19 February 2018 **LSE: PDL**

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

Interim results for the six months to 31 December 2017

Petra Diamonds Limited announces its interim results (unaudited) for the six months to 31 December 2017 ("the Period" or "H1 FY 2018" or "H1").

SUMMARY

Financial

- Financial measures related to operating performance of profit from mining activities and adjusted EBITDA in line with H1 consensus. However these measures were adversely impacted by strike action at certain South African operations in Q1, the inability to sell the blocked Williamson parcel, and the strengthening ZAR against the USD, which had a combined impact of ca. US$18 million.
- Revenue: US$225.2 million (H1 FY 2017: US$228.5 million).
- Adjusted EBITDA[3]: US$80.1 million (H1 FY 2017: US$87.1 million).
- Adjusted net profit after tax[4]: US$5.3 million (H1 FY 2017: US$24.1 million).
- Non-cash impairment charges recognised on the carrying value of Koffiefontein and Kimberley Ekapa Mining JV ("KEM JV") of US$118.0 million, due to the effect of the strong Rand on the cost base of these assets, compounded by continuing operational underperformance, and diamond pricing for smaller, low value goods in the case of KEM JV.
- Net loss after tax: US$117.7 million (H1 FY 2017: US$35.2 million profit).
- Cash generated from operations: US$38.9 million (H1 FY 2017: US$86.4 million).
- Basic loss per share: 17.55 US$ cents (H1 FY 2017: basic profit per share of 5.27 US$ cents).
- Net debt[10] of US$644.7 million (30 June 2017: US$555.3 million); unrestricted cash and bank facilities of US$104.7 million (30 June 2017: US$190.2 million).
- Post Period end, waiver received from lender group for EBITDA-related bank facility covenants for the December 2017 measurement period, and a re-set received for the June and December 2018 measurement periods, subject to finalisation of the legal documentation.

Operations

- Safety: LTIFR improved to 0.24 (H1 FY 2017: 0.25).
- Production up 10% to 2,208,056 carats (H1 FY 2016: 2,015,087 carats).
- Carats sold down 5% to 1,811,154 (H1 FY 2016: 1,910,113 carats) mainly due to the blocked Williamson parcel not sold.
- Absolute costs generally remain within expectations despite inflationary pressures.
- Capex down 43% to US$77.5 million (H1 FY 2017: US$134.9 million) excluding capitalised borrowing costs of US$16.2 million (H1 FY 2017: US$21.5 million), in accordance with the Group's declining Capex profile.

Corporate and Governance

- Board changes:
  - Technical Director Jim Davidson has informed the Board that he will retire from the Company, effective 30 June 2018.
  - Chief Financial Officer Jacques Breytenbach to join the Board as Finance Director, effective immediately.
- Independent Non-Executive Director Dr Pat Bartlett has been appointed to the Company's HSSE Committee.

Outlook

- FY 2018 revenue expectations remain in line with current consensus (including the expected sale of the blocked Williamson parcel in H2).
- Delivery of production guidance of 2.4 – 2.5 Mcts in H2 (giving full year production of 4.6 – 4.7 Mcts) is supported by the two key underground development programmes progressing as planned, with increasing mining footprints of the new mining areas at Finsch's Block 5 SLC and Cullinan's C-Cut Phase 1, and undiluted ore from both mines on track to more than double on a full year basis; the new Cullinan plant being at operational capacity (though with optimisation ongoing); and the addition of new ore-handling systems at Finsch, Cullinan and Koffiefontein.
- The diamond market is currently experiencing positive momentum post the healthy Christmas sales period, with pricing up ca. 3 - 4% on a like-for-like basis at the Company's first tender of H2 when compared to average prices achieved in H1.
- While there was a ca. two week period of labour disruption at the Company's South African mines in September 2017 (except for Cullinan), the new three year wage agreement agreed at the end of that month bodes well for a more stable environment throughout this period.
- Initial outcome of Capital Review (as announced in the Trading Update on 29 January 2018): the Company has been reviewing its capital requirements for FY 2018 to FY 2020, with a view to deferring non-essential projects that will not impact on short to medium term production plans. The initial results of this review have identified reductions of ca. US$10 million in FY 2018, ca. US$20 – 25 million in FY 2019 and ca. US$25 – 30 million in FY 2020 (in FY 2018 money terms) – further information is provided in the 'Results of the Capital Review' section.
- The Company's financial position remains highly sensitive to the ZAR:US$ exchange rate; net debt for 30 June 2018 is targeted to fall to ca. US$600 million, assuming an exchange rate of ZAR12:US$1 and the sale of the blocked Williamson parcel in H2.
- The Group's forecasts show that Petra has sufficient banking facilities to meet its working capital and capital development requirements and that the Company maintains headroom against its revised financial covenants going forward, subject to the finalisation of the legal documentation pertaining to the covenant changes, although headroom remains sensitive to diamond prices, foreign exchange rates and production.

Johan Dippenaar, CEO of Petra, commented:

"H1 saw further growth in production to 2.2 million carats. Our focus now is to keep on delivering from the new production blocks, particularly at Finsch and Cullinan where the expansion programmes continue to ramp up, and to further optimise the new Cullinan plant. The challenge of the strong Rand has also sharpened focus on our operating and capital expenses."

SUMMARY OF RESULTS (unaudited)

	6 months to 31 December 2017 ("H1 FY 2018") US$ million	6 months to 31 December 2016 ("H1 FY 2017") US$ million	Year ended 30 June 2017 ("FY 2017") US$ million
Revenue	225.2	228.5	477.0
Adjusted mining and processing costs[1]	(140.0)	(137.7)	(311.3)
Other direct income	0.4	1.4	2.8
Profit from mining activity[2]	**85.6**	**92.2**	**168.5**
Exploration expense	(0.4)	(0.3)	(0.6)
Corporate overhead	(5.1)	(4.8)	(10.7)
Adjusted EBITDA[3]	**80.1**	**87.1**	**157.2**
Depreciation	(42.7)	(28.6)	(79.6)
Share-based expense	(0.1)	(2.1)	0.1
Net finance expense (excluding net unrealised foreign exchange gain)	(17.4)	(15.9)	(22.9)
Tax expense (excluding taxation charge on reduction of unutilised Capex benefits)	(14.6)	(16.4)	(25.8)
Adjusted net profit after tax[4]	**5.3**	**24.1**	**29.0**
Kimberley Ekapa Mining JV fair value adjustment[5]	—	4.1	4.1
Impairment charge[6]	(118.0)	—	—
Net unrealised foreign exchange gain	2.9	7.0	9.9
Taxation charge on reduction of unutilised Capex benefits	(7.9)	—	—
Bond redemption premium and unamortised costs[8]	—	—	(22.3)
Net (loss) / profit after tax	**(117.7)**	**35.2**	**20.7**
Earnings per share attributable to equity holders of the Company – US$ cents			
Basic (loss) / profit per share – from continuing operations	**(17.55)**	**5.27**	**3.47**
Adjusted profit per share[7]	**0.35**	**3.45**	**5.04**

	Unit	As at 31 December 2017 (US$ million)	As at 31 December 2016 (US$ million)	As at 30 June 2017 (US$ million)
Cash at bank (including restricted amounts)	US$m	119.1	49.0	203.7
Diamond debtors	US$m	7.5	1.9	41.5
Diamond inventories	US$m	92.5	56.6	50.2
Diamond inventories	Carats	961,220	673,031	570,264
US$650 million loan notes (issued April 2017)[9]	US$m	650.0	—	650.0
US$300 million loan notes (issued May 2015)[8]	US$m	—	300.0	—
Bank loans and borrowings	US$m	113.8	210.5	109.0
Net debt[10]	US$m	644.7	465.4	555.3
Bank facilities undrawn and available	US$m	7.4	57.1	5.6

***Notes*:**

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

1. *Adjusted mining and processing costs are mining and processing costs stated before depreciation and share-based expense.*
2. *Profit from mining activities is revenue less adjusted mining and processing costs plus other direct income.*
3. *Adjusted EBITDA is stated before depreciation, share-based expense, net finance expense (excluding net unrealised foreign exchange gain), tax expense, KEM JV fair value adjustment, impairment charge, net unrealised foreign exchange gains and losses, taxation charge on reduction of unutilised Capex benefits and bond redemption premium and acceleration of unamortised cost.*
4. *Adjusted net profit after tax is net profit after tax stated before the KEM JV fair value adjustment, impairment charge, net unrealised foreign exchange gains and losses, taxation charge on reduction of unutilised Capex benefits and bond redemption and acceleration of unamortised costs.*
5. *In FY 2017, the US$4.1 million gain recorded on the formation of KEM JV represented Petra's incremental 26% share of the fair value of Ekapa Minerals (Pty) Ltd's (being the entity through which Petra and Ekapa Mining own the Kimberley Mines' assets and liabilities and its 75.9% share of the fair value of Super Stone's assets and liabilities), less the 24.1% of the net book value assets and liabilities of Kimberley Underground mine relinquished as part of the transaction. See notes 2 and 15 for further details.*
6. *Impairment charge of US$118.0 million is due to the Group's impairment review of the Koffiefontein and KEM JV operations. Refer to note 16 for further details.*
7. *Adjusted EPS is stated before the KEM JV fair value adjustment, impairment charge, net unrealised foreign exchange gains and losses, taxation charge on reduction of unutilised Capex benefits and bond redemption premium and acceleration of unamortised costs.*
8. *Bond redemption premium and acceleration of unamortised costs represent those costs incurred as a result of the early redemption of the US$300 million loan notes in April 2017.*
9. *The US$ loan note represents the gross capital of US$650 million (30 June 2017: US$650 million and 31 December 2016: US$300 million), excluding transaction costs.*
10. *Net debt is the US$ loan notes and bank loans and borrowings net of cash at bank (including restricted cash).*

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

ANALYST PRESENTATION AND WEBCAST

A presentation for analysts will be held at 9:30am GMT on 19 February 2018 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. A live webcast of the analyst presentation will be available on Petra's website at www.petradiamonds.com and on the following link: http://www.investis-live.com/petra-diamonds/5a7b0813ff54e7170092f759/ybdf.

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

From the UK (toll free): 0800 640 6441
From South Africa (toll free): 080 017 2952
From the rest of the world: +44 20 3936 2999
Participant passcode: 367763

A recording of the webcast will be available from 1:00pm GMT on 19 February 2017 on the website and on the link above.

Due to Monday 19 February 2018 being a public holiday in the US, Petra will hold a conference call for international investors on Tuesday 20 February 2018 instead.

Second Call - 4:00pm GMT / 11:00am EST – Tuesday 20 February
This will be a Q&A call only to cater for international investors. Participants are therefore advised to listen to the replay of the earlier webcast in advance, as the main management commentary will not be repeated.

From the United States (toll free): 1866 928 7517
From the rest of the world: +44 203 428 1542
From the UK (toll free): 0808 237 0040
Participant passcode: 15590421#

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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 a diversified portfolio incorporating interests in five producing operations: three underground mines in South Africa (Finsch, Cullinan and Koffiefontein), the Kimberley Ekapa Mining joint venture (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 and South Africa.

Petra's strategy is to focus on value rather than volume production by optimising recoveries from its high quality asset base in order to maximise their efficiency and profitability. The Group has a significant resource base in excess of 300 million carats, which supports the potential for long-life operations.

Petra conducts all operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process. The Company aims to generate tangible value for each of its stakeholders, thereby contributing to the socio-economic development of its host countries and supporting long-term sustainable operations to the benefit of its employees, partners and communities.

Petra is quoted with a premium listing on the Main Market of the London Stock Exchange under the ticker 'PDL' and is a constituent of the FTSE4Good Index. For more information, visit www.petradiamonds.com.

CEO'S REVIEW
Petra increased production 10% to 2.2 Mcts. Strong performance from Finsch and Williamson, and an improving performance from Cullinan, was offset by underperformance from both Koffiefontein and KEM JV, as well as a ca. 60,000 ROM carat impact of the industrial action in South Africa in Q1. The make-up of Petra's production profile is continuing its transformation as the growth was driven by a 34% increase in higher value ROM carats (production from the primary orebodies), offset by a planned 37% decrease in lower value tailings carats (the reprocessing of material that has already been through the plant). ROM carats therefore represented 81% of the carat profile, as opposed to 66% in H1 FY 2017.

The improving production performance is pleasing because it was set against a solid safety performance, with our lost time injury frequency rate decreasing to 0.24. This is very important to us because we see safety as the single most important personal and organisational value and we continue to place great emphasis on this area. However, we will continue to strive to do better, with our aim being a zero harm workplace.

The increased production was also achieved despite the labour disruption experienced in Q1 at our South African operations (with the exception of Cullinan) prior to the signing of a new three-year wage agreement. Fortunately the disruption was contained to a period of less than two weeks due to the concerted effort of Petra's management to engage with all levels of the National Union of Mineworkers in order to find a resolution. I am pleased to say that labour relations are currently stable and the new three-year agreement bodes well for the labour relations environment during this period.

Despite the increased production, Petra's revenue decreased 1% to US$225.2 million, mainly due to Williamson's first parcel (ca. 71,000 carats) remaining blocked for export by the Government of the United Republic of Tanzania ("GoT"); more information can be found at https://www.petradiamonds.com/our-operations/our-mines/williamson/blocked-diamond-parcel/. Subsequent Williamson parcels have been released for export and tender proceeds received.

With adjusted EBITDA of US$80.1 million, the Company recorded an adjusted EBITDA margin of 36% (H1 FY 2017: 38%), which is lower mainly due to strike action at certain South African operations, the blocked Williamson parcel not being sold and the strengthening of the ZAR against the USD.

The Group recorded a net loss of US$117.7 million for the Period, impacted by a US$118.0 million impairment of the Koffiefontein and KEM JV operations and a US$7.9 million one-off charge related to the settlement with the South African Revenue Service on the right to claim a deduction on unutilised capital allowances.

The impairments at Koffiefontein and KEM JV were deemed necessary due to the high level of sensitivity both mines currently have to the strengthening of the Rand on the US$ operating costs, coupled with execution risk related to their remaining expansion targets. KEM JV is also impacted by diamond pricing for smaller, low value goods.

Petra's main underground expansion projects remain on track, with both Finsch's Block 5 SLC and Cullinan's C-Cut Phase 1 continuing to ramp up during the Period. Finsch's ROM carat production rose 14% to 931,859 carats and Cullinan's ROM carat production rose 68% to 602,594, demonstrating the significant progress made at both assets. Due to the nature of sub level caving and block caving, each month Petra grows the footprint of the existing mining areas and opens up more access to the respective orebodies. These expanding footprints deliver higher production volumes each month, thereby growing access to undiluted ore.

The new Cullinan Plant achieved a milestone with the processing of 1 Mt ROM ore in Q2 and further to test work performed, was assessed to have achieved its nameplate capacity of 6 Mtpa (ROM plus tailings). As announced in our Trading Update on 29 January 2018, based on our experience of operating the new plant to date, we have revised our guidance for Cullinan. As set out more fully in the Cullinan section of the 'Operational Review', we have increased the H2 price guidance at Cullinan from US$113 – 119 (excluding Exceptional Diamonds) to US$140 - 160 per carat (including Exceptional Diamonds), while H2 grade guidance has been lowered from ca. 50 cpht to 37 – 42 cpht.

The impact of these changes on outlook for the Company is that full year FY 2018 revenue guidance remains in line with current consensus, while production guidance of 4.8 – 5.0 Mcts was reduced to 4.6 – 4.7 Mcts. However, we also cautioned in our Trading Update on 29 January 2018 that FY 2018 EBITDA is expected to be negatively affected by ca. 10-15% versus consensus at that date (assuming an average exchange rate of ZAR12:USD1 for H2), primarily due to the recent

strengthening of the Rand and its potential impact on Petra's cost base when reported in US Dollar terms; operating costs otherwise remained well controlled. Consensus figures have since been adjusted and we now estimate that EBITDA will be ca. 5% below current consensus. Petra has published public consensus via Vuma on its website at:
https://www.petradiamonds.com/investors/analysts/market-consensus/.

Capex reduced by 43% to US$77.5 million (excluding capitalised borrowing costs and corporate Capex) in line with Petra's declining Capex profile. As announced today, we have further reduced our near term capital requirements, as set out in the 'Results of Capital Review'.

Finally we have also announced some forthcoming changes to the Board today. Our Technical Director, Jim Davidson, has informed the Board that he will retire from the Company at 30 June 2018. I would like to personally thank Jim for his exceptional contribution to Petra – we will continue to build on his legacy. We have also announced that Jacques Breytenbach, our CFO, is joining the Board as Finance Director, effective immediately. I am delighted to welcome Jacques as a new Board member and we look forward to the insight that he will continue to provide, based on the depth of his knowledge of our assets, combined with his commercial and financial expertise.

SAFETY

As result of an intensified focus on safety in an effort to improve the safety record, the Group LTIFR has reduced to 0.24 (H1 FY 2017: 0.25), with zero fatalities incurred during the Period. The health and safety of our employees remains the single most important personal and organisational value.

DIAMOND MARKET

While the diamond market experienced weakness from July to October 2017, which is seasonally the slowest time for the rough diamond market, it started to strengthen before the calendar year end further to positive momentum around the festive selling season. Results relating to Christmas sales are generally positive, further to buoyant sales in the US and continued strong growth in the Chinese and Hong Kong markets. Further to expectations of equilibrium in supply versus demand, Petra expects market conditions to remain stable in H2 FY 2018 (January to June 2018).

The period January to April is always the strongest seasonally for the rough diamond market, as the pipeline commences restocking further to the festive retail sales. The new calendar year has therefore commenced on a strong footing, with robust levels of competition at our first tender of the year and good pricing levels achieved. A further three tenders will be held during the remainder of H2 and Petra expects market conditions to remain stable during this time.

The Diamond Producers Association ("DPA") has announced that its marketing budget will increase to US$70 million in 2018, allowing it to expand upon its US marketing efforts, as well as supporting its first full year of investment in India (where it launched in November 2017), as well as its commencement of marketing in China in April 2018.

Diamond Pricing

Rough diamond prices (on a like-for-like basis, in comparison to H2 FY 2017) fell ca. 5% from July to October 2017, before recovering by ca. 1.5% by December 2017. As noted above, calendar 2018 has commenced well, with pricing up 3-4% at Petra's first tender of H2.

Despite the price falls in H1, higher average values were realised at Finsch and Cullinan further to the improved product mix associated with higher production levels of undiluted ore and lower contribution of tailings carats.

The table below summarises diamond pricing achieved for H1 FY 2018, set against the Company's revised FY 2018 guidance (for Cullinan and KEM JV only) and the last financial year. The full revised diamond price guidance table can be found at:
https://www.petradiamonds.com/investors/analysts/analyst-guidance/.

Mine	Actual H1 FY 2018 US$/carat	Revised Guidance[1] FY 2018 US$/carat	Actual FY 2017 US$/carat
Finsch	104	101 - 106	101
Cullinan	140	140 – 160[2]	120
Koffiefontein	511	525 - 550	506
KEM JV	111	105 – 115[3]	100
Williamson	233	214 - 224	258

Notes:
1. *Guidance above is based on expected weighted average prices for FY 2018, incorporating all sales of ROM and tailings carats, including Exceptional Diamonds.*
2. *Price guidance has been revised from US$113 – 119 (excluding Exceptional Diamonds) to US$140 – 160 per carat (including Exceptional Diamonds).*
3. *Price guidance has been revised from US$120 – 125 per carat to US$105 – 115 per carat due to a lower percentage of ROM in the product mix.*

FINANCIAL RESULTS

Revenue

Revenue decreased 1% to US$225.2 million in the Period (H1 FY 2017: US$228.5 million) further to a 5% decrease in carats sold to 1,811,154 carats (H1 FY 2017: 1,910,113), seasonal weakness in the diamond market (with pricing down ca. 3.5%), the blocked Williamson parcel and strike action at certain South African operations.

Mining and processing costs

The mining and processing costs for H1 FY 2018 were, as in past periods, comprised of on-mine cash costs as well as other operational expenses. A breakdown of the total mining and processing costs for the Period is set out below.

	On-mine cash operating costs[1] US$m	Diamond royalties US$m	Diamond inventory and stockpile movement[2] US$m	Group technical, support and marketing costs[3] US$m	Adjusted mining and processing costs US$m	Depreciation US$m	Share based expense[4] US$m	Total mining and processing costs (IFRS) US$m
H1 FY 2018	160.5	1.9	(34.4)	12.0	140.0	42.3	—	182.3
H1 FY 2017	138.0	2.6	(13.4)	10.5	137.7	28.1	0.2	166.0
FY 2017	287.3	4.7	(2.6)	21.9	311.3	78.7	0.1	390.1

Notes:
1. *Includes all direct cash operating expenditure at operational level, i.e. labour, consumables, utilities and on-mine overheads.*
2. *Diamond and stockpile inventories increased by US$34.4 million, up from H1 FY 2017 US$13.4 million, due to lower proportion of goods sold relative to production during the Period when compared to H1 FY 2017.*
3. *Certain technical, support and marketing activities are conducted on a centralised basis.*
4. *Excludes exploration and corporate / administration.*

On-mine cash operating costs in H1 FY 2018 remained in line with expectations, despite the ongoing inflationary pressures. On-mine cash costs increased by 16% compared to H1 FY 2017, mainly due to:

- increased volumes treated, predominantly due to the commissioning of the Cullinan Plant coupled with the ongoing ramp-up of underground production across the operations (5% increase);
- inflationary increases, including the impact of labour costs (7% increase); and
- the effect of translating South African operations' ZAR denominated costs at stronger ZAR/USD exchange rates (4% increase).

Unit costs on a mine by mine basis are covered in the 'Operational Review' below.

Profit from mining activities
Profit from mining activities was down 7% to US$85.6 million (H1 FY 2017: US$92.2 million), due to the decrease in revenue, other direct income and marginal increase in costs.

Exploration
Petra incurred US$0.4 million of exploration expenditure during the Period (H1 FY 2017: US$0.3 million). Refer to the 'Exploration' section for further information.

Corporate overhead – General and Administration
Corporate overhead increased to US$5.1 million for the Period (H1 FY 2017: US$4.8 million). Given that the Group's corporate overheads are predominantly denominated in ZAR, with some expenditure in GBP, the impact of the stronger Rand and Pound for the Period resulted in higher US$ overhead costs.

Adjusted EBITDA
Adjusted EBITDA, being profit from mining activities less exploration and corporate overhead, decreased by 8% to US$80.1 million (H1 FY 2017: US$87.1 million), representing an adjusted EBITDA margin of 36% (H1 FY 2017: 38%), impacted by strike action, the blocked Williamson parcel and the stronger ZAR.

Depreciation
Depreciation for the Period was US$42.7 million (H1 FY 2017: US$28.6 million), mainly due to the commencement of depreciation relating to newly commissioned assets associated with the expansion programmes and the strengthening of the ZAR during the Year.

Impairment charge
As a result of the impairment review carried out at the Koffiefontein and KEM JV operations during the Period, the Board recognised an overall impairment charge of US$118.0 million (H1 FY 2017: US$nil million), with US$66.0 million attributable to Koffiefontein and US$52.0 million attributable to KEM JV. Further details are provided in Note 16.

Net financial expense
Net financial expense of US$14.5 million (H1 FY 2017: US$8.9 million) comprises:

- interest received on bank deposits of US$0.6 million (H1 FY 2017: US$0.3 million);
- net unrealised foreign exchange gains of US$2.9 million (H1 FY 2017: US$6.9 million), representing (i) the unrealised foreign exchange losses on the foreign currency retranslation of cross border loans considered to be repayable in the foreseeable future and (ii) unrealised gains on forward exchange contracts; and
- net realised foreign exchange gains on settlement of forward exchange contracts of US$2.4 million (H1 FY 2017: US$nil million);

offset by:

- net interest payable to the BEE partners' loans of US$7.5 million (H1 FY 2017: US$5.3 million);
- net realised foreign exchange losses of US$nil million (H1 FY 2017: US$5.3 million).
- a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US$4.0 million (H1 FY 2017: US$3.1 million); and

- interest on the Group's debt of US$8.9 million (H1 FY 2017: US$2.4 million) (stated after the capitalisation of interest of US$16.2 million (H1 FY 2017: US$21.5 million) associated with the funding of assets under development).

Tax charge

The tax charge of US$22.5 million (H1 FY 2017: US$16.4 million), including the one-off settlement with the South African Revenue Service ("SARS") on the right to claim a deduction on unutilised capital allowances (US$7.9 million), resulted in an increase of US$4.9 million in the Group's deferred tax liabilities and an additional US$3.0 million in current taxation payable.

The current period effective tax rate is higher than the South Africa tax rate of 28% (the Group's primary tax paying jurisdiction) primarily due to the reversal of the brought forward deferred tax asset at KEM JV, the one-off settlement to SARS as detailed above, permanent difference as a result of the Koffiefontein and KEM JV impairment charges, and loss making companies (within the Group) based in tax jurisdictions with a 0% tax rate which when consolidated reduces the Group's overall net profit resulting in an increased effective tax rate. The tax charge for H1 FY 2018 arises due to deferred tax (net of charges and credits), reflecting principally the utilisation of certain capital allowances predominantly at Cullinan and Finsch during the Period and South African current taxation payable at Finsch.

Net Profit

A net loss after tax of US$117.7 million was recorded for the Period (H1 FY 2017: US$35.2 million profit).

Earnings per share

Basic loss per share was 17.55 US$ cents (H1 FY 2017: profit of 5.27 US$ cents).

Cash generated from operations

Cash generated from operations for the Period decreased to US$38.9 million (H1 FY 2017: US$86.4 million) in line with the decrease in adjusted EBITDA and cash outflow from working capital changes, including increased diamond inventories further to the higher Group production rate, as well as the blocked Williamson parcel.

Cash, diamond inventories, diamond debtors and net debt

Cash

As at 31 December 2017 the Group had cash at bank of US$119.1 million (H1 FY 2017: US$49.0 million) and of these cash balances, US$104.7 million was held as unrestricted cash (H1 FY 2017: US$36.9 million), US$13.4 million was held by Petra's reinsurers as security deposits on the Group's cell captive insurance structure (with regards to the Group's environmental guarantees) (H1 FY 2017: US$11.1 million) and US$1.0 million was held by Petra's bankers as security for other environmental rehabilitation bonds lodged with the Department of Mineral Resources in South Africa (H1 FY 2017: US$1.0 million).

Loans and Borrowings

The Group had loans and borrowings (measured under IFRS) at Period end of US$760.3 million (H1 FY 2017: US$504.7 million), comprised of the loan notes plus accrued interest of US$647.1 million (H1 FY 2017: US$294.3 million) and bank loans and borrowings of US$113.2 million (H1 FY 2017: US$210.4 million). Bank debt facilities undrawn and available to the Group at 31 December 2017 were US$7.4 million (H1 FY 2017: US$57.1 million).

Net debt at 31 December 2017 was US$644.7 million (H1 FY 2017: US$463.6 million), which is higher than originally expected due to the labour action and the inability to sell the blocked Williamson parcel in H1. Net debt for 30 June 2018 is expected to fall to ca. US$600 million, assuming an exchange rate of ZAR12:US$1 and the sale of the blocked Williamson parcel in H2.

Covenant Measurements attached to banking facilities

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

As previously highlighted to the market, Petra expects to be in breach of the 31 December 2017 EBITDA related covenant measurement ratios associated with its banking facilities when the Company submits to its lender group on the required reporting date of 31 March 2018.

The Company therefore commenced formal discussions with its lender group in January 2018 and can confirm that it has received a waiver of the measurement of the 31 December 2017 covenants, coupled with a reset of the 30 June 2018 and 31 December 2018 EBITDA related covenants as outlined below:

Covenant	**30 June 2018**	**31 December 2018**
Consolidated Net Debt to Consolidated EBITDA	Not more than 3.5x (previously <2.5x)	Not more than 3.5x (previously <2.5x)
Consolidated EBITDA to Consolidated Net Finance Charges	Not less than 3.0x (previously >4x)	Not less than 3.0x (previously >4x)

No upfront fees were payable as a result of the covenant changes, however an increase in the interest rates to both South African debt facilities will apply in the event that the Company's Consolidated Net Debt exceeds 2.5x Consolidated EBITDA and a further additional interest increase will apply should the Company's Consolidated Net Debt exceed 3x Consolidated EBITDA. This will apply from the June 2018 measurement period onwards.

As an additional covenant, a minimum liquidity will now apply for the June and December 2018 measurement periods. Petra will announce the impact on interest rates and the new liquidity covenant as soon as this has been finalised with the lender group.

The above has been approved by the lender group, with the legal documentation to be finalised shortly.

The Group closely monitors and manages its liquidity risk. The Group's forecasts show that Petra has sufficient banking facilities to meet its working capital and capital development requirements and that the Company maintains headroom against its financial covenants going forward, subject to the finalisation of the above covenant changes, although headroom remains sensitive to diamond prices, foreign exchange rates and production.

BEE loans receivable and payable

BEE loans receivable of US$60.8 million (H1 FY 2017: US$34.3 million) relate to the acquisition and financing of the Koffiefontein and Kimberley Underground mines by Petra on behalf of its BEE partners, post the refinancing of the BEE Partner's loans related to Cullinan and Finsch during FY 2015. During H1 FY 2018, Petra advanced US$8.7 million mainly to facilitate servicing of interest on behalf of the BEE Partners and US$3.3 million for distributions to the beneficiaries of the Itumeleng Petra Diamonds Employee Trust.

The BEE loans payable of US$116.3 million (H1 FY 2017: US$96.5 million) relate to the initial acquisition loan funding advanced by the Group's BEE partners to the operations to acquire their investments in the Cullinan, Finsch, 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$123.1 million (comprising US$30.3 million trade creditors, US$4.7 million employee related accruals, current taxation payable of US$4.9 million and US$83.2 million other payables) (H1 FY 2017: US$90.1 million), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, post retirement employee related provisions and deferred tax.

Capex
H1 FY 2018 Capex for the Period was US$93.7 million (H1 FY 2017: US$156.4 million), with H2 FY 2018 Capex expected to remain in line with H1 in Dollar terms, due to the impact of the stronger Rand. The total Capex figure comprised of:

- US$66.5 million on expansion Capex (H1 FY 2017: US$124.7 million);
- US$11.0 million on sustaining Capex (H1 FY 2017: US$10.2 million);
- US$16.2 million on capitalised borrowing costs with regards to the expansion Capex (H1 FY 2017: US$21.5 million); and
- corporate / exploration Capex of US$0.6 million net of other corporate Capex invoiced to operations (H1 FY 2017: US$1.3 million).

Capex	Unit	H1 FY 2018	H1 FY 2017	Variance	FY 2017
Finsch	US$m	34.5	38.9	-11%	85.6
Cullinan	US$m	40.5	80.2	-50%	151.2
Koffiefontein	US$m	7.8	8.2	-5%	18.8
KEM JV	US$m	8.1	15.6	-48%	28.4
Williamson	US$m	2.2	12.6	-83%	15
Subtotal – Capex incurred by operations	US$m	93.1	155.5	-40%	299.0
Corporate / exploration	US$m	0.7	1.3	-46%	1.4
Petra internal projects division – Capex under construction / invoiced to operations	US$m	0.0	(0.2)	-100%	(0.3)
Other Corporate – Capex under construction / invoiced to operations	US$m	(0.1)	(0.2)	-50%	-
Total Group Capex	US$m	93.7	156.4	-40%	300.1

Notes:

1. *Capex for the Period includes US$16.2 million (H1 FY 2017: US$21.5 million) of capitalised borrowing costs, which is also included in the applicable mine by mine tables above.*
2. *Petra's annual Capex guidance is cash based and excludes capitalised borrowing costs. Given that the majority of Petra's debt funding is in relation to its expansion and development programmes, Petra's guidance is to assume that the majority of interest and financing fees will be capitalised for the duration of the project phase and not expensed through the income statement. As the Capex projects are commissioned the interest and finance fees will be expensed through the income statement.*
3. *The Group (Petra internal projects and Other Corporate) incurs capital spend on behalf of the operations and although this 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. Group Capex includes US$0.1 million for the Period (H1 FY 2017: US$0.4 million), which was incurred and invoiced by the Group's internal projects facility and Corporate division. Therefore, the mine by mine tables plus the internal projects and other corporate Capex will add together to make the Capex total in the relevant sections above.*

INITIAL RESULTS OF CAPITAL REVIEW

The Company has been reviewing its capital requirements for FY 2018 to FY 2020, with a view to deferring non-essential projects that will not impact on short to medium term production plans. The initial results of this review have identified reductions of ca. US$10 million in FY 2018, ca. US$20 – 25 million in FY 2019 and ca. US$25 – 30 million in FY 2020 (in FY 2018 money terms). Revised Capex guidance for FY 2018 – FY 2020 on a mine by mine basis can be accessed at: https://www.petradiamonds.com/investors/analysts/analyst-guidance/.

This initiative aims to optimise cashflow without impacting the economics of the longer term business plan.

OPERATIONAL REVIEW

H1 FY 2018 Sales, Production and Capex – Summary

	Unit	H1 FY 2018[1]	H1 FY 2017[1]	Variance	FY 2017[1]
Sales					
Revenue	US$m	225.2	228.5	-1%	477.0
Diamonds sold	Carats	1,811,154	1,910,113	-5%	4,006,856
Production					
ROM tonnes	Mt	6.5	5.1	+28%	10.1
Tailings & other[2] tonnes	Mt	3.5	4.8	-27%	8.7
Total tonnes treated	**Mt**	**10.0**	**9.9**	**+1%**	**18.8**
ROM diamonds	Carats	1,778,145	1,331,615	+34%	2,849,247
Tailings & other[2] diamonds	Carats	429,911	683,472	-37%	1,163,966
Total diamonds	**Carats**	**2,208,056**	**2,015,087**	**+10%**	**4,013,213**
Capex					
Expansion	US$m	66.5	124.7	-47%	230.5
Sustaining	US$m	11.0	10.2	+8%	25.5
Subtotal	**US$m**	**77.5**	**134.9**	**-43%**	**256.0**
Borrowing costs capitalized	US$m	16.2	21.5	-25%	44.1
Total	**US$m**	**93.7**	**156.4**	**-40%**	**300.1**

Notes:

1. *Production and sales data are stated on an attributable basis, including 75.9% of KEM JV effective from 1 July 2016.*
2. *'Other' includes alluvial diamond mining at Williamson.*

H1 production increased 10% to 2,208,056 carats (H1 FY 2017: 2,015,087 carats) in line with earlier H1 guidance of 2.2 – 2.3 Mcts, due to increases in ROM production across all mines (ROM production rose 34% to 1.8 Mcts, versus 1.3 Mcts in H1 FY 2017), as expansion projects yielded more undiluted ore. The increase in production was impacted by the labour disruption in Q1 (ca. 60,000 ROM carats), as well as a lower average grade achieved at Cullinan versus guidance, and underperformance at Koffiefontein and KEM JV.

Finsch – South Africa

	Unit	H1 FY 2018	H1 FY 2017	Variance	FY 2017
Sales					
Revenue	US$m	100.8	99.3	+2%	216.7
Diamonds sold	Carats	970,446	1,010,015	-4%	2,141,885
Average price per carat	US$	104	98	+6%	101
ROM Production					
Tonnes treated	Tonnes	1,559,280	1,498,449	+4%	3,212,169
Diamonds produced	Carats	931,859	816,001	+14%	1,818,454
Grade[1]	Cpht	59.8	54.5	+10%	56.6
Tailings Production					
Tonnes treated	Tonnes	515,224	1,041,758	-51%	1,651,089
Diamonds produced	Carats	104,737	215,559	-51%	331,442
Grade[1]	Cpht	20.3	20.7	-2%	20.1
Total Production					
Tonnes treated	Tonnes	2,074,503	2,540,207	-18%	4,863,258
Diamonds produced	Carats	1,036,596	1,031,560	0%	2,149,896
Costs					
On-mine cash cost per total tonne treated	ZAR	325	229	+42%	253
Capex					
Expansion Capex	US$m	24.0	27.9	-14%	58.4
Sustaining Capex	US$m	3.4	2.3	+48%	9.1
Borrowing Costs Capitalised	US$m	7.1	8.7	-18%	18.1
Total Capex	US$m	34.5	38.9	-11%	85.6

Note:

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

Production:
Finsch's ROM carat production increased 14% to 931,859 carats (H1 FY 2017: 816,001 carats), driven by improved ROM grades of 59.8 cpht (H1 FY 2017 54.5 cpht) in line with the increase in undiluted tonnes from Block 5 SLC, partially offset by the ca. 55,000 carat adverse effect of the labour disruptions in Q1. Overall production of 1,036,596 carats was flat compared to H1 FY 2017 (1,031,560 carats), due to the planned reduction in tailings production.

Sales:
Sales increased 2% to US$100.8 million (H1 FY 2017: US$99.3 million), further to the higher average value per carat recorded, despite the weaker diamond market. This increased value is due to the improvement in the product mix expected as Finsch continues to grow production from the new, undiluted mining areas, and as tailings becomes a lower contribution of the overall production mix.

Costs:
The on-mine unit cash cost per total tonne treated was ZAR325, an increase of 42% from H1 FY 2017 (ZAR229), mainly due to the planned reduction in lower cost tailings tonnes being treated during the Period, in line with guidance.

Capex:
Capex of US$34.5 million for the Period (H1 FY 2017: US$38.9 million) was in line with guidance and the progression of the expansion project and associated underground development.

Development Programme:
Mining is currently ramping up in the new Block 5 SLC over four levels from 700 mL to 780 mL. The first two levels are currently in production and are on track to deliver ca. 1.9 Mt in FY 2018.

Cullinan – South Africa

	Unit	H1 FY 2018	H1 FY 2017	Variance	FY 2017
Sales					
Revenue	US$m	61.4	46.0	+33%	91.3
Diamonds sold	Carats	439,012	363,113	+21%	760,957
Average price per carat	US$	140	127	+10%	120
ROM Production					
Tonnes treated	Tonnes	1,783,229	1,039,417	+72%	1,882,911
Diamonds produced	Carats	602,594	358,821	+68%	679,622
Grade	Cpht	33.8	34.5	-2%	36.1
Tailings Production					
Tonnes treated	Tonnes	37,023	259,831	-86%	506,176
Diamonds produced	Carats	4,640	60,932	-92%	106,887
Grade	Cpht	12.5	23.5	-47%	21.1
Total Production					
Tonnes treated	Tonnes	1,820,252	1,299,248	+40%	2,389,087
Diamonds produced	Carats	607,235	419,754	+45%	786,509
Costs					
On-mine cash cost per total tonne treated	ZAR	256	319	-20%	316
Capex					
Expansion Capex	US$m	30.0	64.8	-54%	120.9
Sustaining Capex	US$m	1.4	2.6	-46%	4.3
Borrowing Costs Capitalised	US$m	9.1	12.8	-29%	26.0
Total Capex	US$m	40.5	80.2	-50%	151.2

Production:
Cullinan's ROM diamond production increased 68% to 602,594 carats (H1 FY 2017: 358,821 carats), due to the ramp up of both the new C-Cut Phase 1 block cave and the new Cullinan Plant, which achieved planned annualised ROM capacity of 4 Mtpa. Plant optimisation is ongoing.

Cullinan's average value per carat of US$140 was 17% higher than that achieved in FY 2017 (US$120), and this strong performance was achieved despite the weakness in the market during H1.

This improved value largely mitigated the lower ROM grade of 33.8 cpht, which was below previous guidance of ca. 43 cpht in H1 mainly due to the lower recovery of fine diamonds. A ROM grade for H2 FY 2018 of 37 – 42 cpht (versus previous guidance of ca. 50 cpht) and a tailings grade for H2 FY 2018 of 5 – 6 cpht (versus previous guidance of 7 – 8 cpht) are expected. Higher grade expectations for H2 are based on volumes mined from undiluted ore (C-Cut Phase 1 and CC1E) increasing from ca. 60% of underground production to over 80%, combined with the treatment of the lower grade ROM stockpile reducing from ca. 250 Kt to ca. 100 Kt during H2.

It is Petra's current assessment that it would not be commercially sensible to make changes to the processing route to extract the smallest diamonds as the resultant increased recirculating load could impact the plant's capacity to receive ROM or tailings ore (which have an estimated contained revenue per tonne of ca. US$58 and ca. US$5 respectively, in comparison to that of the recirculating load of small diamonds, which is estimated to be ca. US$2), and would not be in line with the Company's strategic focus on value rather than volume production.

Diamond price guidance for Cullinan has therefore been raised from US$113 – 119 (excluding Exceptional Diamonds) to US$140 - 160 per carat (including Exceptional Diamonds), supported by the lower recovery of the fine diamonds and the higher expected frequency of larger and high value single stones associated with the Western side of the orebody (C-Cut Phase 1).

During the Period, the Company recovered five stones larger than 100 carats (including a 574 carat stone of poor quality, being the largest stone recovered by Petra at Cullinan to date), and a number of other higher value stones, in line with the expected increase in special stones as indicated by historical records as mining from the Western side of the orebody increases.

Further information on the Company's assessment can be found in the two documents relating to 'Cullinan – grade versus value analysis' at:
https://www.petradiamonds.com/investors/analysts/analyst-guidance/.

Sales:
Cullinan's revenue increased by 33% to US$61.4 million (H1 FY 2017: US$46.0 million), as a result of increased sales volumes, as well as an increase in the average prices realised. This was achieved despite the weaker market for the Period, demonstrating the continued improvement in Cullinan's product mix.

Costs:
The on-mine unit cash cost per total tonne treated was down 20% to ZAR256 (H1 FY 2017: ZAR319), mainly due to the increase in total tonnes treated following the commissioning of the new plant.

Capex:
Capex of US$40.5 million (H1 FY 2017: US$80.2 million) was in line with guidance.

Development Programme:
The C-Cut Phase 1 Block Cave production continues to ramp up and undiluted ore from the new blocks (including the CC1E) is expected to double output of undiluted ore to more than 2 Mt during FY 2018.

Koffiefontein – South Africa

	Unit	H1 FY 2018	H1 FY 2017	Variance	FY 2017
Sales					
Revenue	US$m	11.0	14.8	-26%	28.4
Diamonds sold	Carats	21,555	29,788	-28%	56,068
Average price per carat	US$	511	495	+3%	506
ROM Production					
Tonnes treated	Tonnes	289,478	359,044	-19%	667,821
Diamonds produced	Carats	25,292	24,770	+2%	51,173
Grade	Cpht	8.7	6.9	+26%	7.7

Total Production					
Tonnes treated	Tonnes	289,478	359,044	-19%	667,821
Diamonds produced	Carats	25,292	24,770	+2%	51,173
Costs					
On-mine cash cost per total tonne treated	ZAR	634	534	+19%	532
Capex					
Expansion Capex	US$m	5.5	6.3	-13%	13.3
Sustaining Capex	US$m	2.3	1.9	+21%	5.5
Total Capex	US$m	7.8	8.2	-5%	18.8

Production:
Koffiefontein's ROM production increased 2% to 25,292 (H1 FY 2017: 24,770 carats), but was below planned performance and negatively impacted by the labour disruptions (ca. 3,000 carats). Commissioning of the new ground handling system in Q3 is expected to yield improvements to production volumes.

Sales:
Koffiefontein's revenue decreased 26% to US$11.0 million (H1 FY 2017: US$14.8 million), further to the 28% decrease in diamonds sold. However, the average value per carat increased 3% to US$511 despite the weaker market, due to the improvement in product mix.

Costs:
Unit cash cost per total tonne treated at Koffiefontein was ZAR634 (H1 FY 2017: ZAR534), above guidance due to lower than expected tonnes treated, associated with the downtime and resultant costs required to resolve issues encountered in the SLC ore handling system.

Capex:
Capex decreased 5% to US$7.8 million (H1 FY 2017: US$8.2 million) and remained primarily focused on underground development associated with the new SLC.

Development Programme:
Koffiefontein's SLC is planned to ramp up during H2 FY 2018, assisted by the new ground handling system currently being commissioned, and is now expected to reach tonnage output for FY 2018 of 0.8 – 0.85 Mt (versus guidance of ca. 1 Mt).

Impairment:
As a result of the impairment review carried out at Koffiefontein during the Period, the Board has recognised an impairment charge of US$66.0 million. Further details are provided in Note 16.

Kimberley Ekapa Mining JV – South Africa (all figures reflect Petra's 75.9% attributable share)

	Unit	H1 FY 2018	H1 FY 2017	Variance	FY 2017
Sales					
Revenue	US$m	33.5	38.0	-12%	82.3
Diamonds sold	Carats	300,793	406,667	-26%	821,963
Average price per carat	US$	111	93	+19%	100
ROM Production					
Tonnes treated	Tonnes	430,188	209,297	+106%	597,025
Diamonds produced	Carats	49,519	30,347	+63%	87,783
Grade	Cpht	11.5	14.5	-21%	14.7

Tailings Production					
Tonnes treated	Tonnes	2,802,785	3,320,376	-16%	6,153,657
Diamonds produced	Carats	314,581	401,827	-22%	712,651
Grade	Cpht	11.2	12.1	-7%	11.6
Total Production					
Tonnes treated	Tonnes	3,232,973	3,529,673	-8%	6,750,682
Diamonds produced	Carats	364,099	432,174	-16%	800,434
Costs					
On-mine cash cost per total tonne treated	ZAR	146	115	+27%	133
Capex					
Expansion Capex	US$m	6.3	13.8	-54%	23.9
Sustaining Capex	US$m	1.8	1.8	0%	4.5
Total Capex	US$m	8.1	15.6	-48%	28.4

Note:
1. *Data in the table above represent Petra's 75.9% attributable share (including both ROM production from Kimberley Underground and Tailings production).*

Production:
Kimberley Ekapa Mining JV's ("KEM JV") attributable production decreased 16% to 364,099 carats (H1 FY 2017: 432,174 carats), mainly due to the impact of the strike action upon ROM production, though offset to a certain extent by the processing of higher grade tailings. The ROM grade of 11.5 cpht was below expectations due to the tonnage mix from the underground operations being weighted to the lower grade areas.

Sales:
Sales decreased 12% to US$33.5 million (H1 FY 2017: US$38.0 million) further to the decrease in sales volume, but offset by a higher value per carat due to the increased proportion of ROM versus tailings.

As noted in the 'Diamond Market' section, Petra is guiding for a lower average value per carat at KEM JV going forward, due to revised expectations of the proportion of ROM versus tailings for H2.

Costs:
The on-mine unit cash cost per total tonne treated of ZAR146 was above guidance and impacted by additional security and other costs associated with illegal mining activities which effect certain of KEM JV's surface operations. Unit costs increased compared to H1 FY 2017 (ZAR115) due to increased volumes of higher cost ROM tonnes treated during the Period, although overall volumes for the Period were below plan.

Capex:
Capex for the Period of US$8.1 million was in line with guidance.

Impairment:
As a result of the impairment review carried out at KEM JV during the Period, the Board recognised an impairment charge of US$52.0 million. Further details are provided in note 16.

Williamson – Tanzania

	Unit	H1 FY 2018	H1 FY 2017	Variance	FY 2017
Sales					
Revenue	US$m	18.5	31.0	-40%	58.4
Diamonds sold	Carats	79,445	100,712	-21%	226,110
Average price per carat	US$	233	305	-24%	258
ROM Production					
Tonnes treated	Tonnes	2,403,393	2,014,099	+19%	3,667,781
Diamonds produced	Carats	168,881	101,677	+66%	212,215
Grade	Cpht	7.0	5.0	+40%	5.8
Alluvial Production					
Tonnes treated	Tonnes	193,172	191,362	+1%	403,811
Diamonds produced	Carats	5,953	5,154	+16%	12,987
Grade	Cpht	3.1	2.7	+15%	3.2
Total Production					
Tonnes treated	Tonnes	2,596,565	2,205,461	+18%	4,071,592
Diamonds produced	Carats	174,834	106,831	+64%	225,202
Costs					
On-mine cash cost per total tonne treated	US$	10	11	-9%	11.6
Capex					
Expansion Capex	US$m	0.7	12.1	-94%	14.1
Sustaining Capex	US$m	1.5	0.5	+200%	0.9
Total Capex	US$m	2.2	12.6	-83%	15.0

Production:
Williamson's diamond production increased 64% to 174,834 carats (H1 FY 2017: 106,831 carats), mainly due to the increase in ROM tonnes treated and a 40% increase in the grade to 7.0 cpht (H1 FY 2017: 5.0 cpht), further to the mill plant being now fully operational and set to deliver full year production guidance.

Two diamonds of record size were recovered at Williamson during the Period: a poor quality stone of 461.5 carats and a near-gem stone of 396.1 carats. The largest diamond previously recovered at the mine was 260 carats in 1959.

Sales:
Williamson's revenue decreased 40% to US$18.5 million (H1 FY 2017 US$31.0 million), due to its first parcel (ca. 71,000 carats) remaining blocked for export by the GoT. Petra management remains in talks with the GoT to release this parcel. Subsequently, three diamond parcels have been released for export and tendered in Belgium, proceeds of which have been received. Further information on the background and the current status of the blocked parcel can be found here: https://www.petradiamonds.com/our-operations/our-mines/williamson/blocked-diamond-parcel.

Costs:
The on-mine unit cash cost per total tonne treated was US$10 (H1 FY 2017: US$11), which remains in line with guidance.

Capex:
Capex decreased 83% to US$2.2 million further to the completion of the mill plant project.

Development Plan:
Williamson is on track to deliver tonnage throughput of ca. 4.6 Mtpa in FY 2018, rising to steady state ca. 5 Mtpa in FY 2019.

EXPLORATION

Botswana
In Botswana, Petra's focus has been on the evaluation of the KX36 deposit, which was discovered by the Company and where a Resource of 8.7 Mct (contained in 24.6 Mt at an average grade of 35 cpht) has been identified, with an estimated average diamond value of US$65 per carat. As announced in Petra's preliminary results in September 2017, KX36 is not deemed to be economic under present market conditions and under current project parameters, though the Company remains of the opinion that the current KX36 grade and value may be underestimated due to diamond breakage or loss.

As a result of this, Petra is continuing to investigate the potential for a joint venture partner to take this kimberlite deposit forward.

Petra also holds four contiguous prospecting licences that constitute the Orapa South West Project Area, located to the South West of the Orapa kimberlite field. Low-key ground geophysical follow up on several large anomalies and heavy mineral ("HM") sampling on the best geophysical anomalies were completed during Q2 FY 2018. Integrated interpretation of geophysical and HM data led to the selection of six high interest drill targets that were drilled in Q2 FY 2018. None of the drilled holes intersected kimberlite and as such the Company will be relinquishing the Orapa Southwest group of licences.

South Africa
In South Africa, Petra's focus remains the investigation of the Reivilo project, which is situated approximately 110 kilometres north-east of the Finsch mine and where the Company has delineated a cluster of three kimberlite bodies within a 250m radius with estimated sizes of 3.1 Ha, 1.7 Ha and 0.9 Ha respectively. Microdiamond sampling of core obtained during the FY2017 drilling programme for preliminary grade estimation is still outstanding due to delays in obtaining the necessary permits for shipment of samples out of South Africa.

A prospecting right adjacent to the Sedibeng mine (one of the "Fissure Mines" formerly operated by Petra) in the Northern Cape was awarded to Petra in June 2017. An airborne geophysical survey will be the next step to evaluate this property.

Ongoing brownfields exploration at Finsch has identified a possible palaeo-alluvial channel that drained an area of the Finsch pipe. The potential for alluvial trapsites, particularly in the in areas of "soft" hostrock geology, is currently being investigated as possible extra feed for the bulk sample plant.

CORPORATE AND GOVERNANCE

Petra has today announced the following Board changes:

1. Jim Davidson, Technical Director, has informed the Board that he will retire from the Company, effective 30 June 2018.

2. Chief Financial Officer, Jacques Breytenbach, is appointed to the Board as executive Finance Director, effective immediately.

Refer to the separate announcement 'Directorate Change' released today with further information.

Following these changes, Petra's Nomination Committee is continuing to evaluate the Company's optimal Board and Senior Management structures in line with the Company's transition from a capital intensive expansion phase to steady state production and cash generation, and improving its diversity is a strategic imperative. Further developments can be expected in calendar year 2018.

HSSE Committee
The Company has appointed independent Non-Executive Director Dr Pat Bartlett to the HSSE Committee, thereby bringing independent oversight to this committee, which is chaired by CEO Johan Dippenaar and otherwise comprises members of Petra's Senior Management team. Dr Bartlett's extensive experience in diamond mining and block caving will also prove highly valuable to the committee.

PRINCIPAL BUSINESS RISKS

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

An overview of the key risks which could affect the Group's operational and financial performance was included in the Company's 2017 Annual Report, which can be accessed at www.petradiamonds.com. These may impact the Group over the medium to long term; however the following key risks have been identified which may impact the Group over the next six months.

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

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

Financing and liquidity
Further to the initial review of its capital profile, Petra is targeting reductions of ca. US$10 million in FY 2018, ca. US$20 – 25 million in FY 2019 and ca. US$25 – 30 million in FY 2020 (in FY 2018 money terms). The Company plans to continue to finance its revised Capex requirements from treasury, operating cashflows and debt finance.

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

The Group's forecast, taking into account the risks described above and the covenants as discussed in the 'Covenant measurements attached to banking facilities' section of the Financial Review, show that the Group will be able to operate within its current debt facilities and have sufficient liquidity headroom for the remainder of the Group's Capex programme to FY 2020, although headroom remains sensitive to diamond prices, foreign exchange rates and production. There remains a risk, given these factors and the impact on operating cashflows, that the Group's liquidity position could deteriorate and the resulting lack of adequate available cashflows, potential breach of covenants and restricted access to its debt facilities could impact development work and impact the operations.

ROM grade volatility

The management of ROM grades, specifically at Cullinan, remains a challenge while the new block cave continues ramping up and the optimisation of the new plant continues. Higher grade expectations at Cullinan for H2 are based on volumes mined from undiluted ore (C-Cut Phase 1 and CC1E) increasing from ca. 60% of underground production to over 80%, the treatment of the lower grade ROM stockpile reducing from ca. 250 Kt to ca. 100 Kt during this Period, and ongoing optimisation of the new plant.

Exchange rates

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

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

Country and political risk

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

Tanzania has introduced a number of legislative changes to the framework governing the natural resources sector, which have increased regulatory uncertainty. These changes are set out in the Company's 2017 Annual Report.

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

Labour unrest in South Africa

The Group's production, and to a lesser extent its project development activities, are dependent on a stable and productive labour workforce. In September 2017, Petra experienced ca. two weeks of labour unrest at its South African operations (with the exception of Cullinan) prior to the signing of a new three year wage negotiation agreement with the National Union of Mineworkers, which is effective to June 2020. Petra remains highly focused on managing labour relations and on maintaining open and effective communication channels with its employees and the appropriate union representatives at its operations.

Johan Dippenaar
Chief Executive Officer
19 February 2018

Notes:

1. *The following exchange rates have been used for this announcement:*
    a. *closing rate as at 31 December 2017 US$1:ZAR12.38 (31 December 2016 US$1:ZAR13.73)*
    b. *average rate H1 FY 2018 US$1:ZAR13.40 (H1 FY2017 US$1:ZAR13.98)*
2. *The following definitions have been used in this announcement:*
    a. *ct: carat*
    b. *cpht: carats per hundred tonnes*
    c. *Exceptional Diamonds: stones that sell for more than US$5 million each*
    d. *LTIFR: lost time injury frequency rate*
    e. *Kt: thousand tonnes*
    f. *Mcts: million carats*
    g. *mL: metre level*

    h. Mt: million tonnes
    i. ROM: run-of-mine, i.e. relating to production from the primary orebody
    j. SLC: sub-level cave, a variation of block caving

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

PETRA DIAMONDS LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017

US$ million	Notes	**(Unaudited) 1 July 2017- 31 December 2017**	(Unaudited) 1 July 2016- 31 December 2016	(Audited) Year ended 30 June 2017
Revenue		**225.2**	228.5	477.0
Mining and processing costs		**(182.3)**	(166.0)	(390.1)
Other direct income		**0.4**	1.4	2.8
Exploration expenditure		**(0.4)**	(0.4)	(0.8)
Corporate expenditure	5	**(5.6)**	(7.1)	(11.2)
Impairment charge	16	**(118.0)**	—	—
Total operating costs		**(305.9)**	(172.1)	(399.3)
Fair value uplift on Kimberley Ekapa Mining Joint Venture	15	**—**	4.1	4.1
Financial income	6	**7.2**	8.2	14.2
Financial expense	6	**(21.7)**	(17.1)	(49.5)
(Loss) / profit before tax		**(95.2)**	51.6	46.5
Income tax charge		**(22.5)**	(16.4)	(25.8)
(Loss) / profit for the Period		**(117.7)**	35.2	20.7
Attributable to:				
Equity holders of the parent company		**(93.3)**	27.8	18.3
Non-controlling interest		**(24.4)**	7.4	2.4
		(117.7)	35.2	20.7
Profit per share attributable to the equity holders of the parent during the Period:				
From continuing operations:				
Basic (loss) / profit per share – US$ cents	13	**(17.55)**	5.27	3.47
Diluted (loss) / profit per share – US$ cents	13	**(17.55)**	5.20	3.43

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017

US$ million	**(Unaudited) 1 July 2017- 31 December 2017**	(Unaudited) 1 July 2016- 31 December 2016	(Audited) Year ended 30 June 2017
(Loss) / profit for the Period	**(117.7)**	35.2	20.7
Exchange differences on translation of the share-based payment reserve	**1.1**	(1.1)	(0.4)
Exchange differences on translation of foreign operations[1]	**46.5**	30.8	68.7
Exchange differences on non-controlling interest[1]	**2.2**	6.0	9.3
Total comprehensive (expense) / income for the Period	**(67.9)**	70.9	98.3

Total comprehensive income and expense attributable to:			
Equity holders of the parent company	**(45.7)**	57.5	86.6
Non-controlling interest	**(22.2)**	13.4	11.7
	(67.9)	70.9	98.3

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

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017

US$ million		**(Unaudited) 31 December 2017**	(Unaudited) 31 December 2016	(Audited) 30 June 2017
ASSETS				
Non-current assets				
Property, plant and equipment	7	**1 449.8**	1 286.7	1 441.3
Deferred tax asset		**—**	7.5	5.9
BEE loans and receivables	12	**60.8**	34.3	35.0
Other receivables		**14.5**	—	17.8
Total non-current assets		**1 525.1**	1 328.5	1 500.0
Current assets				
Trade and other receivables		**55.6**	50.4	75.5
Inventories		**121.6**	78.5	75.6
Cash and cash equivalents (including restricted amounts)		**119.1**	49.0	203.7
Total current assets		**296.3**	177.9	354.8
Total assets		**1 821.4**	1 506.4	1 854.8
EQUITY AND LIABILITIES				
Equity				
Share capital	8	**89.6**	89.3	89.6
Share premium account		**666.0**	665.3	666.0
Foreign currency translation reserve		**(256.9)**	(341.3)	(303.4)
Share-based payment reserve		**7.2**	13.0	12.8
Hedging and other reserves		**(0.8)**	(0.8)	(0.8)
Retained earnings		**43.0**	138.7	129.5
Attributable to equity holders of the parent company		**548.1**	564.2	593.7
Non-controlling interest		**30.5**	54.4	52.7
Total equity		**578.6**	618.6	646.4
Liabilities				
Non-current liabilities				
Loans and borrowings	9	**600.0**	376.7	598.5
BEE loans payable	12	**116.3**	96.5	99.5
Provisions		**79.9**	66.7	72.0
Deferred tax liabilities		**163.2**	129.8	143.1
Total non-current liabilities		**959.4**	669.7	913.1
Current liabilities				
Loans and borrowings	9	**160.3**	128.0	158.6
Trade and other payables		**123.1**	90.1	136.7
Total current liabilities		**283.4**	218.1	295.3
Total liabilities		**1 242.8**	887.8	1 208.4
Total equity and liabilities		**1 821.4**	1 506.4	1 854.8

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017

US$ million	**(Unaudited) 1 July 2017- 31 December 2017**	(Unaudited) 1 July 2016- 31 December 2016	(Audited) 1 July 2016- 30 June 2017
(Loss) / profit before taxation for the Period	**(95.2)**	51.6	46.5
Depreciation of property plant and equipment	**42.7**	28.6	79.6
Impairment charge	**118.0**	—	—
Movement in provisions	**(0.2)**	1.0	(0.6)
Fair value uplift on Kimberley Ekapa Mining Joint Venture	**—**	(4.1)	(4.1)
Financial income	**(7.2)**	(8.2)	(14.2)
Financial expense	**21.7**	17.1	49.5
Profit on disposal of property, plant and equipment	**0.3**	(0.4)	(0.3)
Share based payment provision	**0.1**	0.7	0.2
Operating profit before working capital changes	**80.2**	86.3	156.6
Decrease in trade and other receivables	**9.1**	44.4	18.5
(Decrease) in trade and other payables	**(10.3)**	(29.0)	(5.4)
Increase in inventories	**(40.1)**	(15.3)	(9.5)
Cash generated from operations	**38.9**	86.4	160.2
Realised gains / (losses) on foreign exchange contracts	**2.4**	(5.2)	(3.8)
Finance expense	**(16.2)**	(2.4)	(3.9)
Income tax paid	**(1.2)**	—	—
Net cash generated from operating activities	**23.9**	78.8	152.5
Cashflows from investing activities			
Acquisition of property, plant and equipment (including capitalised cash interest paid of US$16.0 million (31 December 2016 US$20.0 million; 30 June 2017 US$34.7 million))	**(96.8)**	(150.7)	(282.9)
Proceeds from sale of property, plant and equipment	**—**	—	0.9
Loans advanced to BEE partners	**(13.4)**	(4.9)	(12.9)
Repayment from BEE partners	**—**	0.5	0.5
Finance income	**0.6**	0.3	1.8
Net cash utilised in investing activities	**(109.6)**	(154.8)	(292.6)
Cashflows from financing activities			
Proceeds from the issuance of share capital	**—**	0.1	1.1
Increase in borrowings	**30.0**	126.8	798.8
Repayment of borrowings	**(31.5)**	(53.7)	(508.8)
Net cash (utilised) / generated from financing activities	**(1.5)**	73.2	291.1
Net (decrease) / increase in cash and cash equivalents	**(87.2)**	(2.8)	151.0
Cash and cash equivalents at beginning of the Period	**190.2**	36.7	36.7
Effect of exchange rate fluctuations on cash held	**1.7**	3.0	2.5
Cash and cash equivalents at end of the Period[1]	**104.7**	36.9	190.2

[1] Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US$14.4 million (30 June 2017: US$13.5 million and 31 December 2016: US$12.1 million) and unrestricted cash of US$104.7 million (30 June 2017: US$190.2 million and 31 December 2016: US$36.9 million).

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017

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

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017

(Unaudited) US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained earnings	Attributable to the parent	Non-controlling interest	Total equity
Six month Period ending 31 December 2016:									
At 1 July 2016	88.6	665.2	(372.1)	14.4	(0.8)	109.1	504.4	42.4	546.8
Profit for the Period	—	—	—	—	—	27.8	27.8	7.4	35.2
Non-controlling interest acquired	—	—	—	—	—	1.4	1.4	(1.4)	—
Other comprehensive income / (expense)	—	—	30.8	(1.1)	—	—	29.7	6.0	35.7
Transfer between reserves for exercise of employee options and warrants	—	—	—	(0.4)	—	0.4	—	—	—
Equity settled share based payments	—	—	—	0.8	—	—	0.8	—	0.8
Allotments during the Period:									
- Share options exercised	—	0.1	—	—	—	—	0.1	—	0.1
- LTSP share grants	0.7	—	—	(0.7)	—	—	—	—	—
At 31 December 2016	89.3	665.3	(341.3)	13.0	(0.8)	138.7	564.2	54.4	618.6

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017

(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
12 month Period ending 30 June 2017:									
At 1 July 2016	88.6	665.2	(372.1)	14.4	(0.8)	109.1	504.4	42.4	546.8
Profit for the Year	—	—	—	—	—	18.3	18.3	2.4	20.7
Non-controlling interest acquired	—	—	—	—	—	1.4	1.4	(1.4)	—
Other comprehensive income / (expense)	—	—	68.7	(0.4)	—	—	68.3	9.3	77.6
Transfer between reserves for exercise of options	—	—	—	(0.7)	—	0.7	—	—	—
Equity settled share based payments	—	—	—	0.2	—	—	0.2	—	0.2
Allotments during the Year:									
- Share options exercised	0.3	0.8	—	—	—	—	1.1	—	1.1
- LTSP share grants	0.7	—	—	(0.7)	—	—	—	—	—
At 30 June 2017	89.6	666.0	(303.4)	12.8	(0.8)	129.5	593.7	52.7	646.4

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017

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 United Kingdom. The Condensed Consolidated Interim Financial Statements of the Company for the six month period ended 31 December 2017 comprise the Company and its subsidiaries, joint operations and associates (together referred to as the "Group").

2. ACCOUNTING POLICIES

The interim results, which are unaudited, have been prepared in accordance with the requirements of International Accounting Standard 34. This condensed interim report does not include all the notes of the type normally included in an annual financial report. This condensed report is to be read in conjunction with the Annual Report for the year ended 30 June 2017, and any public announcements made by the Group during the interim reporting period. The annual financial report for the year ended 30 June 2017 was prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS's") and the accounting policies applied in this condensed interim report are consistent with the polices applied in the annual financial report for the year ended 30 June 2017.

Basis of preparation including going concern

Background

The Company's results for H1 were adversely impacted due to strike action at certain South African operations in Q1, the blocked Williamson parcel not sold, and the strengthening ZAR against the USD,. As announced on 9 October 2017, the Group was therefore due to breach its EBITDA-related maintenance covenant measurements related to its senior debt facilities for the period ending, and as at, 31 December 2017. A waiver was received post Period end from the Company's lender group (comprising Absa Bank Limited (acting through its Corporate and Investment Banking division), FirstRand Bank Limited (acting through its Rand Merchant Bank division) and Nedbank Limited (acting through its Corporate and Investment Banking division) (together, the "Lender group") for the 31 December 2017 measurement period. In addition, a re-set took place of the relevant covenants for the 30 June 2018 and 31 December 2018 measurement periods with reference to the Group's forecasts at that date, as outlined below:

Covenant	30 June 2018	31 December 2018
Consolidated Net Debt to Consolidated EBITDA	Not more than 3.5x (previously 2.5x)	Not more than 3.5x (previously 2.5x)
Consolidated EBITDA to Consolidated Net Finance Charges	Not less than 3.0x (previously 4x)	Not less than 3.0x (previously 4x)

The above has been approved by the lender group, with the legal documentation to be finalised shortly.

Forecasts and associated risks

The following have been key considerations for the Board during H1 and to the date of this report:

- the ongoing roll-out and ramp-up of the Group's expansion projects, specifically the new Cullinan plant and C-Cut and the Finsch SLC;
- the initial production results from the Cullinan plant, and the resultant impact on value and grade expectations (which remain subject to the ongoing plant optimisation);
- the impact of the strengthening Rand on both liquidity and financial results.
- the production shortfalls at Koffiefontein and KEM JV;
- the impact of labour disruption at certain of the Group's South African mines; and
- the uncertainty surrounding the outlook for sale of the blocked Williamson parcel.

The Board reviewed the Group's forecasts and sensitivities for a period of at least 12 months from the date that the Interim Financial Statements have been approved, including both forecast cashflows and covenants. Given the key focus areas above, this involved particular emphasis and scenarios being run thereon, in addition to the normal sensitivity inputs of diamond pricing, US$/ZAR exchange rates and volatility of ROM grades achieved at our underground operations.

The forecasts indicate that the Group retains sufficient liquidity from existing cash resources, operating cashflows and existing facilities to meet its liabilities as they fall due under the forecasts and reasonably possible sensitivities. The Company also maintains headroom against its financial covenants going forward, subject to the finalisation of the legal documentation pertaining to the covenant changes. All forecasts assume an average exchange rate of ZAR12:US$1 and the sale of the blocked Williamson parcel in H2.

Conclusion

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

However, with the Cullinan plant having achieved nameplate capacity, and Cullinan's C-Cut and Finsch's SLC in place and ramping up, the Board is of the opinion that the fundamental business plan of the Group is intact, given that the operations will be achieving the majority of their ROM tonnes from new, undiluted areas from FY 2018 onwards.

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

Further to the waiver and re-set of its bank facility covenants (subject to finalisation of legal documentation), the Company remains confident that the existing facilities will remain in place, having considered all relevant facts and circumstances. Accordingly, the Board has concluded that the going concern basis in the preparation of the unaudited condensed interim financial statements remains appropriate and that there are no material uncertainties that would cast doubt on that basis of preparation.

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2017 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 2018, which are not expected to be significantly different to those set out in notes 1 - 37 of the Group's audited financial statements for the year ended 30 June 2017.

The financial information for the year ended 30 June 2017 has been extracted from the statutory accounts for that period. The auditors' report for the year ended 30 June 2017 was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

The financial information for the six months ended 31 December 2016 has been extracted from the unaudited interim results released to 31 December 2016.

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 2017 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 2018 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 15 Revenue from Contracts with Customers
The Group is required to apply IFRS 15 for annual reporting periods beginning on or after 1 January 2018. Management have assessed the core principle of IFRS 15, that the Group will recognise revenue to depict the transfer of promised diamond sales to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the diamond sales.

Diamonds sales are made through a competitive tender process. Diamond sales are recognised when significant risks and rewards of ownership are transferred to the buyer, costs can be reliably measured and receipt of tender proceeds probable – this is deemed to be the point at which the tender is awarded. The Group has reviewed the terms and conditions of the current tender contract entered into with each of the buyers and are satisfied that, based on the terms of the current contracts, there is no change to the timing of revenue recognition on tender sales under IFRS 15.

Where the Group makes rough diamond sales to customers and retains a vested right in the future sale of the polished diamond, the Group will record such revenue only at the date when the polished diamond is sold (and only its interest therein). The Group has reviewed the terms and conditions of its current contracts pertaining to such scenarios and are satisfied that there is no change, based on the terms of the current contracts, to the timing of revenue recognition on such sales under IFRS 15.

IFRS 16 Leases
The Group is required to apply IFRS 16 for annual reporting periods beginning on or after 1 January 2019. Management have assessed the core principle of IFRS 16, to reflect the right of use assets and lease liabilities onto the consolidated statement of financial position for the first time in respect of its current operating leases. Management are currently reviewing the impact of IFRS 16 to the Group.

IFRS 9 Financial Instruments
IFRS 9 "Financial instruments" addresses the classification and measurement of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Management are currently assessing the standard's full impact. The impact of IFRS 9 is likely to be largely affected by the Group's hedge accounting policies that will apply at the time of the standard's adoption, together with the need to assess expected credit losses on financial assets such as the BEE trade receivables. The Group is currently assessing both its hedging policies and the overall impact of IFRS 9.

Significant assumptions and judgements:

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

Key estimates and judgements:

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

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

Koffiefontein

The impairment test at Koffiefontein recognised an impairment of US$66.0 million on a carrying value of property, plant and equipment of US$125.7 million. For further details of the inputs, assumptions and sensitivities in the impairment model refer to note 16.

KEM JV

The impairment test at KEM JV recognised an impairment of US$52.0 million on a carrying value of property, plant and equipment of US$103.8 million. For further details of the inputs, assumptions and sensitivities in the impairment model refer to note 16.

Williamson

The impairment test for Williamson as at 31 December 2017 included the estimated effects of the legislation changes in Tanzania resulting in increased royalty, export and VAT costs, that they were formally enacted during the Period, and further considered the impact from regulatory uncertainty within Tanzania. The headroom on the impairment test at Williamson was 9% (30 June 2017: 2%) on a carrying value of assets of US$136.4 million (30 June 2017: US$130.9 million). Accordingly the carrying value of the assets remain highly sensitive to a change in any of the underlying assumptions. The most sensitive inputs are diamond prices (including expected revenue from Exceptional Diamonds) and discount rates. The diamond prices (including expected revenue from Exceptional Diamonds) used in the impairment test have been set with reference to recent achieved prices and product mix. The long-term diamond price escalators reflect the Group's assessment of market supply/demand fundamentals, although short-term volatility remains present within the market and accordingly the short-term diamond price escalators have been amended downwards. A discount rate of 9% was used, calculated based on a nominal weighted cost of capital including the effect of factors such as market risk and country risk at Period end having given specific consideration to the political environment in which the mine is operating. A sustained 5% drop in diamond prices would result in a US$16.1 million impairment charge; a 3% increase in the discount rate would result in a US$11.6 million impairment charge.

Recoverability of VAT in Tanzania

The Group holds VAT receivables carried at US$14.5 million (30 June 2017: US$15.8 million; 31 December 2016 US$13.7 million) in the Statement of Financial Position in respect of the Williamson mine, of which US$14.5 million is past due. The assessment of carrying value required significant judgement including the payment history, ongoing discussions with the relevant authorities in Tanzania and the wider operating environment. The VAT receivables are considered valid and are not being disputed by the tax authorities. Accordingly, the Group will be pursuing near term payment in accordance with legislation. However, acknowledging the challenges of the current operating environment in Tanzania, the receivables have been classified, after providing for a time-value of money provision, as non-current given the potential for delays in receipt.

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. The US$650 million bond raised in FY2017 and existing bank borrowings were utilised to fund the completion of underground expansion projects, the processing plant at Cullinan and the refinancing of existing bond and bank borrowings. When the Group's borrowings are refinanced, the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised as a charge in the income statement on an accelerated basis when the refinancing is considered to be a substantial modification of terms.

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 7.7%–9.9% (30 June 2017: 7.7%-9.9%), estimated rehabilitation timing of 10 to 48 years (30 June 2017: 10 to 48 years) and an inflation rate range of 5.7%–7.9% (30 June 2017: 5.7%-7.9%). 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.

Inventory and inventory stockpile

Judgement is applied in making assumptions about the value of inventories and inventory stockpiles, including diamond prices, foreign exchange rates, production grade and expenditure to determine the extent to which the Group values inventory and inventory stockpiles.

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 judgement 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 2017 for the pension fund. The most recent actuarial valuation for the post-employment medical scheme was at 30 June 2016 in line with the Group's policy of obtaining an external valuation every 2 years. The Group has assessed the key assumptions and no material change in any of the key assumptions from the last external valuations has been identified. 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 Ekapa Mining Joint Venture

Judgement was applied in determining the fair value adjustments in respect of the Kimberley Ekapa Mining Joint Venture ("KEM JV") acquisition in the prior Period. The fair value adjustments to mineral properties were to ensure the asset values for Petra's incremental share in Ekapa Minerals (Pty) Ltd ("Ekapa Minerals") and Petra's interest in Super Stone were reflected at fair value. The Group has joint control over the KEM JV and recognises its share of the assets, liabilities, income and expenses. The accounting treatment involved consideration of the structure of the arrangement, the legal form and the contractual agreements between the parties.

3. DIVIDENDS

No dividends have been declared in respect of the current period under review (30 June 2017: US$nil million, 31 December 2016: US$nil).

4. SEGMENTAL INFORMATION

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

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

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

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities				Care and maintenance	Tanzania - Mining activities	Botswana	United Kingdom	South Africa		
US$ million	Cullinan	Finsch	Koffiefontein	KEM JV	Helam	Williamson	Exploration	Corporate and treasury	Beneficiation[4]	Inter-segment	Consolidated
(6 month period ended 31 December 2017)	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017	1 July 2017 - 31 December 2017
Revenue	61.4	100.8	11.0	33.5	—	18.5	—	—	0.5	(0.5)	225.2
Segment result[1]	15.8	39.1	(2.5)	(4.4)	(0.9)	(3.6)	(0.4)	(5.6)	(0.6)	—	36.9
Impairment charge	—	—	(66.0)	(52.0)	—	—	—	—	—	—	(118.0)
Other direct income	(0.3)	0.2	—	0.1	(0.2)	0.3	—	—	—	0.3	0.4
Operating (loss) / profit[2]	15.5	39.3	(68.5)	(56.3)	(1.1)	(3.3)	(0.4)	(5.6)	(0.6)	0.3	(80.7)
Financial income											7.2
Financial expense											(21.7)
Income tax expense											(22.5)
Non-controlling interest											24.4
Loss attributable to equity holders of the parent company											(93.3)
Segment assets	919.9	785.5	213.9	267.3	7.2	187.8	0.8	3 781.1	20.1	(4 362.2)	1 821.4
Segment liabilities	816.6	493.2	301.4	325.5	54.2	296.0	44.6	2 674.5	20.6	(3 783.8)	1 242.8
Capital expenditure	40.5	34.5	7.8	8.1	—[3]	2.2	—	0.6	—	—	93.7

[1] Total depreciation of US$42.7 million included in the segmental result, comprises depreciation incurred at Finsch US$10.5 million, Cullinan US$19.4 million, Koffiefontein US$3.2 million, KEM JV US$3.6 million, Williamson US$5.0 million, Helam US$0.5 million, Exploration US$0.1 million and Corporate administration US$0.4 million.

[2] Operating profit is equivalent to revenue of US$225.2 million less total costs of US$305.9 million as disclosed in the Consolidated Income Statement.

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

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

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	KEM JV	Helam	Williamson	Exploration	Corporate and treasury	Beneficiation[4]	Inter-segment	Consolidated
(6 month period ended 31 December 2016)	1 July 2016 - 31 December 2016	1 July 2016 - 31 December 2016	1 July 2016 - 31 December 2016	1 July 2016 - 31 December 2016	1 July 2016 - 31 December 2016	1 July 2016 - 31 December 2016	1 July 2016 - 31 December 2016	1 July 2016 - 31 December 2016	1 July 2016 - 31 December 2016	1 July 2016 - 31 December 2016	1 July 2016 - 31 December 2016
Revenue	46.0	99.3	14.8	38.0	—	31.0	—	—	0.1	(0.7)	228.5
Segment result[1]	9.2	48.4	(5.5)	9.7	(1.5)	1.9	(0.4)	(7.1)	(0.2)	0.5	55.0
Other direct income	—	0.1	0.2	0.4	0.4	0.2	—	—	—	0.1	1.4
Operating profit / (loss)[2]	9.2	48.5	(5.3)	10.1	(1.1)	2.1	(0.4)	(7.1)	(0.2)	0.6	56.4
Fair value uplift on Kimberley Ekapa Mining Joint Venture											4.1
Financial income											8.2
Financial expense											(17.1)
Income tax expense											(16.4)
Non-controlling interest											(7.4)
Profit attributable to equity holders of the parent company											27.8
Segment assets	674.0	473.6	222.5	150.5	5.1	172.2	0.9	2 318.4	5.7	(2 516.5)	1 506.4
Segment liabilities	539.6	251.6	230.9	151.1	48.1	270.1	43.7	1 297.2	7.6	(1 952.1)	887.8
Capital expenditure	80.2	38.9	8.2	15.6	—[3]	12.6	—	1.3	—	(0.4)	156.4

[1] Total depreciation of US$28.6 million included in the segmental result, comprises depreciation incurred at Finsch US$6.1 million, Cullinan US$12.5 million, Koffiefontein US$3.2 million, KEM JV US$2.1 million, Williamson US$3.7 million, Helam US$0.5 million, Exploration US$0.1 million and Corporate administration US$0.4 million.

[2] Operating profit is equivalent to revenue of US$228.5 million less total costs of US$172.1 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.

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities				Care and maintenance	Tanzania - Mining activities	Botswana	United Kingdom[4]	South Africa		
US$ million	Cullinan	Finsch	Koffiefontein	KEM JV	Helam	Williamson	Exploration	Corporate and treasury	Beneficiation[5]	Inter-segment	Consolidated
(12 months 1 July 2016 – 30 June 2017)	**2017**	**2017**	**2017**	**2017**	**2017**	**2017**	**2017**	**2017**	**2017**	**2017**	**2017**
Revenue	91.3	216.7	28.4	82.3	—	58.4	—	—	0.3	(0.3)	477.0
Segment result[1]	4.8	101.2	(11.0)	(2.7)	(2.5)	(3.4)	(0.8)	(11.2)	1.1	(0.6)	74.9
Other direct income	—	0.5	0.1	1.0	0.3	0.5	—	—	—	0.4	2.8
Operating profit / (loss)[2]	4.8	101.7	(10.9)	(1.7)	(2.2)	(2.9)	(0.8)	(11.2)	1.1	(0.2)	77.7
Fair value uplift on Kimberley Ekapa Mining Joint Venture											4.1
Financial income											14.2
Financial expense											(49.5)
Income tax expense											(25.8)
Non-controlling interest											(2.4)
Profit attributable to equity holders of the parent company											18.3
Segment assets	828.7	661.6	248.0	212.1	5.0	171.1	0.9	3 214.0	7.4	(3 494.0)	1 854.8
Segment liabilities	694.3	394.6	265.6	220.7	50.9	277.8	44.2	2 178.8	8.0	(2 926.5)	1 208.4
Capital expenditure	151.2	85.6	18.8	28.4	-	15.0	—	1.4	—	(0.3)[3]	300.1

[1] Total depreciation of US$79.6 million included in the segmental result, comprises depreciation incurred at Finsch US$14.6 million, Cullinan US$31.6 million, Koffiefontein US$8.8 million, KEM JV US$16.4 million, Williamson US$6.6 million, Helam US$0.6 million, Exploration US$0.2 million and Corporate administration US$0.8 million.

[2] Operating profit is equivalent to revenue of US$477.0 million less total costs of US$399.3 million as disclosed in the Consolidated Income Statement.

[3] Inter segment capital expenditure represents work-in-progress at Helam of US$0.3 million in respect of the manufacture of plant and equipment for other mines within the Group.

[4] With effect from 01 May 2017 the Company was domiciled in the United Kingdom.

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

US$ million	**1 July 2017 - 31 December 2017**	1 July 2016 - 31 December 2016	1 July 2016 - 30 June 2017
5. CORPORATE EXPENDITURE			
Corporate expenditure includes:			
Depreciation of property, plant and equipment	**0.4**	0.4	0.8
London Stock Exchange and other regulatory expenses	**0.7**	0.5	1.1
Share-based expense - Directors	**0.1**	0.5	(0.3)
Other staff costs	**1.7**	3.0	3.8
Total staff costs	**1.8**	3.5	3.5

6. FINANCING EXPENSE

US$ million	**1 July 2017 - 31 December 2017**	1 July 2016 - 31 December 2016	1 July 2016 - 30 June 2017
Net unrealised foreign exchange gains	**2.9**	6.9	9.9
Interest received on BEE loans and other receivables	**1.3**	1.0	2.5
Interest received bank deposits	**0.6**	0.3	1.8
Realised foreign exchange gains on the settlement of foreign loans and forward exchange contracts	**2.4**	—	—
Financial income	**7.2**	8.2	14.2
Gross interest on bank loans and overdrafts	**(25.1)**	(23.9)	(48.0)
Interest on bank loans and overdrafts capitalised	**16.2**	21.5	44.1
Net interest expense on bank loans and overdrafts	**(8.9)**	(2.4)	(3.9)
Bond redemption premium and acceleration of unamortised bond costs[1]	**—**	—	(22.3)
Other debt finance costs, including BEE loan interest and facility fees	**(8.8)**	(6.3)	(14.5)
Unwinding of present value adjustment for rehabilitation costs	**(4.0)**	(3.1)	(5.0)
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts	**—**	(5.3)	(3.8)
Financial expense	**(21.7)**	(17.1)	(49.5)
Net financial expense	**(14.5)**	(8.9)	(35.3)

[1] During FY 2017, the bond redemption premium and acceleration of unamortised bond costs of US$22.3 million were in respect of costs associated with the refinancing and early redemption of the US$300 million Bond comprising unamortised upfront costs (US$7.3 million previously capitalised) and make-whole premium (US$15.0 million).

7. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment for the Period is an increase of US$8.5 million (30 June 2017: US$362.0 million, and 31 December 2016: US$207.4 million). This is primarily as a result of an increase in property, plant and equipment from capital expenditure of US$93.7 million (30 June 2017: US$300.1 million and 31 December 2016: US$156.4 million), the recognition of the incremental assets attributable to the Group from the KEM JV of US$nil million (30 June 2017: US$14.7 million and 31 December 2016: US$14.3 million) and the movement in the US$/ZAR foreign exchange rate resulting in a foreign exchange increase on Rand based assets of US$79.6 million (30 June 2017: US$127.4 million decrease and 31 December 2016: US$65.6 million decrease), which is off-set by depreciation of US$42.7 million (30 June 2017: US$79.6 million and 31 December 2016: US$28.6 million), the impairment of the Koffiefontein and KEM JV assets of US$118.0 million (30 June 2017: US$nil million and 31 December 2016: US$nil million) and assets of US$4.1 million (30 June 2017: US$0.6 million and 31 December 2016: US$0.3 million) disposed of during the Period.

8. SHARES ISSUED

Allotments during the Period ending 31 December 2017 were in respect of:

(i) the award to the Executive Directors of 136,519 ordinary shares granted under the 2012 Performance Share Plan, in receipt of performance measured over the period 1 July 2014 to 30 June 2017;

(ii) the award to the Executive Directors of 135,545 ordinary shares granted under the 2015 deferred share awards based on the annual performance bonus plan;

(iii) the exercise of 85,821 share options under the 2005 Executive Share Option Scheme by Directors and Senior Management and

(iv) the award to David Abery (as per FY 2016 Remuneration Committee minutes) share awards of 10,163 under the 2012 Performance Share Plan, in receipt of performance measured over the period 1 July 2014 to 30 June 2017 and 110,494 ordinary shares granted under the 2015 and 2016 deferred share awards based on the annual performance bonus plan.

Further details with regards to the Group's share plans are provided in the Group's 2017 Annual Report.

9. LOANS AND BORROWINGS

US$ million	**31 December 2017**	31 December 2016	30 June 2017
Non-current liabilities			
Loans and borrowings – Senior secured lender debt facilities	—	109.5	—
Loans and borrowings – Senior secured second lien notes	**600.0**	267.2	598.5
	600.0	376.7	598.5
Current liabilities			
Loans and borrowings – Senior secured lender debt facilities	**113.2**	101.0	109.0
Loans and borrowings – Senior secured second lien notes	**47.1**	27.0	49.6
	160.3	128.0	158.6
Total loans and borrowings - bank facilities	**760.3**	504.7	757.1

a) Senior Secured Lender Debt Facilities

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

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

Amended Senior Lender Debt Facilities	**31 December 2017 Facility amount**	**31 December 2016 Facility amount**	**30 June 2017[1&3] Facility amount**
ZAR Debt Facilities:			
ZAR Lenders Amortising term facility (ATF)[2]	ZARnil million	ZAR900 million	ZARnil million
ZAR Lenders Revolving credit facility (RCF)	ZAR1,000 million	ZAR1,250 million	ZAR1,000 million

ZAR Lenders Working capital facility (WCF)	ZAR500 million	ZAR700 million	ZAR500 million
Absa/RMB – FX Hedging facilities	ZAR300 million	ZAR300 million	ZAR300 million
US$ Debt Facilities:			
IFC – Amortising term facility (ATF)[2]	US$nil million	US$35 million	US$nil million
IFC – Revolving credit facility (RCF)[2]	US$nil million	US$25 million	US$nil million

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

[2] The ZAR Lenders ATF, the IFC ATF and RCF facilities were all repaid during April 2017 (refer to b) below).

[3] The facilities were amended with effect from 12 April 2017.

The repayment terms and interest rates remained unchanged. The terms and conditions are detailed in the Group's FY 2017 Annual Report. As set out in note 17, further to the waiver and re-set of certain of the covenants related to the debt facilities, the Company's lender group has introduced an increase in the interest rates to both South African debt facilities that will apply in the event that the Company's Consolidated Net Debt exceeds 2.5x Consolidated EBITDA and a further additional interest increase will apply should the Company's Consolidated Net Debt exceed 3x Consolidated EBITDA. The increased interest rates remain subject to the finalisation of the legal documentation pertaining to the covenant waiver / re-set.

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

Covenant ratios

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

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

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

For changes relating to the covenants and facility terms subsequent to the period end, refer to note 17.

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

b) US$650 million Senior Secured Second Lien Notes

During FY 2017, a wholly owned subsidiary of the Company, Petra Diamonds US$ Treasury Plc, issued debt securities consisting of US$650 million five-year senior secured second lien notes with a maturity date of 01 May 2022 (the "2022 Notes"). The 2022 Notes carried a coupon of 7.25% per annum, which is payable semi-annually in arrears on 1 May and 1 November of each year. The 2022 Notes are guaranteed by the Company and by the Petra Diamonds Group's material subsidiaries and are secured on a second lien basis on the assets of the Petra Diamonds Group's material subsidiaries.

Proceeds from the 2022 Notes were used to refinance the Petra Diamonds Group existing US$300 million 8.25% senior secured second lien notes due 31 May 2020, to repay certain bank facilities (refer to a) above), and primarily to fund capital expansion projects.

Further details about the 2022 Notes (including security) are included in the FY 2017 Annual Report.

10. COMMITMENTS

As at 31 December 2017, the Company has committed to future capital expenditure totalling US$31.8 million (30 June 2017: US$25.6 million and 31 December 2016: US$49.0 million), mainly comprising Cullinan US$11.3 million (30 June 2017: US$6.8 million and 31 December 2016: US$21.5 million), Finsch US$14.2 million (30 June 2017: US$13.8 million and 31 December 2016: US$18.3 million), Koffiefontein US$1.6 million (30 June 2017: US$2.6 million and 31 December 2016: US$1.0 million), KEM JV

US$4.7 million (30 June 2017: US$1.9 million and 31 December 2016: US$7.2 million) and Williamson US$nil million (30 June 2017: US$0.5 million and 31 December 2016: US$1.0 million).

11. RELATED PARTY TRANSACTIONS

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

Mine	Partner and respective interest as at 31 December 2017 (%)	Partner and respective interest as at 31 December 2016 (%)	Partner and respective interest as at 30 June 2017 (%)
Finsch	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)
Cullinan	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)
Koffiefontein	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)
Kimberley Ekapa Mining JV	Kago Diamonds (8.4%)	Kago Diamonds (8.4%)	Kago Diamonds (8.4%)
	Ekapa Mining (24.1%)	Ekapa Mining (24.1%)	Ekapa Mining (24.1%)
Helam	Sedibeng Mining (26%)	Sedibeng Mining (26%)	Sedibeng Mining (26%)

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

US$ million	**1 July 2017 - 31 December 2017[3]**	1 July 2016 - 31 December 2016[3]	1 July 2016 - 30 June 2017[3]
Non-current receivable			
Re-Teng Diamonds	**—**	0.7	—
Sedibeng Mining	**1.0**	15.2	1.0
Kago Diamonds[1 & 2]	**21.7**	3.8	11.8
Ekapa Mining[3]	**2.1**	—	2.0
	24.8	19.7	14.8
Non-current payable			
Sedibeng Mining	**—**	3.2	—
Kago Diamonds[1& 2]	**62.6**	50.2	53.6
	62.6	53.4	53.6
Finance income			
Sedibeng Mining	**—**	0.1	—
Kago Diamonds[1]	**0.9**	0.2	0.7
Ekapa Mining	**0.1**	0.7	0.2
	1.0	1.0	0.9
Finance expense			
Kago Diamonds	**3.2**	3.2	5.8
Ekapa Mining[1]	**0.1**	0.3	0.2
	3.3	3.5	6.0

[1] Umnotho weSizwe Group (Pty) Ltd ("Umnotho"), holds a 16.34% interest in Kago Diamonds. Mr Pouroulis and Mr Dippenaar 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 Period of US$13.4 million (30 June 2017: US$3.4 million and 31 December: 2016: US$nil million).

[3] Additionally, included in current trade and other receivables and current trade and other payables are amounts of:

- US$15. 4 million (30 June 2017: US$10.6 million and 31 December 2016: US$5.9 million) receivable from and US$nil million (30 June 2017: US$nil million and 31 December 2016: US$9.8 million) payable to Ekapa Mining (Pty) Ltd relating to working capital loans with the Group.

Rental income receivable

The Group received US$nil million (30 June 2017: US$nil million and 31 December 2016: US$0.1million) of rental income from Pella Resources Ltd and US$0.2 million (30 June 2017: US$0.3 million and 31 December 2016: US$0.2 million) from Alufer Mining Ltd. The Group has US$0.3 million (30 June 2017: US$0.3 million and 31 December 2016: US$0.2 million) receivable from Pella Resources Ltd and US$0.4 million (30 June 2017: US$0.1 million and 31 December 2016: US$0.1 million) receivable from Alufer Mining Ltd, both companies of which Mr Pouroulis is a director.

Group restructuring

On 1 July 2016, the Company completed the restructuring of the Group and its BEE Partner structures, allowing for a simplified Group structure. The IPDET 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, in which Petra has a 31.46% interest. The effect of the restructuring for shareholders at 1 July 2016 was an increase in the equity attributable to the shareholders of the Company as the non-controlling interest in the underlying net assets of the operations decreased by US$1.4 million. This decrease reflects the non-controlling interest's increased share of cumulative profits at Finsch, a reduction in the share of the cumulative profits at Cullinan and an increased share of cumulative losses at Kimberley Underground, Koffiefontein and Helam. The increase of US$1.4 million, attributable to the Group's shareholders, excludes the effect of the KEM JV transaction in note 15. The effective interest percentages attributable to the Group's shareholders are 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	58.3[1]
Helam	86.80	74.0

[1]The 58.3% effective interest in KEM JV post restructuring reflects both the Group's interest in KEM JV following the transaction in note 15 and the impact of the BEE restructuring.

12. BEE LOANS RECEIVABLE AND PAYABLE

US$ million	**1 July 2017 - 31 December 2017**	1 July 2016 - 31 December 2016	1 July 2016 - 30 June 2017
Non-current assets			
Loans and other receivables	**60.8**	34.3	35.0
Non-current liabilities			
Trade and other payables	**116.3**	96.5	99.5

The non-current BEE loans and receivables and BEE payables, represent those amounts receivable from and payable to the Group's BEE partners (Kago Diamonds, Sedibeng Mining and the IPDET) in respect of financing their interests in the Finsch, Cullinan, Koffiefontein and KEM JV mines.

The Group has provided surety to Absa, Investec and RMB for repayment of loans advanced by Absa, Investec and RMB to the Group's BEE Partners. The BEE Lender facilities were amended on 1 July 2016 to include Kago Diamonds as a party to the BEE Lender facilities and to extend the repayment terms to align with the delivery of the capital expansion programmes at the underlying Petra mining operations. The probability of repayment default by the BEE Partners to Absa, Investec and RMB is considered remote.

13. EARNINGS PER SHARE

	Total 1 July 2017 - 31 December 2017 US$	Total 1 July 2016 - 31 December 2016 US$	Total 1 July 2016 – 30 June 2017 US$
Numerator			
(Loss) / profit for the Period	**(93,365,877)**	27,766,575	18,330,197
Denominator			
	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS			
Brought forward	**531,986,218**	524,172,967	524,172,967
Effect of shares issued during the Period	**156,685**	2,569,891	4,397,609
Carried forward	**532,142,903**	526,742,858	528,570,576
	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	**—**	7,135,594	5,904,758
Weighted average number of ordinary shares in issue used in diluted EPS	**532,142,903**	533,878,452	534,475,334
	US$ cents	US$ cents	US$ cents
Basic (loss) / profit per share – US$ cents	**(17.55)**	5.27	3.47
Diluted (loss) / profit per share – US$ cents	**(17.55)**	5.20	3.43

Due to the loss for the Period, the diluted loss per share is the same as the basic loss per share. The number of potentially dilutive ordinary shares, in respect of employee share options, Executive Director and Senior Management share award schemes is 2,476,485 (30 June 2017: 5,904,758 and 31 December 2016: 7,135,594). These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share.

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

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

	Total 1 July 2017 - 31 December 2017 US$	Total 1 July 2016 - 31 December 2016 US$	Total 1 July 2016 – 30 June 2017 US$
Numerator			
(Loss) / profit for the Period	**(93,365,877)**	27,766,575	18,330,197
Net unrealised foreign exchange gains	**(2,924,388)**	(6,869,469)	(9,908,160)

Impairment charge*	**92,500,200**	—	—
Taxation charge on reduction of unutilised Capex benefits*	**5,660,862**	—	—
Kimberley Ekapa Mining JV fair value adjustment	**—**	(4,140,552)	(4,140,552)
Bond redemption premium and accelerated unamortised bond costs	**—**	—	22,347,670
Adjusted profit for the period attributable to parent	**1,870,797**	16,756,554	26,629,155

*Portion attributable to equity shareholders of the Company

Denominator

	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS			
As at 1 July	**531,986,218**	524,172,967	524,172,967
Effect of shares issued during the Period	**156,685**	2,569,891	4,397,609
As at 30 June	**532,142,903**	526,742,858	528,570,576

		Shares	Shares
Dilutive effect of potential ordinary shares	**2,476,485**	7,135,594	5,904,758
Weighted average number of ordinary shares in issue used in diluted EPS	**534,619,388**	533,878,452	534,475,334

	US$ cents	US$ cents	US$ cents
Adjusted basic profit per share – US$ cents	**0.35**	3.18	5.04
Adjusted diluted profit per share – US$ cents	**0.35**	3.14	4.98

15. ACQUISITION

Kimberley Ekapa Mining Joint Venture (30 June 2017)

On 8 July 2016, Petra and Ekapa Mining entered into a joint venture agreement (effective 1 July 2016) to combine the operations they owned in the Kimberley area into an unincorporated joint venture named the Kimberley Ekapa Mining Joint Venture ("KEM JV "). The operations contributed by the joint venture partners are detailed below. Petra has joint control of the KEM JV under the terms of the shareholders' agreements and recognise its share of revenue, costs, assets and liabilities.

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

- Kimberley Underground mines (via Petra's subsidiary Crown Resources (Pty) Ltd) ("Crown Resources"). At 30 June 2016, 24.1% of the Kimberley Underground mines (being Ekapa Mining's effective interest in the newly formed joint venture) were classified as held for sale in the Statement of Financial Position in accordance with IFRS 5;
- Tailings operations (via Ekapa Mining's subsidiaries, Super Stone and Kimberley Miners Forum (Pty) Ltd); and
- Kimberley Mines tailings operations (via Ekapa Minerals, owned 50.1% Ekapa Mining and 49.9% Petra).

Prior to the transaction, Petra controlled and consolidated Kimberley Underground mines with a non-controlling interest shown separately and Petra also held a 49.9% jointly controlled interest in the Kimberley Mines tailings operations.

Subsequent to the transaction, Petra and its BEE Partners have a 75.9% jointly controlled interest in KEM JV, held through Crown Resources and Ekapa Minerals, with Ekapa Mining owning the remaining 24.1%. Petra and its BEE Partners effectively contributed 24.1% of their interest in Kimberley Underground mines in return for a 75.9% interest in the tailings operations contributed by Super Stone and Kimberley Miners Forum (Pty) Ltd and a 26% increase in the interest in the Kimberley Mines tailings operation.

Effect of the transaction

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

Summary of net fair value gain recognised

US$ million	Table	Fair values
Fair value uplift for 26% incremental interest in Ekapa Minerals	a)	2.2
Fair value uplift for 75.9% interest in Super Stone	b)	8.5
Derecognition of 24.1% net book value of Kimberley Underground Mines	c)	(6.6)
Net fair value gain recognised in the consolidated income statement		4.1

a) Ekapa Minerals

US$ million	Book values	Fair value adjustments	Fair values
Mining property, plant and equipment	18.9	—	18.9
Mineral property	—	3.7	3.7
Cash and cash equivalents, inventory and trade and other receivables	6.9	—	6.9
Environmental liabilities and trade and other payables	(21.0)	—	(21.0)
Net assets at 1 July 2016	4.8	3.7	8.5
Recognition of Petra's 26% incremental interest in Ekapa Minerals	1.2	1.0	2.2

b) Super Stone

US$ million	Book values	Fair value adjustments	Fair values
Mining property, plant and equipment	7.4	—	7.4
Mineral property	2.0	0.9	2.9
Cash and cash equivalents, inventory and trade and other receivables	2.5	—	2.5
Environmental liabilities and trade and other payables	(1.6)	—	(1.6)
Net assets at 1 July 2016	10.3	0.9	11.2
Recognition of Petra's 75.9% interest in Super Stone	7.8	0.7	8.5

c) Kimberley Underground Mines

US$ million	Book values
Partial disposal of 24.1% of Kimberley Underground Mines (refer to note 15)	(6.6)

The US$4.1 million gain recorded on the formation of KEM JV represents Petra's newly recognised incremental 26% share of the fair value of Ekapa Minerals assets and liabilities and its 75.9% share of the fair value of Super Stone's assets and liabilities, less the 24.1% of the net book value assets and liabilities of Kimberley Underground mine relinquished by Petra as part of the transaction.

16. IMPAIRMENT CHARGE

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

Impairment indicators were identified at Williamson, Koffiefontein and KEM JV and a detailed impairment test was performed. The results of the impairment tests performed are detailed below.

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

Impairment of property, plant and equipment was considered appropriate given the outcome of the impairment review exercise and the Group recognised a Consolidated Income Statement charge of US$118.0 million (Koffiefontein: US$66.0 million and KEM JV: US$52.0 million), being management's estimate of value in use of the Koffiefontein and KEM JV assets.

Williamson

No impairment was determined to exist. Refer to note 2.

Koffiefontein

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

Key assumptions	Explanation
LOM and recoverable value of reserves and resources	Economically recoverable reserves and resources are based on Management's expectations based on the availability of reserves and resources at Koffiefontein and technical studies undertaken in-house and by third party specialists. Resources remaining after the current LOM plans have not been included in impairment testing for the operations.
LOM – capital expenditure	Management has estimated the timing and quantum of the capital expenditure based on Koffiefontein's current LOM plans. There is no inclusion of capital expenditure to enhance the asset beyond exploitation of the LOM plan orebody.
Diamond prices	Diamond prices of US$511 per carat in H2 FY 2018 rising to US$576 per carat in FY 2019 (reflecting product mix and a short term price escalator) used in the impairment test have been set with reference to recent achieved pricing and market trends, product mix as a result of increased undiluted ore, increased volumes and diamond price escalators. Short-term volatility remains present within the market and accordingly the short-term diamond price escalators have been amended downwards to 2.3% for FY 2019. Diamond prices are then increased at a long-term diamond price escalator reflecting the Group's assessment of market supply/demand fundamentals post FY 2019 of 4.0% (30 June 2017: 4.0%) above a long-term US inflation rate of 2.5% (30 June 2017: 2.5%).
Discount rate	A discount rate of 9% was used and was calculated based on a nominal weighted cost of capital including the effect of factors such as market risk and country risk as at the Period end.
ROM	An increase in ROM throughput of 56% for H2 FY 2018 (in comparison to H1 FY 2018) and 35% for FY 2019 (in comparison to H1 FY 2018) which takes account of the completion of the SLC expansion project. The steady state ore production has been reduced to reflect a more conservative outlook compared to earlier guidance.
Cost inflation rate	Long-term South African inflation rate of ca. 7.5% (30 June 2017: ca. 7.5%) was used for Opex and Capex escalators.
Exchange rates	Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The US$/ZAR exchange rate range used commenced at ZAR12.00 (30 June 2017: ZAR13.25), further devaluing at 4.0% (30 June 2017: 3.5%) per annum for a period of three years, reverting to 3.5% per annum thereafter.
Valuation basis	Discounted present value of future cashflows.

KEM JV

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

Key assumptions	Explanation
LOM and recoverable value of reserves and resources	Economically recoverable reserves and resources are based on Management's expectations based on the availability of reserves and resources at KEM JV and technical studies undertaken in-house and by third party specialists. Resources remaining after the current LOM plans have not been included in impairment testing for the operations.
LOM – capital expenditure	Management has estimated the timing and quantum of the capital expenditure based on KEM JV's current LOM plans. There is no inclusion of capital expenditure to enhance the asset beyond exploitation of the LOM plan orebody.
Diamond prices	Diamond prices of US$108 per carat in H2 FY 2018 used in the impairment test have been set with reference to recent achieved pricing and market trends, product mix as a result of increased ROM tonnes and long-term diamond price escalators. Pricing expectations for the small diamonds produced mainly from the tailings operations have also been adjusted downwards. Short-term volatility remains present within the market and accordingly the short-term diamond price escalators have been amended downwards to 2.3% for FY 2019. Diamond prices are then increased at a long-term diamond price escalator reflecting the Group's assessment of market supply/demand fundamentals post FY 2019 of 4.0% (30 June 2017: 4.0%) above a long-term US inflation rate of 2.5% (30 June 2017: 2.5%).
Discount rate	A discount rate of 9% was used and was calculated based on a nominal weighted cost of capital including the effect of factors such as market risk and country risk as at the Period end.
ROM	Flat ROM throughput assumed for H2 FY 2018 and a 32% increase for FY 2019 when compared to FY 2018, which takes account of ongoing ramp up of underground mining areas and no strike action, as was the case in H1 FY 2018.The steady state ore production has been reduced to reflect a more conservative outlook compared to earlier guidance.
Cost inflation rate	Long-term South African inflation rate of ca. 7.5% (30 June 2017: ca. 7.5%) was used for Opex and Capex escalators.
Exchange rates	Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The US$/ZAR exchange rate range used commenced at ZAR12.00 (30 June 2017: ZAR13.25), further devaluing at 4.0% (30 June 2017: 3.5%) per annum for a period of three years, reverting to 3.5% per annum thereafter.
Valuation basis	Discounted present value of future cashflows.

Sensitivity analysis:

The impairment charge recognised has been calculated on the basis of management's best estimates, however any adverse change in any of the above assumptions would lead to an additional impairment charge. At Koffiefontein, Management consider that future development of new areas below the current SLC, increased production and expansion capital, exchange rates and diamond prices are the most sensitive assumptions. For example, a 5% reduction in carat production would result in a further impairment of US$19 million, a 5% strengthening of the South African Rand to the US Dollar would result in a further impairment of US$19 million a 5% increase in operating costs would result in a further impairment of US$13 million, and a 5% reduction in diamond prices would result in a further impairment of US$20 million. To address the production sensitivities, management is currently focusing on increasing the average tonnes per day hoisted and undertaking a detailed Capex review which will also determine whether the Group will access areas below current SLC in the existing LOM plan; the outcomes of such reviews will be assessed once completed. Management notes that the further removal of the longer term expansion areas below the current SLC could result in an additional impairment charge of US$26 million.

At KEM JV, Management considers that increased production of the underground and expansion capital, operating expenses, exchange rates and diamond prices are the most sensitive assumptions. For example, a 5% reduction in carat production would result in a further impairment of US$27 million, a 5% strengthening of the South African Rand to the US Dollar would result in a further impairment of US$28 million, a 5% increase in operating costs would result in a further impairment of US$21 million and a 5% reduction in diamond prices would result in a further impairment of US$28 million.

Detail of the impairment assessment is shown below.

Impairment (US$ million)	Asset class	Carrying value pre impairment	Impairment	Carrying value post impairment
Koffiefontein	Property, plant & equipment	125.7	66.0	59.7
KEM JV	Property, plant & equipment	103.8	52.0	51.8
Total		229.5	118.0	111.5

17. POST BALANCE SHEET EVENTS

Covenant Waiver

On 15 February 2018, agreement was reached with Petra's lender group to waive the measurement of the two EBITDA maintenance covenants relating to its senior debt facilities for the 12-month period to, and as at, 31 December 2017 coupled with a reset of the 30 June 2018 and 31 December 2018 EBITDA related covenants as outlined below:

Covenant	30 June 2018	31 December 2018
Consolidated Net Debt to Consolidated EBITDA	Not more than 3.5 x (previously 2.5x)	Not more than 3.5x (previously 2.5x)
Consolidated EBITDA to Consolidated Net Finance Charges	Not less than 3.0x (previously 4x)	Not less than 3.0x (previously 4x)

No upfront fees were payable as a result of the covenant changes, however an increase in the interest rates to both South African debt facilities will apply in the event that the Company's Consolidated Net Debt exceeds 2.5x Consolidated EBITDA and a further additional interest increase will apply should the Company's Consolidated Net Debt exceed 3x Consolidated EBITDA. This will apply from the June 2018 measurement period onwards.

As an additional covenant, a minimum liquidity will now apply for the June and December 2018 measurement periods. Petra will announce the impact on interest rates and the new liquidity covenant as soon as this has been finalised with the lender group.

The above has been approved by the lender group, with the legal documentation to be finalised shortly.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

By order of the Board

Johan Dippenaar
Chief Executive Officer
19 February 2018

INDEPENDENT REVIEW REPORT TO PETRA DIAMONDS LIMITED

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2017 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, the consolidated statement of cashflows and the related notes.

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

Directors' responsibilities

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

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

Our responsibility

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

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP
Chartered Accountants
Location: United Kingdom
Date: 19 February 2018

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