included on page 11 and 12 of the financial review and in notes 9 and 17.

The unaudited consolidated preliminary financial statements for the year ended 30 June 2016 do not constitute statutory accounts and have been drawn up using accounting policies and presentation expected to be adopted in the Group's full financial statements for the year ended 30 June 2016, which are not expected to be significantly different to those set out in Note 1 to the Group's audited financial statements for the year ended 30 June 2015.

The financial information for the year ended 30 June 2015 has been extracted from the statutory accounts for that period. The auditors' report for the year ended 30 June 2015 was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

New standards and interpretations applied

The IASB has issued no new standards, amendments to published standards and interpretations to existing standards with effective dates on or prior to 1 July 2015 which have a material effect on the Group.

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 2016 or later periods, which the Group has decided not to adopt early or which are yet to be European Union endorsed.

The only standards which are anticipated to be significant or relevant to the Group are IFRS 9 – Financial Instruments, IFRS 15 Revenue from Contracts with Customers, IFRS 16 Leases and Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations. The standards are effective ranging from 1 January 2016 to 1 January 2019. The Group is in the process of assessing the impact of these standards on the Financial Statements. Further information will be included in the Group's 2016 annual report.

Significant assumptions and judgements:

The preparation of the consolidated preliminary 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. 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:

Life of mine and ore reserves and resources

There are numerous risks inherent in estimating ore reserves and resources and the associated current life of mine plan. The life of mine plan is the current approved management plan for ore extraction that considers specific resources and associated capital expenditure. The life of mine plan frequently includes less tonnes than the total reserves and resources that are set out in the Group's Reserves and Resources Statement and which management may consider to be economically viable and capable of future extraction.

Management must make a number of assumptions when making estimates of reserves and resources, including assumptions as to exchange rates, rough diamond and other commodity prices, extraction costs, recovery and production rates. Any such estimates and assumptions may change as new information becomes available. Changes in exchange rates, commodity prices, extraction costs, recovery and production rates may change the economic viability of ore reserves and resources and may ultimately result in the restatement of the ore reserves and resources and potential impairment to the carrying value of the mining assets and life of mine plans.

The current life of mine plans are used to determine the ore tonnes and capital expenditure in the impairment tests. Ore reserves and resources, both those included in the life of mine and certain additional tonnes which form part of reserves and resources considered to be sufficiently certain and economically viable, also impact the depreciation of mining assets depreciated on a unit of production basis. Ore reserves and resources further impact the estimated date of decommissioning and rehabilitation.

Impairment reviews

While conducting an impairment review of its assets using value in use impairment models, the Group exercised judgement in making assumptions about future rough diamond prices, volumes of production, ore reserves and resources included in the current life of mine plans, future development and production costs and macroeconomic 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'. The Group prepares value in use impairment models and assesses mining assets for impairment.

Capitalisation of borrowing costs

The Group capitalises effective interest costs (inclusive of fees) to property, plant and equipment when the loans are considered to have been drawn down for the purpose of funding the Group's capital development programmes. Judgement is required in determining the extent to which borrowing costs relate to qualifying capital projects. Bank borrowings were utilised to fund the underground expansion projects. The US$300 million bond raised in FY 2015 is being used to fund the construction of the new processing plant at Cullinan and will fund the completion of the underground expansion projects.

Provision for rehabilitation

Significant estimates and assumptions are made in determining the amount attributable to rehabilitation provisions. These deal with uncertainties such as the legal and regulatory framework, timing and future costs. In determining the amount attributable to rehabilitation provisions, management used a discount rate range of 8.1%–9.6% (30 June 2015: 7.9%–8.3%), estimated rehabilitation timing of 3 to 49 years (30 June 2015: 11 to 50 years) and an inflation rate range of 6.1%–7.6% (30 June 2015: 5.8%–6.3%). The Group estimates the cost of rehabilitation with reference to approved environmental plans filed with the local authorities. Reductions in estimates are only recognised when such reductions are approved by local legislation and are consistent with the Group's planned rehabilitation strategy. Increases in estimates are immediately recognised. The carrying value of rehabilitation provisions at the reporting date is US$48.9 million (30 June 2015: US$58.9 million).

Depreciation

Judgement is applied in making assumptions about the depreciation charge for mining assets. The Group depreciates its assets using units of production or straight-line basis depending on its assessment of the most appropriate method for each individual asset. Judgement is applied when using the units of production method in estimating the ore tonnes held in reserves and resources which have sufficient geological and geophysical certainty of being economically viable and which are extractable using existing assets. The relevant reserves and resources include those included in current approved life of mine plans and, in respect of certain surface and underground shared infrastructure, certain additional resources which also meet these levels of certainty and viability. The Group depreciates its assets according to relevant sections of the orebody over which these will be utilised and a key judgement exists in determining the future production unit assigned to on-mine shared infrastructure which is utilised over more than one section of the orebody or is used to access ore tonnes outside of the current approved life of mine plan. Judgement is also applied when assessing the estimated useful life of individual assets and residual values. The assumptions are reviewed at least annually by management and the judgment is based on consideration of the Life of Mine plans and structure of the orebody and the nature of the assets. The assessment is determined by the Group's capital project teams and geologists.

Pension and post-retirement medical fund schemes

The Company operates a defined benefit pension scheme and a post-employment health care liability scheme. The pension charge or income for the defined benefit scheme and benefit liability for the post-employment health care liability scheme is regularly assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The most recent actuarial valuation was at 30 June 2016. The most important assumptions made in connection with the pension scheme valuation and charge or income are the return on the funds, the average yield of South African Government long dated bonds, salary increases, withdrawal rates, life expectancies and the current South African consumer price index. The most important assumptions made in connection with the post-employment health care liability scheme valuation and charge or income are the health care cost of inflation, the average yield of South African Government long dated bonds and salary increases, withdrawal rates and life expectancies.

Net investments in foreign operations

Management assess the extent to which intra-group loans to foreign operations that give rise to unrealised foreign exchange gains and losses are considered to be permanent as equity or repayable in the foreseeable future. The judgement is based upon factors including the life of mine plans, cashflow forecasts and strategic plans. The foreign exchange on permanent equity loans are recorded in foreign currency translation reserve until such time as the operation is sold, whilst the foreign exchange on loans repayable in the foreseeable future are recorded in the Consolidated Income Statement.

Kimberley Mines acquisition

Judgement was applied in determining the fair value adjustments in respect of the Kimberley Mines acquisition. The fair value adjustments to property, plant and equipment and medical aid provisions were to ensure these amounts were reflected at fair value. As detailed in note 15, the Group holds a 49.9% interest in Ekapa Minerals (Pty) Limited, which was used to acquire Kimberley Mines. The Group consolidates its share of the assets, liabilities, income and expenses of Kimberley Mines as a jointly controlled operation, based on contractual agreements between the joint venture partners that provided for unanimous decision making on the relevant activities of the business. The accounting treatment involved consideration of the structure of the arrangement, the legal form and the contractual agreements between the parties.

Non-current assets held for sale – Kimberley Underground

The carrying value of assets at Kimberley Underground, considered on the basis of classification as non-current assets held for sale, are carried at the lower of carrying value and fair value less cost to sell, as detailed in note 16. The assessment of fair value less cost to sell has been considered by the Board and represents a key judgement, based on internal valuation models, discounts for market pricing and progress of the current sale process. The book value of the assets is less than fair value less costs to sell.

3. DIVIDENDS

On 30 November 2015, the shareholders approved at the Annual General Meeting the payment of a maiden dividend of 3.0 US$ cents per share for the year ending 30 June 2015 (US$15.4 million). The dividend was paid during December 2015. The Group's debt facility distribution covenants were not met for the measurement period to 30 June 2016 and Petra will therefore not declare a dividend for FY 2016.

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 and South Africa.
Corporate – administrative activities in Jersey.

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 South Africa, and reviewing the corporate administration expenses in Jersey. 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.

The Group's non-current assets are located in South Africa US$991.8 million (30 June 2015: US$898.2 million), Tanzania US$125.0 million (30 June 2015: US$105.2 million), Botswana US$0.9 million (30 June 2015: US$1.2 million) and Jersey US$0.2 million (30 June 2015: US$0.1 million).

The Group’s property, plant and equipment included in non-current assets are located in South Africa US$953.2 million (30 June 2015: US$862.4 million), Tanzania US$125.0 million (30 June 2015: US$105.2 million), Botswana US$0.9 million (30 June 2015: US$1.2 million) and Jersey US$0.2 million (30 June 2015: US$0.1 million).

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities				Care and maintenance	Tanzania - Mining activities	Botswana	Jersey	South Africa		
US$ million	Cullinan	Finsch	Koffiefontein	Kimberley Operations[3]	Helam	Williamson	Exploration	Corporate and treasury	Beneficiation[5]	Inter-segment	Consolidated
	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
Revenue	83.3	186.4	25.7	57.7	0.1	78.9	—	—	0.2	(1.4)	430.9
Segment result[1]	3.7	98.0	(1.0)	7.1	(2.5)	18.6	(2.9)	(12.1)	(1.6)	(1.7)	105.6
Other direct income	—	0.2	0.2	1.5	0.3	0.5	—	—	—	0.1	2.8
Operating profit / (loss)[2]	3.7	98.2	(0.8)	8.6	(2.2)	19.1	(2.9)	(12.1)	(1.6)	(1.6)	108.4
Financial income											7.0
Financial expense											(40.0)
Income tax expense											(8.6)
Non-controlling interest											(12.6)
Loss attributable to equity holders of the parent company											54.2
Segment assets	654.7	352.8	195.9	185.2	5.8	158.9	1.1	2 314.8	6.1	(2 516.1)	1 359.2
Segment liabilities	425.1	179.4	199.1	194.1	42.7	264.1	43.6	1 368.9	7.6	(1912.2)	812.4
Capital expenditure	179.4	73.8	27.5	16.8	0.4[4]	24.4	—	1.8	—	—	324.1

[1] Total depreciation of US$51.8 million included in the segmental result, comprises depreciation incurred at Finsch US$11.8 million, Cullinan US$18.4 million, Koffiefontein US$4.5 million, Kimberley Underground US$9.8 million, Williamson US$5.9 million, Helam US$0.6 million, Exploration US$0.2 million and Corporate administration US$0.6 million.

[2] Operating profit is equivalent to revenue of US$430.9 million less total costs of US$322.5 million as disclosed in the Consolidated Income Statement.

[3] The Kimberley Operations segment includes the trading results of 100% of Kimberley Underground from 1 July 2015 to 17 January 2016 and the Group's 75.9% attributable share of the Combined Kimberley Operations from 18 January 2016 following the acquisition of a jointly controlled interest in the Kimberley Mines and tolling agreement. Assets of US$18.8 million and liabilities of US$12.2 million in respect of Kimberley Underground have been classified as non-current assets-held-for-sale (refer to note 16).

[4] Capital expenditure at Helam includes work-in-progress of US$0.3 million in respect of the manufacture of plant and equipment for other mines within the Group.

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

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities				Care and maintenance	Tanzania - Mining activities	Botswana	Jersey	South Africa		
US$ million	**Cullinan**	**Finsch**	**Koffiefontein**	**Kimberley Underground**	**Helam**	**Williamson**	**Exploration**	**Corporate and treasury**	**Beneficiation[4]**	**Inter-segment**	**Consolidated**
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
Revenue	122.2	185.4	17.8	41.8	1.2	62.1	—	—	0.5	(6.0)	425.0
Segment result[1]	41.9	82.2	(8.4)	2.6	(3.8)	(1.4)	(5.8)	(13.1)	—	(2.0)	92.2
Other direct income	0.1	0.6	0.3	(0.1)	0.1	1.2	—	—	—	—	2.2
Operating profit/(loss)[2]	42.0	82.8	(8.1)	2.5	(3.7)	(0.2)	(5.8)	(13.1)	—	(2.0)	94.4
Financial income											6.6
Financial expense											(16.0)
Income tax expense											(25.4)
Non-controlling interest											(11.0)
Profit attributable to equity holders of the parent company											48.6
Segment assets	661.6	331.7	173.5	96.6	7.9	141.9	2.7	2 810.3	7.4	(2 925.7)	1 307.9
Segment liabilities	411.9	287.8	173.7	112.2	50.0	259.2	41.9	1 561.8	7.4	(2 220.5)	685.4
Capital expenditure	121.5	88.0	26.8	13.9	0.5[3]	16.2	0.9	6.2	0.1	—	274.1

[1] The segment result includes total depreciation of US$38.3 million, comprising depreciation incurred at Cullinan US$10.6 million, Finsch US$13.5 million, Koffiefontein US$2.5 million, Kimberley Underground US$4.8 million, Helam US$0.7 million, Williamson US$5.5 million, Exploration US$0.1 million and Corporate administration US$0.6 million.

[2] Operating profit is equivalent to revenue of US$425.0 million less total operating costs of US$330.6 million as disclosed in the Consolidated Income Statement.

[3] Capital expenditure at Helam includes work in progress of US$0.2 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. CORPORATE EXPENDITURE

US$ million	**2016**	**2015**
Auditors' remuneration		
- Audit services[1]	**0.6**	0.7
- Audit related services[2]	**0.1**	0.1
Depreciation of property, plant and equipment	**0.6**	0.7
London Stock Exchange and other regulatory expenses	**1.4**	1.6
Other charges	**3.1**	2.4
Share-based expense – Directors	**2.3**	2.5
Share-based expense – Senior Management	**0.3**	0.4
Other staff costs	**3.7**	4.7
Total staff costs	**6.3**	7.6
	12.1	13.1

[1] Audit fees for the year ended 30 June 2016 stated above refer to fees for the FY 2015 audit.

[2] Audit-related services of US$0.1 million for FY 2016 (FY 2015: US$0.1 million) are in respect of the interim review. A further US$0.4 million fees in FY 2015 are in respect of the issue of the US$300 million loan notes, which were capitalised under non-current loans and borrowings.

6. FINANCIAL INCOME / EXPENSE

US$ million	**2016**	2015
Net unrealised foreign exchange gains / (losses)	**3.2**	(3.2)
Interest received on BEE loans and other receivables	**3.4**	7.0
Interest received on bank deposits	**0.4**	1.5
Realised foreign exchange gains	—	1.3
Financial income	**7.0**	6.6
Gross interest on bank loans and overdrafts	**(29.1)**	(16.7)
Interest on bank loans and overdrafts capitalised	**26.5**	14.7
Net interest expense on bank loans and overdrafts	**(2.6)**	(2.0)
Other debt finance costs, including BEE loan interest and facility fees	**(12.5)**	(10.8)
Unwinding of present value adjustment for rehabilitation costs	**(4.2)**	(3.2)
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts	**(20.7)**	—
Financial expense	**(40.0)**	(16.0)
Net financial expense	**(33.0)**	(9.4)

The Group enters into hedge contracts where the risk being hedged is the volatility in the South African Rand and US Dollar exchange rates affecting the proceeds in South African Rand of the Group's US Dollar denominated diamond tenders. The fair value of the Group's hedges as at 30 June are based on Level 2 mark-to-market valuation performed by the counterparty financial institutions. The contracts mature within the next 12 months. An unrealised loss of US$8.8 million (30 June 2015: US$3.7 million) in respect of foreign exchange contracts held at year end that did not qualify for continued hedge accounting and a realised loss of US$20.7 million (30 June 2015: US$1.3 million gain) in respect of foreign exchange contracts closed during the year is included in the net finance and expense amount. These amounts have arisen due to the South African Rand depreciating against the US Dollar from US$:R12.16 (30 June 2015) to US$:R14.68 (30 June 2016).

7. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment for the Period is an increase of US$110.5 million, excluding the portion held in non-current assets held for sale of US$14.1 million (30 June 2015: US$129.7 million). This is primarily as a result of an increase in property, plant and equipment from capital expenditure of US$324.1 million (30 June 2015: US$274.1 million) and the acquisition of the Group's 49.9% interest in Kimberley Mines assets of US$8.7 million (30 June 2015: US$nil), which is off-set by the movement in the USD:ZAR foreign exchange rate resulting in a foreign exchange decrease on Rand based assets of US$147.4 million (30 June 2015: US$105.0 million decrease), depreciation of US$51.8 million (30 June 2015: US$38.3 million), decrease in rehabilitation assets of US$8.8 million (30 June 2015: US$0.3 million increase), and assets of US$0.2 million (30 June 2015: US$1.4 million) disposed of during the Year.

8. SHARES ISSUED

Allotments during the Year were in respect of:

(i) the award to the Executive Directors of 683,013 ordinary shares granted under the 2012 Performance Share Plan, in respect of performance measured over the period 1 July 2012 to 30 June 2015;

(ii) the award to the Executive Directors of 510,000 ordinary shares granted under the 2011 Long-Term Share Plan, in respect of performance measured over the period 1 July 2012 to 30 June 2015;

(iii) the award to Senior Management of 3,463,750 ordinary shares granted under the 2011 Long-Term Share Plan, in respect of performance measured over the period 1 July 2012 to 30 June 2015; and

(iv) the exercise of 1,377,405 share options under the 2005 Executive Share Option Scheme by Directors and Senior Management.

Further details with regards to the Group's share plans will be provided in the Company's 2016 Annual Report.

9. LOANS AND BORROWINGS

US$ million	2016	2015
Non-current liabilities		
Loans and borrowings – Senior secured lender debt facilities	**51.2**	33.5
Loans and borrowings – Senior secured second lien notes	**266.0**	264.7
	317.2	298.2
Current liabilities		
Loans and borrowings – Senior secured lender debt facilities	**80.3**	1.5
Loans and borrowings – Senior secured second lien notes	**27.0**	27.4
	107.3	28.9
Total loans and borrowings - bank facilities	**424.5**	327.1

a) Senior Secured Lender Debt Facilities

During the Year the Group amended its lending group (Absa Corporate and Investment Banking ("Absa"), FirstRand Bank Limited (acting through its Rand Merchant Bank division) ("RMB"), IFC, Nedbank Limited and Bank of China Limited) to facilitate the exit of Sanlam Life Insurance from its Amortising term facility. An exit of Bank of China Limited from the Revolving credit facility and a restructuring of the Senior Secured Lender debt facilities post year end is further outlined in Note 17.

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

Amended Senior Secured Lender Debt Facilities	30 June 2016 Facility amount	30 June 2015 Facility amount
ZAR Debt Facilities:		
Amortising term facility (ATF)	ZAR665 million	ZAR800 million
Revolving credit facility (RCF)	ZAR1,500 million	ZAR1,500 million

Working capital facility (WCF)	ZAR500 million	ZAR500 million
Foreign exchange hedging facilities	ZAR400 million	ZAR400 million
US$ Debt Facilities:		
Amortising term facility (ATF)	US$35 million	US$35 million
Revolving credit facility (RCF)	US$25 million	US$25 million

The repayment terms and interest rates remained unchanged. The terms and conditions will be detailed in the Company's 2016 Annual Report.

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

Effective 20 June 2016, the Group agreed revisions to the covenant measurements related to its Senior Secured Lender Debt Facilities for the next three measurement periods, being 30 June 2016, 31 December 2016 and 30 June 2017. The revised covenants are set out in the table below:

Maintenance Covenant	12 months to 30 June 2016	12 months to 31 December 2016	12 months to 30 June 2017	12 months to 31 December 2017 and thereafter
Net Debt to EBITDA	≤3.1x (Revised from ≤2.5x)	≤2.8x (Revised from ≤2.5x)	≤2.5x	≤2.5x
EBITDA to net finance charges	≥3.7x (Revised from ≥4.0x)	≥3.85x (Revised from ≥4.0x)	≥4.0x	≥4.0x
Net Debt to Book Equity	≤0.6x (Revised from ≤0.75x)	≤0.6x (Revised from ≤0.5x)	≤0.6x (Revised from ≤0.5x)	≤0.5x

Refer to the Financial Review section within the CEO's Review for discussion with regards to covenants and these debt facilities.

b) US$300 million Senior Secured Second Lien Notes

In May 2015, a wholly owned subsidiary of the Company, Petra Diamonds US$ Treasury Plc, issued debt securities consisting of US$300 million five-year senior secured second lien loan notes ("the Notes"), with a maturity date of 31 May 2020. The Notes carry a coupon of 8.25% per annum, which is payable semi-annually in arrears on 31 May and 30 November of each year, beginning on 30 November 2015. The Notes are guaranteed by the Company and by the Group's material subsidiaries and are secured on a second–priority basis on the assets of the Group's material subsidiaries. The Notes are listed on the Irish Stock Exchange and traded on the Global Exchange Market. On or after 31 May 2017, the Company has the right to redeem all or part of the Notes, details of which are included in the 2016 Annual Report.

Proceeds from the Notes were used to repay (without cancelling) amounts outstanding under certain of the Company's existing bank loan facilities and to pay fees and expenses associated with the issue of the Notes. The balance of the funds from the Notes, together with future drawdowns from the Company's bank loan facilities, are being used to fund the construction of the modern processing plant at Cullinan and to further the Group's expansion projects.

Further details about the Notes (including security and covenants) will be included in the 2016 Annual Report.

10. COMMITMENTS

As at 30 June 2016, the Company has committed to future capital expenditure totalling US$63.3 million (30 June 2015: US$59.7 million), mainly comprising Cullinan US$36.1 million (30 June 2015: US$29.3 million), Finsch US$14.1 million (30 June 2015: US$8.3

million), Koffiefontein US$4.4 million (30 June 2015: US$14.1 million), Kimberley Underground US$4.1 million (30 June 2015: US$1.0 million) and Williamson US$4.3 million (30 June 2015: US$7.0 million).

11. RELATED PARTY TRANSACTIONS

The Group's related party BEE partners as at 30 June 2016, Senakha Diamonds Investments (Pty) Ltd ("Senakha"), Thembinkosi Mining Investments (Pty) Ltd ("Thembinkosi"), Re-Teng Diamonds (Pty) Ltd ("Re-Teng Diamonds") and Sedibeng Mining (Pty) Ltd ("Sedibeng Mining"), and joint operation partner Ekapa Mining (Pty) Ltd ("Ekapa Mining") and their gross interests in the mining operations of the Group are disclosed in the table below.

Mine	Partner and respective interest as at 30 June 2016 (%)
Finsch	Senakha (21%)
Cullinan	Thembinkosi (14%)
Koffiefontein	Re-Teng Diamonds (30%)
Kimberley Underground	Sedibeng Mining (26%)
Helam	Sedibeng Mining (26%)
Kimberley Mines	Ekapa Mining (50.1%)

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

US$ million	**2016**	2015
Non-current receivable		
Re-Teng Diamonds	**0.6**	0.8
Sedibeng Mining	**14.1**	18.9
Senakha[2]	**2.1**	2.2
Thembinkosi[1&2]	**2.4**	2.3
Ekapa Mining[3]	**2.7**	—
	21.9	24.2
Non-current payable		
Re-Teng Diamonds	**—**	—
Sedibeng Mining	**1.1**	2.5
Senakha[2]	**35.2**	38.3
Thembinkosi[1&2]	**21.8**	24.4
	58.1	65.2
Finance income		
Re-Teng Diamonds	**—**	—
Sedibeng Mining	**1.3**	1.6
Senakha[2]	**0.1**	1.7
Thembinkosi[1&2]	**0.1**	1.2
Ekapa Mining	**0.1**	—
	1.6	4.5
Finance expense		
Re-Teng Diamonds	**—**	—
Sedibeng Mining	**0.7**	0.8
Senakha[2]	**3.9**	4.2
Thembinkosi[1&2]	**2.0**	2.2
Ekapa Mining	**0.1**	—
	6.7	7.2

[1] Umnotho weSizwe Group (Pty) Ltd ("Umnotho"), holds a 36% interest in Thembinkosi. Mr Abery is a director of Umnotho. Mr Pouroulis, Mr Dippenaar and Mr Abery are directly or indirectly beneficiaries of a trust that is a shareholder in Umnotho.
[2] Included in non-current receivables and payables are amounts advanced during the Year of US$1.7 million (30 June 2015: US$6.1 million) and an accrual of US$1.1 million (30 June 2015: US$2.4 million).
[3] Additionally, included in current trade and other receivables and current trade and other payables are amounts of US$11.6 million (30 June 2015: US$nil) receivable from and US$1.9 million (30 June 2015: US$nil) payable to Ekapa Mining (Pty) Ltd relating to the tolling agreement entered into with the Group.

The Group entered into a tolling agreement during the year with Ekapa Minerals (Pty) Limited ("Ekapa Minerals") (50.1% owned by Ekapa Mining (Pty) Limited) and Superstone Mining (Pty) Limited ("Superstone") (100% owned by Ekapa Mining (Pty) Limited) to combine diamond production and sales. Under the agreement, the Group acquired tailings material from the parties and the combined run of mine and tailings material of the parties was processed by the parties in return for tolling fees. While the Group sold the resulting combined diamond production on behalf of the parties, the Group only received the economic benefit from 75.9% of the combined rough diamond sales under the agreement. Accordingly, the Group recognises 75.9% of the sales for which it acted as principal. No revenue is recognised for the remaining portion, for which the Group acted as an agent and receives no further income. The Group generated revenue of US$42.2 million as part of the tolling agreement and incurred total costs of US$23.4 million for the period 18 January 2016 to 30 June 2016.

Mr Abery stepped down as Petra's Finance Director, effective 30 June 2016, in order to pursue other opportunities. Mr Abery entered into a fixed term employment contract for advisory services with the Company effective from 1 July 2016 for a fixed period of seven months until 31 January 2017 as part of the succession process. Further details with regards to Mr Abery's resignation and subsequent fixed term employment contract will be provided in the Company's 2016 Annual Report.

12. BEE LOANS RECEIVABLE AND PAYABLE

US$ million	**2016**	2015
Non-current assets		
Loans receivable	**28.8**	29.6
Non-current liabilities		
Loans and other payables	**84.6**	94.0

The non-current BEE loans and receivables and BEE payables, excluding the portion held in liabilities directly associated with non-current assets held for sale of US$1.6 million, represent those amounts receivable from and payable to the Group's BEE partners (Thembinkosi, Senakha, Re Teng Diamonds, Sedibeng Mining and the Itumeleng Petra Diamonds Employee Trust ("IPDET")) in respect of financing their interests in the Finsch, Cullinan, Koffiefontein and Kimberley Underground mines.

In November 2014 the Company and its BEE partners in the Finsch and Cullinan mines (the "BEE Partners") entered into agreements with Absa and RMB (together the "BEE Lenders"). Under the agreements, the BEE Lenders directly financed the BEE Partners in respect of the non-current loans and other receivables due to Petra of ZAR1,078 million (US$98.3 million) relating to the original acquisition of the BEE Partners' interests in Finsch and Cullinan. In December 2014 the BEE partners drew down the full funds of ZAR1,078 million (US$98.3 million) from the BEE Lenders and transferred this amount to Petra in settlement of their loans. Petra provides surety to the BEE Lenders for the loan should the BEE Partners' default on repayment.

13. EARNINGS PER SHARE

	30 June 2016	30 June 2015
	US$	US$
Numerator		
Profit for the Year	**54,173,140**	48,624,018
Denominator		
	Shares	Shares
Weighted average number of ordinary shares used in basic EPS		
As at 1 July	**518,138,799**	512,110,048
Effect of shares issued during the Year	**3,592,017**	1,882,544
As at 30 June	**521,730,816**	513,992,592
	Shares	Shares
Dilutive effect of potential ordinary shares	**12,547,315**	14,879,891
Weighted average number of ordinary shares in issue used in diluted EPS	**534,278,131**	528,872,483
	US$ cents	US$ cents
Basic profit per share	**10.38**	9.46
Diluted profit per share	**10.14**	9.19

In the current year, the number of potentially dilutive ordinary shares, in respect of employee share options, Executive Director and Senior Management share award schemes is 12,547,315 (30 June 2015: 14,879,891). These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share. As at the date of this announcement, there have been no significant post balance sheet changes to the number of options and awards under share schemes to impact the dilutive number of ordinary shares.

14. ADJUSTED EARNINGS PER SHARE

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.

	30 June 2016	30 June 2015
	US$	US$
Numerator		
Profit for the Year	**54,173,140**	48,624,018
Adjustments:		
Net unrealised foreign exchange (gain) / loss (note 6)	**(3,257,585)**	3,245,904
Adjusted profit for the Year	**50,915,555**	51,869,922
Denominator		
	Shares	Shares
Weighted average number of ordinary shares used in basic EPS		
As at 1 July	**518,138,799**	512,110,048
Effect of shares issued during the Year	**3,592,017**	1,882,544
As at 30 June	**521,730,816**	513,992,592
	Shares	Shares
Dilutive effect of potential ordinary shares	**12,547,315**	14,879,891

Weighted average number of ordinary shares in issue used in diluted EPS	**534,278,131**	528,872,483

	US$ cents	US$ cents
Adjusted basic profit per share	**9.76**	10.09
Adjusted diluted profit per share	**9.53**	9.81

15. ACQUISITION

(i) Acquisition of 49.9% interest in Kimberley Mines

On 18 January 2016, Ekapa Minerals (Pty) Ltd, owned by Petra (49.9%) and Ekapa Mining (Pty) Ltd (50.1%) ("Ekapa Mining"), an established Kimberley-based diamond tailings producer, acquired from De Beers Consolidated Mines Proprietary Limited the Kimberley Mines assets and liabilities in South Africa as a going concern. The total consideration was ca. US$6.0 million (ZAR102 million) paid in cash, Petra's share being ca. US$3.0 million (ZAR50.9 million). The transaction comprises a number of tailings deposits in the Kimberley area, as well as the Central Treatment Plant, and provides the opportunity to ensure a sustainable future for the diamond mining industry in Kimberley. Petra jointly controls the business based on contractual agreements between the parties. The Group consolidates its share of the assets, liabilities, income and expenses based on an analysis of factors including the structure of the arrangement, the legal form and the contractual agreements between the shareholders.

It is not practical to obtain the turnover and operating results for the Kimberley Mines for the period from 1 July 2015 to the date of acquisition, as the Kimberley Mines turnover and operating results were treated as a branch within a larger corporate division by the vendor and were not available to the Group.

Effect of the acquisition

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

Kimberley Mines net assets at acquisition date

US$ million	Book values	Fair value adjustments	Fair values
Mining property, plant and equipment	16.4	(1.2)	15.2
Land	2.2	—	2.2
Inventory consumables and stores	0.8	—	0.8
Trade and other receivables	—	—	—
Environmental liabilities	(9.6)	—	(9.6)
Medical aid and provisions	(3.0)	1.2	(1.8)
Employee-related payables	(0.5)	—	(0.5)
Trade and other payables	(0.3)	—	(0.3)
Net assets acquired	6.0	—	6.0
Fair value of net assets acquired (49.9%)			3.0
Satisfied as follows:			
Cash consideration paid by the Group			3.0

16. NON-CURRENT ASSETS HELD FOR SALE

Partial disposal of Kimberley Underground (24.1%)

As at 30 June 2016, the Company was in negotiations with Ekapa Mining to combine their respective businesses in the Kimberley area (refer note 17 (iii) below), with Petra retaining a 75.9% interest in the newly formed joint venture. As a result of this transaction, 24.1% of the Kimberley Underground mining operation (being Ekapa Mining's effective interest in the newly formed joint venture) has been classified as held for sale in the Statement of Financial Position at 30 June 2016, in accordance with IFRS 5. The Kimberley Underground mining operation forms a part of the Kimberley Operations operating segment for the purposes of the Group's segmental reporting, as disclosed in note 4. The 24.1% interest in net assets of the Kimberly Underground mining operation included in the Statement of Financial Position are set out below.

US$ million	30 June 2016
Net assets :	
Property, plant and equipment	14.1
Trade and other receivables	3.0
Inventories	1.7
Non-current assets classified as held for sale	18.8
Non-current trade and other payables	(1.6)
Rehabilitation provision	(1.4)
Trade and other payables	(9.2)
Liabilities directly associated with non-current assets classified as held for sale	(12.2)
Net assets	6.6

17. SUBSEQUENT EVENTS

(i) Senior Secured Lender Debt Facilities

Effective 1 July 2016, Absa, RMB, IFC, and Nedbank agreed to restructure the Group's Debt Facilities as detailed in the table below:

Amended Senior Secured Lender Debt Facilities	**01 July 2016[1] Facility amount**	**30 June 2016 Facility amount**
ZAR Debt Facilities:		
ZAR Lenders Amortising term facility (ATF)	ZAR900 million	ZAR665 million
ZAR Lenders Revolving credit facility (RCF)	ZAR1,250 million	ZAR1,500 million
ZAR Lenders Working capital facility (WCF)	ZAR700 million	ZAR500 million
Foreign exchange hedging facilities	ZAR300 million	ZAR400 million
US$ Debt Facilities:		
IFC – Amortising term facility (ATF)	US$35 million	US$35 million
IFC – Revolving credit facility (RCF)	US$25 million	US$25 million

[1] Effective 1 July 2016, Bank of China Limited exited the Petra Group Lenders.

The repayment terms and interest rates remained unchanged.

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

(ii) Group restructuring

Effective 1 July 2016, the Company completed the restructuring of the Group and its BEE partner structures, allowing for a simplified Group structure. The Itumeleng Petra Diamonds Employee Trust now owns 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 (Pty) Ltd, in which Petra has a 31.46% interest. The effect of the restructuring for shareholders is disclosed in the table below:

Mine	Resultant Group's effective interest % - Pre restructuring	Resultant Group's effective interest % - Post restructuring
Finsch	82.38	78.4
Cullinan	77.03	78.4
Koffiefontein	81.39	78.4
Kimberley Underground / KEM JV	86.80	58.1[1]
Helam	86.80	74.0

[1] The 58.1% effective interest in KEM JV post restructuring reflects both the Group's interest in KEM JV following the transaction in (iii) and the impact of the BEE restructuring.

(iii) Kimberley Ekapa Mining Joint Venture

On 8 July 2016, Petra and Ekapa Mining entered into a joint venture agreement (effective 1 July 2016) to combine the operations owned and operated by the joint venture partners in the Kimberley area into an unincorporated joint venture named the Kimberley Ekapa Mining Joint Venture ("KEM JV").

The operations owned and operated by the joint venture partners comprise:

- Kimberley Underground mines (via Petra's subsidiary Crown Resources (Pty) Ltd);
- tailings operations (via Ekapa Mining's subsidiaries Super Stone Mining (Pty) Ltd ("Super Stone Mining"), and Kimberley Miners Forum (Pty) Ltd); and
- Kimberley Mines tailings operations (via Ekapa Minerals (Pty) Ltd, owned 50.1% Ekapa Mining and 49.9% Petra).

Petra and its BEE partners will have an effective 75.9% interest in KEM JV with Ekapa Mining owning the remaining 24.1%.

Principal Risk Factors and Uncertainties

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. The Board has identified the following as being the principal strategic and operational risks (in no order of priority). A more detailed analysis of the Group's risk factors as well as its risk management processes will be provided in the 2016 Annual Report.

Risk	**Description**
Safety	Ensuring the safety of all Petra people is the Group's number one priority. Poor safety performance can also lead to temporary mine closures, thereby impacting production results. Petra is highly focused on managing its safety performance and follows a risk-based approach which entails continual hazard identification, risk assessment and instilling safety awareness into the workplace culture. HSSE targets are explicitly included as part of Petra's annual bonus framework.
Mining and production	The mining of diamonds from kimberlite deposits involves an intrinsic degree of risk from various factors, including geological, geotechnical and seismic factors, industrial and mechanical accidents, unscheduled plant shutdowns, technical failures, ground or water conditions and inclement or hazardous weather conditions.
ROM grade and product mix variability	At the Group's underground mines, Petra is currently operating predominantly in 'mature' caves, meaning that the block of ore being mined has nearly been exhausted and that the area is nearing the end of its life. Once the majority of the kimberlite ore has been removed, waste rock is able to ingress into the production areas, thereby reducing the volume (grade) and negatively impacting the quality of diamonds recovered. This risk is being mitigated as Petra's expansion programmes continue to open up new mining areas, which are undiluted by waste rock, however Petra expects ROM grade and product volatility up to H2 FY 2017 while the Company remains in the transitionary period from the old to the new mining areas, particularly at Cullinan.

Rough diamond prices

The Company’s financial performance is closely linked to rough diamond prices which are influenced by numerous factors beyond the Company’s control, including international economic conditions, world production levels and consumer trends.

Whilst the medium to long term fundamentals of the diamond market remain positive, some volatility in rough diamond pricing is expected, particularly in the short term. 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.

Expansion and project delivery

Petra has set out a clear and transparent growth profile to increase annual production to ca. 5.3 million carats by FY 2019. Actual production may vary from estimates of future production for a variety of reasons and it should be noted that assumptions may be subject to change as the Company continually evaluates its projects to optimise efficiency and production profitability.

Retention of key personnel

The successful achievement of the Group’s strategies, business plans and objectives depends upon its ability to attract and retain certain key personnel.

Petra believes that employees who are empowered and accountable for their actions work to the best of their ability and are able to fulfil their true potential.

Financing

Petra has a significant Capex programme over the years to FY 2019. The Company plans to continue to finance this Capex from operating cashflows and debt finance. Lack of adequate available cashflows as a result of reduction in operating cashflows and/or breaches in banking covenants could delay development work.

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, economic, and political risks, and are potentially subject to rapid change.

Labour relations

The Group’s production, and to a lesser extent its project development activities, is dependent on a stable and productive labour workforce. Petra remains highly focused on managing labour relations and on maintaining open and effective communication channels with the appropriate employee and union representatives at its operations.

Currency

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. Fluctuations in these currencies may have a significant impact on the Group’s performance. In order to mitigate currency risk, the Group continually monitors the movement of the Rand against the US Dollar and takes expert advice from its bankers in this regard. It is the Group’s policy to hedge a portion of future diamond sales when weakness in the Rand deems it appropriate. Such contracts are generally short-term in nature.

Synthetic diamonds

Man-made or ‘‘synthetic’’ diamonds have been available for many years, but to date have predominantly been used to manufacture smaller diamonds for industrial purposes as the cost of production has generally rendered larger gem quality synthetic stones uneconomic. Technological advancements mean that gem quality synthetics are now more widely available but they are estimated to represent less than 1% of world diamond supply[1].

Access to Energy

South Africa and Tanzania both face power supply constraints, but the issue has been more acute in South Africa. However, there was a marked improvement in power supply in the South African environment in FY 2016, with only limited requests for load curtailment from Eskom. Petra aims to reduce energy consumption and increase energy efficiency wherever possible.

Access to Water

South Africa experienced severe drought conditions in FY 2016. Prolonged drought conditions may have an adverse impact on Petra’s operations.

Cost Control and Capital Discipline

As is usual for the mining industry, Petra’s operations have a relatively high fixed-cost base, estimated to be ca. 70%. Petra’s main cost inputs are labour and energy, both of which have been rising higher than the official inflation rates in South Africa and Tanzania. Ineffective cost control leads to reduced margins and profitability.

Licence to Operate	In order to maintain its exploration or mining licences, Petra must comply with stringent legislation to justify its licence to operate. Failure to comply with relevant legislation in South Africa, Tanzania or Botswana could lead to delays or suspension of its mining and exploration activities.

[1] Source: Morgan Stanley Research estimates – Global Diamonds; Insight: Game of Stones – Lab vs Pipe – 18 July 2016

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the preliminary financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit of the Group for the Year; and

(b) the preliminary management report for the Year includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (DTR 4.1.8 R and 4.1.9 R).

By order of the Board

Johan Dippenaar
Chief Executive

19 September 2016