18 September 2014 **LSE: PDL**

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

Preliminary Results Announcement for the Year ended 30 June 2014 (unaudited)

Petra Diamonds Limited announces its preliminary results (unaudited) for the year ended 30 June 2014 ("the Year" or "FY 2014").

Financial Highlights

- Revenue[1] up 20% to US$471.8 million (FY 2013: US$392.5 million).
- Adjusted EBITDA[4] up 47% to US$187.7 million (FY 2013: US$127.6 million).
- Adjusted net profit after tax[5] up 75% to US$93.7 million (FY 2013: US$53.6 million).
- Net profit after tax up 142% to US$67.5 million (FY 2013: US$27.9 million).
- Adjusted operating cashflow[8] up 36% to US$181.2 million (FY 2013: US$132.8 million).
- Adjusted EPS[5]: 14.82 cents per share (FY 2013: 11.34 cents per share).
- Basic EPS from continuing operations: 12.80 cents per share (FY 2013: 10.43 cents per share).
- Net debt: US$124.9 million (30 June 2013: US$120.8 million).

Operations Highlights

- Production up 17% to 3,110,823 carats (FY 2013: 2,668,305 carats), ahead of market guidance of 3 Mcts.
- Operating costs remained well controlled.
- Capex of US$211.2 million (FY 2013: US$191.2 million) (including capitalised borrowing costs), in accordance with the roll-out of the Group's expansion programmes.
- Safety: Group Lost Time Injury Frequency Rate ("LTIFR") improved to 0.32 (FY 2013: 0.67), a good achievement in comparison to international industry standards (particularly for underground operations).

Outlook

- Production forecast to increase to 3.2 Mcts in FY 2015.
- Expansion plans remain on track to increase production to 5 Mcts by FY 2019.
- Petra has recently concluded a three year wage agreement with the National Union of Mineworkers ("NUM") in South Africa (refer '*Financial Review – Mining and processing costs*' section).
- Petra has guided for higher rough diamond pricing in FY 2015 (refer '*The Diamond Market*' section) based upon expectations for the rough diamond market to remain underpinned by constrained supply and firm demand.
- Post Year end, Petra announced a sales and beneficiation agreement for the 122 carat blue diamond recovered at Cullinan, valuing the stone at US$27.6 million; Petra will record US$23.5 million (being the polishing partner's payment for a 85% interest) in Q1 FY 2015 and will receive a 15% share in the net proceeds of the polished yield, after beneficiation and related expenses.
- In September 2014, a 232 carat white diamond of exceptional size, colour and clarity was recovered at Cullinan; this stone is expected to be sold in Q2 FY 2015.
- Petra is currently considering bringing the commencement of dividend payments forward from the previously communicated date of FY 2016. Petra will provide further detail on its anticipated dividend policy, and commencement thereof, on or before publication of its H1 FY 2015 Trading Update (end January 2015).

Johan Dippenaar, CEO, said:

"FY 2014 was another year of steady progress for Petra, with production, revenue and the underlying profitability of the Group rising in line with our expectations. Longer-term, further to the delivery of our growth plans, the Group remains on track to reach annual production of ca. 5 million carats by FY 2019.

"Petra's production growth comes at a time when demand for diamonds is continuing to grow around the world, but particularly in the major US market and in emerging markets such as China and India.

"There is subsequently a positive outlook for the Company, particularly given our expectations for further increases in production, rising margins, supportive rough diamond prices, and the continued contribution of exceptional diamonds. We look forward to entering a period of significant cash generation and the commencement of dividend payments to our shareholders in due course."

Results presentation

A presentation for analysts will be held at 9:30am BST on 18 September 2014 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN.

A live webcast of the presentation will be available on Petra's website at www.petradiamonds.com and on:
http://www.axisto-live.com/investis/clients/petra-diamonds/presentations/53e4e8536946ce3749014583/full-year-results-2014.

A recording will be available from 1:00pm BST on 18 September 2014 on the same link.

SUMMARY OF RESULTS (unaudited)

	Year ended 30 June 2014 ("FY 2014") US$ million	**Year ended 30 June 2013 As restated[7] ("FY 2013") US$ million**
Revenue[1]	471.8	392.5
Adjusted mining and processing costs[2]	(277.4)	(254.8)
Other direct income	6.7	6.1
Profit from mining activities[3]	**201.1**	**143.8**
Exploration expense	(2.8)	(4.8)
Corporate overhead	(10.6)	(11.4)
Adjusted EBITDA[4]	**187.7**	**127.6**
Depreciation	(41.7)	(42.3)
Share-based expense	(4.2)	(3.3)
Net finance expense	(7.1)	(3.3)
Tax expense	(41.0)	(25.1)
Adjusted net profit after tax[5]	**93.7**	**53.6**
Impairment charges[6]	(13.9)	—
Net unrealised foreign exchange gains /(losses)	3.6	(4.7)
Loss on discontinued operations, net of tax[7]	(15.9)	(21.0)
Net profit after tax – Group	**67.5**	**27.9**

Earnings per share attributable to equity holders of the Company – US$ cents		
Basic – from continuing and discontinued operations	**9.69**	**6.30**
Basic – from continuing operations	**12.80**	**10.43**
Adjusted basic from continuing operations[5]	**14.82**	**11.34**

	As at 30 June 2014 (US$ million)	As at 30 June 2013 (US$ million)
Cash at bank (including restricted amounts)	34.0	26.2
Diamond debtors	55.4	74.8
Diamond inventories	27.0	31.5
Loans and borrowings (excluding foreign exchange settlement lines)	158.9	147.0
Net debt	124.9	120.8
Adjusted operating cashflow[8]	181.2	132.8

Notes:

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

1. Revenue of US$471.8 million (30 June 2013: US$392.5 million) is US$0.8 million (30 June 2013: US$10.2 million) less than that published in the 28 July 2014 Trading Update (US$472.6 million) (30 June 2013: US$402.7 million) due to the reclassification of the revenue generated by Sedibeng JV and Star operations to loss on disposal of discontinued operations. Revenue for FY 2013 is US$10.2 million less than published in the Group's 2013 Annual Report for the same reason.
2. Adjusted mining and processing costs are mining and processing costs stated before depreciation and share-based expense.
3. Profit from mining activities is revenue less adjusted mining and processing costs plus other direct income.
4. Adjusted EBITDA is stated before share-based expense, impairment charges, net unrealised foreign exchange gains and losses, and loss on discontinued operations.
5. Adjusted net profit after tax and adjusted (basic) earnings per share are net profit after tax and earnings per share stated before impairment charges, net unrealised foreign exchange gains and losses and loss on discontinued operations.
6. Impairment charges of US$13.9 million are due to the Group's business review of the Helam operation.
7. FY 2013 results have been amended to reflect the results of the Sedibeng JV and Star operations within the loss on discontinued operations (net of tax) as per the requirements of IFRS 5, refer to Note 14. Retrenchment costs of US$2.6 million, impairment charges of US$12.6 million and transaction costs of US$0.5 million, which all related in FY 2013 to the Sedibeng JV and Star operations, have been reclassified as loss on discontinued operations.
8. Adjusted operating cashflow is operating cashflow adjusted for the cash effect of the movement in diamond debtors between each financial year end, excluding unrealised foreign exchange translation movements.

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About Petra Diamonds Limited

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company has interests in six producing mines: five in South Africa (Finsch, Cullinan, Koffiefontein, Kimberley Underground and Helam) and one in Tanzania (Williamson). It also maintains an exploration programme in Botswana.

Petra offers an exceptional growth profile, with a core objective to steadily increase annual production to 5 million carats by FY 2019. The Group has a major resource base in excess of 300 million carats.

Petra conducts all operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process. Petra is quoted with a premium listing on the Main Market of the London Stock Exchange under the ticker 'PDL' and is a constituent of the FTSE 250 Index.

For more information, visit the Company's website at www.petradiamonds.com.

CEO'S REVIEW

FY 2014 was a further year of steady progress for Petra, with production up 17% to 3.1 Mcts, revenue up 20% to US$471.8 million and profit from mining activities up 40% to US$201.1 million, in line with the Group's growth profile.

The roll out of our expansion plans and associated capital expenditure also remained in accordance with our expectations. In FY 2014, we significantly increased our development metres, averaging ca. 1,000 metres per month of underground tunnel development (FY 2013: 628 metres per month) across the Group. The key deliverables for these projects, namely the development of the declines at Finsch and the shaft deepening and underground development at Cullinan, are firmly on track and in line with our target to reach ca. 5 million carats by FY 2019.

In FY 2015, production is forecast to increase ca. 3% to 3.2 million carats. This will be the last year of mainly relying on production from mature working areas, with our growth in carat production therefore accelerating in FY 2016 and beyond. We are currently operating in areas at our underground mines in South Africa where the existing block caves, having been in operation for many years, are heavily diluted with waste rock, resulting in a lower overall diamond content ("grade") of the tonnages mined. Our expansion programmes are opening up new areas of undiluted ore, with our grades and carat production therefore forecast to increase substantially.

The higher grade of the undiluted tonnes will see our operating margins rise significantly, once the majority of our production comes from the new mining areas. Our product mix will also improve over time, as the percentage of our production sourced from tailings projects is expected to decrease from 31% in FY 2014 to just 5% by FY 2019. The increased proportion in ROM tonnes (i.e. production from the primary orebody) will deliver higher value carats to our product mix.

At the same time as we gain access to higher grade, undiluted tonnages, our unit costs are expected to improve due to higher volumes and increased efficiencies, particularly in the ore-handling systems. Our operating margins are therefore forecast to increase from 43% in FY 2014 to over 50% by FY 2019.

Looking at the longer term profile of the business, we have for the first time given the market an indication of the potential for longer mine lives post the end of our current mine plans (FY 2030 in the case of Cullinan and Finsch), due to the significant residual resources which have been well defined and are included in our mines' current total SAMREC compliant resource figures. Mining is by nature a long-term business and we therefore ensure that all our work is informed by longer-term thinking. As such, our mine plans beyond FY 2030 will leverage off the infrastructure being established as part of the current capital programmes, thereby reducing the level of future capital expenditure required.

We will look to update the market on future plans once they have been finalised. Based on the capital required to open up the blocks within our current mine plans, we anticipate costs in the region of ca. ZAR100 per tonne (FY 2015 money terms) to access these residual resources. This spend is comparable to an open pit mine with a strip ratio of around 3:1, confirming the favourable economics to open up new ore using the block cave mining method.

We are planning long-term, sustainable production from our mines with the potential for cashflows to be substantially boosted by exceptional diamonds, especially from Cullinan. During the Year, two exceptional diamonds (classified by Petra as stones with a sales value greater than US$5 million each) were sold: a 126.4 carat white diamond for US$8.5 million in December 2013 and a 29.6 carat blue diamond for US$25.6 million in February 2014. The 29.6 carat blue diamond has subsequently been unveiled as a polished blue stone of the highest quality – the 12 carat, 'fancy vivid' blue, 'internally flawless' Blue Moon diamond, currently on display in the Natural History Museum in Los Angeles.

Post Year end, we sold another remarkable Cullinan diamond – the 122 carat blue diamond that achieved a value of US$27.6 million when sold on 12 September 2014 to a beneficiation partnership, of which the Company holds a 15% interest, meaning that we will share in the eventual sales value for the polished yield. Petra was paid US$23.5 million by our partner in the agreement for its 85% stake, which will be recorded as revenue in Q1 FY 2015. Revenue for FY 2015 will also be enhanced by the sale of the exceptional 232.1 carat white diamond which was recovered at Cullinan in September 2014 and is expected to be sold in Q2 FY 2015.

Given the shift in our production profile over the next two to three years and the forecast rise in our operating margins, Petra is set to become a highly cash generative business. The Company is committed to commencing an appropriate dividend payment policy, taking into account its operations and expansion plans, stated production growth, diamond prices and other relevant factors. Petra previously announced that it expected to commence dividend payments in FY 2016, but the Board is currently considering bringing the commencement of dividend payments forward. Petra will provide further detail on its anticipated dividend policy, and commencement thereof, on or before publication of its H1 FY 2015 Trading Update (end of January 2015).

THE DIAMOND MARKET

The rough diamond market performed well over the course of FY 2014. The market started the financial year with a weaker first quarter from July to October, which is generally a slower period for rough purchasing, before starting to strengthen at the end of the calendar year, once the festive retail buying season helped to release inventory and stimulate liquidity within the pipeline. It then maintained its firmer trend throughout H2 FY 2014, with prices achieved by Petra up around 10% from January 2014 to June 2014.

From 2004 to 2014, real diamond prices increased at a compound annual growth rate of 7% per annum according to the Bloomberg Rough Diamond Index. Please refer to the '*Analyst Guidance – Rough Diamond Index*' supporting guidance document available at www.petradiamonds.com/investors/analysts/analyst-guidance where Petra has overlaid the Bloomberg Rough Diamond Index with the price performance of goods from Cullinan and Helam, thereby confirming this price trend.

We expect the rough diamond market to continue to strengthen in FY 2015, due to constrained supply, robust US demand (the world's major market for polished diamonds), as well as further growth in demand from emerging markets such as China and India (which combined are forecast to reach the same size as the US market by 2025).

Actual rough diamond prices were in line with or above Petra's guidance for FY 2014. Due to the favourable market dynamics noted above, the Company has guided higher prices for FY 2015, apart from for Williamson, where Petra prefers to maintain a conservative approach to pricing until the impact of the ongoing plant changes and associated liberation factors are fully realised.

It is important to note that the average price guided for Cullinan in FY 2015 does not take into account the recovery of 'exceptional' diamonds, classified by Petra as those which sell for over US$5 million each. Exceptional Cullinan diamonds have added an average of US$18 million per annum to Group revenue over the period from FY 2008 to FY 2014. This figure has been even higher in the last two years, averaging US$26 million per annum from FY 2013 to FY 2014. FY 2015 will include revenue from the 122.5 carat blue diamond (US$23.5 million in Q1) and the 232.1 carat white diamond recovered (expected to be sold in H1).

Mine[1]	Guidance US$/ct FY 2015	Actual US$/ct FY 2014	Guidance US$/ct FY 2014
Finsch	108	99	100[2]
Cullinan	152[3]	185[4]	139[3]
Koffiefontein	654	542	518
Kimberley Underground	329	303	301

Williamson (ROM only)	295	307	255

Notes:

1. *The Helam mine has not been included in the table above as Petra has undertaken a business review of the mine and is currently in talks with employee representatives as to its future.*
2. *Guidance for Finsch was adjusted during the Year from US$113 per carat to US$100 per carat due to the plant cut-off changes.*
3. *Excludes guidance for exceptional diamonds (stones above US$5 million in value).*
4. *The average value at Cullinan includes the 126.4 carat white diamond that sold for US$8.5 million and the 29.6 carat blue diamond that sold for US$25.6 million; the average value for FY 2014 excluding these stones was US$146 per carat.*

The market remains strong for the highest quality diamonds and the Company sold two 'exceptional' (+US$5 million) Cullinan stones during the Year for US$34.1 million (FY 2013: US$16.9 million): the 126.4 carat white diamond that sold for US$8.5 million in December 2013 and the 29.6 carat blue diamond that sold for US$25.6 million in February 2014.

In June 2014, Petra announced the recovery of a 122.5 carat blue diamond from Cullinan. The rarity of a blue diamond of this magnitude set it apart as a truly significant find, which was confirmed when the stone sold for a value of US$27.6 million in September to a beneficiation partnership comprising Petra (15%) and its polishing partner (85%) (who wishes to remain undisclosed). Petra will record US$23.5 million (being the polishing partner's payment for its 85% interest) in Q1 FY 2015. The Company will receive its 15% share in the net proceeds of the polished yield, after beneficiation and related expenses.

Post Year end, Petra announced the recovery of a 232.1 carat white diamond of exceptional colour and clarity. The Company expects this stone to be sold in Q2 FY 2015.

FINANCIAL REVIEW

Revenue

Revenue (adjusted for the disposal of the Sedibeng JV and Star operations) increased 20% to US$471.8 million (FY 2013: US$392.5 million), due to increased volumes, firm diamond pricing and the sale of the two 'exceptional' (classified by Petra as stones that sell for +US$5 million) Cullinan stones for US$34.1 million (FY 2013: US$16.9 million).

Gross revenue for the Year was US$472.6 million (FY 2013: US$402.7 million), but due to the reclassification of the Sedibeng JV and Star operations as discontinued activities as a result of their disposal, revenue recorded by these operations for the Year of US$0.8 million is not included in revenue for the Year; rather it is included in the loss from discontinued operations of US$15.9 million. Comparative FY 2013 figures (with respect to Sedibeng and Star) have been similarly reclassified.

Mining and processing costs

The mining and processing costs for the Year are, 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 Year is set out below.

	On-mine cash costs[1] US$m	Diamond royalties US$m	Diamond inventory and stockpile movement US$m	Group technical, support and marketing costs[2] US$m	Adjusted mining and processing costs US$m	Depreciation[3] US$m	Share based expense US$m	Total mining and processing costs (IFRS) US$m
FY 2014	245.7	4.5	6.4	20.9	277.4	41.1	1.6	320.1
FY 2013	248.2	3.7	(13.8)	16.7	254.8	41.9	1.4	298.1

Notes:

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

On-mine US$ cash costs decreased by 1%, due to:

- the treatment of higher tonnages across the operations versus FY 2013 (4% increase);
- inflationary increases, including the impact of electricity and labour costs (8% increase);
- positively offset by the depreciating ZAR against the US Dollar (13% decrease).

Certain cost categories in South Africa, in particular electricity and labour, increased in excess of South African inflation (South African CPI stood at ca. 6.0% at 30 June 2014), but Petra's cost focus, coupled with higher tonnage throughput, enabled the Group to partially mitigate the direct effect of inflationary pressures on a cost per tonne basis.

Electricity prices in South Africa rose by 8% during the Year and a further increase in electricity prices of 10 - 13% is expected for FY 2015. Petra's electricity usage accounted for approximately 15% of South African cash on-mine costs for FY 2014 (FY 2013: 14%).

In South Africa, labour accounted for approximately 42% of on-mine cash costs at the pipe mines (Finsch, Cullinan, Koffiefontein, Kimberley Underground). Further to its recent labour negotiations in South Africa, Petra has recently concluded a three year wage agreement with the NUM for a 10% increase per annum for the period FY 2015 to FY 2017. For FY 2015, the lower level of increases for the remainder of the workforce, with the top management team at 4%, will result in an average wage increase for the Group of ca. 8.2%.

As the bulk of Petra's operating costs are incurred in ZAR, the weakening of the average ZAR exchange rate against the US Dollar (FY 2014 R10.34/US$1 versus FY 2013 R8.84/US$1) negated some of the increased costs in Rand terms as mentioned above.

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

Profit from mining activities

The Company's profit from mining activities (before depreciation, share based payments and impairments) increased 40% to US$201.1 million (FY 2013: US$143.8 million), driven by increased production and sales for the Year, the aforementioned exceptional FY 2014 diamond sales, and a stable environment for diamond pricing. Despite mining being currently limited to mature and diluted areas at most of the operations, profit from mining activities for the Group reflected an overall margin of 43% for the Year (FY 2013: 37%).

Adjusted operating cashflow

Adjusted operating cashflow (IFRS operating cashflow adjusted for the cash effect of the movement in diamond debtors between each financial year end, excluding unrealised foreign exchange translation movements) of US$181.2 million, was considerably higher than FY 2013 (US$132.8 million), due to the growth recorded in revenue and profit from mining activity.

Operating cashflow was US$196.1 million (FY 2013: US$73.0 million) but management consider the adjusted figure to be a more useful view of the underlying growth in operating cashflow as the IFRS figure does not reflect the level of diamond debtors at Year end of US$55.4 million (30 June 2013: US$74.8 million) – refer to the '*Cash and Diamond Debtors'* section.

Exploration

Petra maintains a focused exploration programme in Botswana. Exploration expenditure (before depreciation) for the Year of US$2.8 million (FY 2013: US$4.8 million) decreased due to reduced drilling and sampling costs incurred (refer to the '*Exploration'* section for further information on exploration activities) and the weakening Pula against the US Dollar. Petra expects exploration spend to be ca. US$4.5 million in FY 2015.

Corporate overhead – General and Administration
Corporate overhead (before depreciation and share based payments) decreased to US$10.6 million for the Year (FY 2013: US$11.4 million), a good achievement considering the continued growth of the Company and evidence of management's ongoing focus on cost control.

For FY 2015, the corporate general and administrative expense ("G&A") overhead is expected to be ca. US$11.0 million; management will continue to keep these central costs well controlled and managed.

Loss on discontinued operations (net of tax)
The loss on discontinued operations of US$15.9 million relates to the Group's disposal during the Year of its interests in the Sedibeng and Star mines and is made up of a US$2.4 million disposal consideration offset by the recycling of the foreign currency translation reserve of US$8.5 million, a net asset disposal amount of US$4.0 million (inclusive of a US$3.1 million recycling of non-controlling interest) and a US$5.8 million charge attributable to Sedibeng and Star's net loss for the period 1 July 2013 to 30 April 2014. For comparative purposes, the prior period results for Sedibeng and Star have been restated evidencing a loss of US$8.4 million before the impairment charge of US$12.6 million. Refer to Note 14 of the preliminary financial statements for the detailed breakdown.

Depreciation
Depreciation for the Year decreased to US$41.7 million (FY 2013: US$42.3 million), mainly due to a weaker ZAR against the US Dollar, offsetting the effect of increased production on the units of production depreciation charge.

Net unrealised foreign exchange gains
The unrealised foreign exchange gain of US$3.6 million (FY 2013: US$4.7 million loss) represents the net effect of foreign currency retranslation of cross border loans considered to be repayable in the foreseeable future, at the Year end closing rate.

Net financial expense
Net financial expense of US$7.1 million (FY 2013: US$3.3 million) is mainly comprised of:

- net interest receivable from the black economic empowerment ("BEE") partners' loans of US$3.6 million; offset by
- a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US$3.8 million;
- a charge on the post retirement pension and medical aid scheme of US$2.6 million;
- a foreign exchange loss of US$3.1 million on the settlement of inter-company loans and forward exchange contracts; and
- interest on the Group's Absa/RMB/IFC debt and working capital facilities of US$1.7 million (stated after the capitalisation of interest of US$9.7 million associated with the funding of assets under development).

Tax charge
The tax charge of US$41.0 million (FY 2013: US$25.1 million) arises due to deferred tax (net of charges and credits), reflecting the utilisation of certain capital allowances, predominantly at Finsch and Cullinan, during the Year.

Impairment costs
As a result of the business review carried out at Helam in H2 FY 2014, management reviewed the carrying value of the operational assets at Helam and recognised an overall impairment loss of US$13.9 million (FY 2013: Nil). This impairment loss is management's assessment of the higher of fair value less cost to sell and value in use of the mines. Further details are provided in Note 6.

Adjusted net profit after tax
An adjusted net profit after tax of US$93.7 million was recorded for the Year (FY 2013: US$53.6 million), adjusted for impairment charges, net unrealised foreign exchange gains and losses and loss on discontinued operations. These adjusted profit figures are considered to be more appropriate in comparing results year on year.

The Company recorded an adjusted basic earnings per share of 14.82 cents per share (FY 2013: 11.34 cents per share).

Group profit
The Group's net profit after tax increased 142% to US$67.5 million (FY 2013: US$27.9 million).

Cash and Diamond Debtors
As at 30 June 2014, Petra had cash at bank of US$34.0 million (30 June 2013: US$26.2 million). Of these cash balances, US$20.2 million (30 June 2013: US$14.1 million) was held as unrestricted cash, US$12.1 million (30 June 2013: US$10.3 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) and US$1.7 million (FY 2013: US$1.8 million) was held by Petra's bankers as security for other environmental rehabilitation bonds lodged with the Department of Mineral Resources in South Africa.

Diamond debtors (relating to the June 2014 tenders and settled shortly after Year end) at 30 June 2014 were US$55.4 million (30 June 2013: US$74.8 million).

Diamond Inventories
As at 30 June 2014, the Company had diamond inventories of US$27.0 million, 321,948 carats (30 June 2013: US$31.5 million, 348,403 carats), including the 122 carat blue diamond recovered at Cullinan during June 2014. Diamond inventories are recorded at the lower of cost and net realisable value.

BEE Loans receivable
The BEE loans of US$89.2 million (FY 2013: US$85.2 million) due to Petra arise from:

- Petra having financed the BEE partners' share of the purchase consideration of the Finsch, Cullinan, Koffiefontein and Kimberley Underground acquisitions; and
- Petra having financed the BEE partners' share of the working and development capital that has been required for certain of these mines.

The increase in the BEE loans in FY 2014 is due to interest accruing on the loan balances, partially offset by the retranslation of the Rand-based loans into US Dollars (FY 2014: R10.63/US$1 versus FY 2013: R9.88/US$1). The BEE loans are included in 'Loans and other receivables' under 'Non-current assets' on the face of the Unaudited Consolidated Statement of Financial Position.

Loans and Borrowings
The Group had loans and borrowings at Year end of US$170.5 million (30 June 2013: US$150.6 million), comprising bank loans and borrowings of US$158.9 million (30 June 2013: US$147.0 million) and utilisation of US$11.6 million (30 June 2013: US$3.6 million) of foreign exchange settlement lines.

At 30 June 2014, the Group had debt facilities (including the foreign exchange settlement lines) undrawn and available to the Group of US$39.9 million (30 June 2013: US$71.3 million).

Other Liabilities
Other than trade and other payables of US$70.1 million (comprising US$20.4 million trade creditors, US$26.4 million employee related accruals and US$23.2 million other payables), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, amounts owing due to the financing of the BEE partners' interests in Cullinan and Finsch, post retirement employee related provisions and deferred tax.

Capex
Total Group Capex for the Year was US$211.2 million (FY 2013: US$191.2 million), in line with the roll-out of the Group's expansion programmes. The total Capex figure comprised of operational Capex of US$211.6 million (FY 2013: US$198.3 million), administration / exploration Capex of US$2.1 million (FY 2013: US$5.4 million) less inter-Group eliminations due to the Group's internal projects division of US$2.5 million (FY 2013: US$12.5 million).

Operations Capex for the Year was US$211.6 million (FY 2013: US$198.3 million), split as to US$157.5 million on expansion Capex (FY 2013: US$138.8 million), US$44.4 million on sustaining Capex (FY 2013: US$47.2 million) and US$9.7 million on capitalised borrowing costs with regards to the expansion Capex (FY 2013: US$12.3 million).

Capex includes ca. US$10 million of spend in addition to original FY 2014 guidance that related to scope changes at Koffiefontein and the bringing forward from FY 2015 of spend on equipment purchases at Cullinan and Finsch.

Capex summary	**FY 2014** (US$ million)	**FY 2013** (US$ million)
Finsch	67.8	48.6
Cullinan	93.1	89.0
Koffiefontein	30.7	20.4
Kimberley Underground	10.1	21.6
Williamson	8.9	11.7
Helam	1.0	7.0
Subtotal – Capex incurred by operations	211.6	198.3
Petra internal projects division – Capex under construction / invoiced to operations	(2.5)	(12.5)
Administration / exploration	2.1	5.4
Total Group Capex	**211.2**	**191.2**

OPERATIONAL REVIEW

Combined operations:

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	**US$M**	**471.8**	**392.5**	**+20%**
Diamonds sold	Carats	3,134,706	2,539,844	+23%
Production[1]				
Total tonnes treated	Tonnes	15,735,776	14,853,762	+6%
ROM diamonds	Carats	2,174,835	2,038,115	+7%
Tailings & other diamonds	Carats	935,988	630,190	+49%
Total diamonds	**Carats**	**3,110,823**	**2,668,305**	**+17%**
Opex				
On-mine cash cost	US$m	245.7	248.2	-1%
Capex				
Expansion	US$M	155.0	126.3	+23%
Sustaining	US$M	46.5	52.6	-12%
Borrowing Costs Capitalised	US$M	9.7	12.3	-21%
Total	**US$M**	**211.2**	**191.2**	**+10%**

Note:

1. *Production volumes includes 64,495 ROM tonnes (FY 2013: 160,758 ROM tonnes) and 36,287 carats (FY 2013: 72,287 carats) relating to the Fissure Mines (Helam, Sedibeng and Star), which are not included in the individual mine results tables to follow.*

FY 2014 diamond production increased 17% to 3.11 Mcts, above market guidance of 3 Mcts. This was mainly attributable to increases at Finsch, Williamson, Koffiefontein and Kimberley Underground, partially offset by reductions at Cullinan and Helam.

Revenue increased 20% to US$471.8 million (FY 2013: US$392.5 million) (excluding Star and Sedibeng revenue which is included within discontinued operations), primarily due to increased volumes coupled with the sale of the two exceptional diamonds from Cullinan for US$34.1 million (FY 2013: US$16.9 million). Carats sold increased 23% to 3,134,706 (FY 2013: 2,539,844), in line with the increasing trend of production.

Finsch – South Africa

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	US$M	183.7	160.6	+14%
Diamonds sold	Carats	1,856,939	1,336,418	+39%
Average price per carat	US$	99	120	-18%
ROM Production				
Tonnes treated	Tonnes	2,910,195	2,609,935	+12%
Diamonds produced	Carats	1,109,022	890,360	+25%
Grade[1]	Cpht	38.1	34.1	+12%
Tailings Production				
Tonnes treated	Tonnes	2,668,278	2,600,611	+3%
Diamonds produced	Carats	776,138	522,106	+49%
Grade[1]	Cpht	29.1	20.1	+45%
Total Production				
Tonnes treated	Tonnes	5,578,473	5,210,546	+7%
Diamonds produced	Carats	1,885,160	1,412,465	+33%
Costs				
On-mine cash cost per tonne treated	ZAR	146	139	+5%
Capex				
Expansion Capex	US$M	50.7	33.5	+51%
Sustaining Capex	US$M	12.3	10.6	+16%
Borrowing Costs Capitalised	US$M	4.8	4.5	+7%
Total Capex	US$M	67.8	48.6	+40%

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.*

Finsch performed strongly for the Year, contributing 1,885,160 carats (FY 2013: 1,412,465 carats) and revenue of US$183.7 million (FY 2013: US$160.6 million).

The 33% increase in production for the Year is attributable to a 12% increase in ROM tonnes treated coupled with changes to the plant. As previously reported, Petra lowered the plant bottom cut-off at Finsch in Q4 FY 2013 in order to capture the high quality smaller stones present within the orebody. This resulted in a higher estimated ROM grade of 38.1 cpht in FY 2014 (FY 2013: 34.1 cpht) (which is expected to stay effectively flat for FY 2015) and a higher estimated tailings grade of 29.1 cpht (FY 2013: 20.1 cpht).

Costs:
The on-mine cash cost of ZAR146/t (FY 2013: ZAR139/t) at Finsch was in line with management's expectations. Above-inflationary cost pressures associated with labour and electricity were partially offset by increased levels of throughput resulting in a 5% unit cash cost increase compared to South African CPI of 6.0%.

Development plan:
Petra's development plan at Finsch is due to increase production from 1.89 Mct in FY 2014 to ca. 2 Mctpa by FY 2017. Petra's initial mine plan has a life of 16 years, but resources in Block 6 and the adjacent Precursor kimberlite, which sits next to the main body of the Finsch kimberlite pipe, are expected to prolong the actual life of mine ("LOM") for considerably longer. The mine has a significant gross resource of 51.3 Mcts.

Production is currently entirely from Block 4 on the 630 metre level ("mL"), which is a mature block that has been largely mined out, resulting in the ore being heavily diluted with waste rock. In order to provide earlier access to undiluted ore before the main Block 5 Cave is put in place, Petra will use the sub level cave ("SLC") mining method over four levels in Block 5 from 700 mL to 780 mL. The new Block 5 Cave will then be installed at 900 mL. A schematic of the Finsch mine and orebody is available on Petra's website at:
http://www.petradiamonds.com/investors/analysts/analyst-guidance.

On 18 August 2014, Petra announced a value accretive scope change at Finsch which will provide for the enlargement of the mining area of the Block 5 SLC and the acceleration of the ramp-up to its steady state production level of 3.5 Mtpa by FY 2018 as opposed to by FY 2021. This has been made possible by enlarging the footprint of the SLC, as well as by opening up access from the 630 mL to the 780 mL to mine the South West Precursor.

The scope change has added ca. ZAR160 million to the mine's FY 2015 Capex, however Petra's internal company models show that it enhances overall project NPV (10% discount rate) by ca. US$100 million on a 100% attributable basis. It has also served to defer the capital required for the main Block 5 Block Cave, reducing overall expansion capital by ca. ZAR350 million for the period FY 2017 to FY 2019 compared to previous guidance.

During FY 2014, the development of the declines at Finsch continued apace, with a total of 4,055 development metres delivered during the Year (FY 2013: 2,311 metres). Raiseboring activities continued throughout FY 2014 and yielded 302 metres (FY 2013: 165 metres).

As the mine's production profile gradually changes from diluted to undiluted ore, the ROM grade is expected to increase to ca. 46 cpht by FY 2016 and to ca. 58 cpht from FY 2017 onwards (up from previous guidance of 56 cpht, more accurately reflecting the impact of the plant changes).

The Block 5 Block Cave expansion capital (post FY 2019) is guided at ca. ZAR260 million per annum (FY 2015 money terms) to be incurred over the five year period FY 2020 to FY 2024, with this new block cave contributing 3.5 Mtpa from FY 2023 / FY 2024 up to FY 2030 at an average recovered grade of ca. 60 cpht.

Treatment of the 'Pre 79 Tailings' is planned at 2.6 Mt for FY 2015 and is expected to be mined for a further three years (including FY 2015) at a grade of 27.3 cpht (also increased from prior year guidance as a result of the aforementioned plant changes). The Pre 79 Tailings grade is guided at ca. 25 cpht for FY 2016 and ca. 22 cpht for FY 2017. The treatment of the 'Post 79 tailings' material has been removed from the mine plan.

Capex:
Capex of US$67.8 million for the Year (FY 2013: US$48.6 million) reflects the progression of the expansion project and associated underground development in FY 2014, as mentioned above. The majority of sustaining Capex was spent on the replacement of equipment reaching the end of its useful life.

Cullinan – South Africa

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	US$M	162.8	133.0	+22%
Diamonds sold	Carats	881,343	816,611	+8%
Average price per carat	US$	185[1]	163[2]	+13%
ROM Production				
Tonnes treated	Tonnes	2,546,383	2,595,004	-2%
Diamonds produced	Carats	706,728	795,370	-11%
Grade	Cpht	27.8	30.7	-9%
Tailings Production				
Tonnes treated	Tonnes	2,149,571	1,485,889	+45%
Diamonds produced	Carats	116,891	73,605	+59%
Grade	Cpht	5.4	5.0	+8%
Total Production				
Tonnes treated	Tonnes	4,695,954	4,080,893	+15%
Diamonds produced	Carats	823,619	868,975	-5%
Costs				
On-mine cash cost per tonne treated	ZAR	154	158	-3%
Capex				
Expansion Capex	US$M	73.5	64.0	+15%
Sustaining Capex	US$M	14.7	17.2	-15%
Borrowing Costs Capitalised	US$M	4.9	7.8	-37%
Total Capex	US$M	93.1	89.0	+5%

Notes:

1. *The average value at Cullinan includes the 126.4 carat white diamond that sold for US$8.5 million in December 2013 and the 29.6 carat blue diamond that sold for US$25.6 million in February 2014; the average value for FY 2014 excluding these stones was US$146 per carat.*
2. *The average value at Cullinan includes the 25.5 carat blue diamond sold for US$16.9 million; the average value for FY 2013 excluding this stone was US$142 per carat.*

Cullinan's revenue increased to US$162.8 million (FY 2013: US$133.0 million) despite slightly lower production, due to a higher contribution from 'exceptional' (+US$5 million) diamonds. Cullinan is renowned as an important source of large top-quality white diamonds and very rare top-quality blue diamonds, and in FY 2014 the mine produced a 126.4 carat white diamond that sold for US$8.5 million in December 2013 and a 29.6 carat blue diamond that sold for US$25.6 million in February 2014.

Production in FY 2014 decreased 5% to 823,619 carats (FY 2013: 868,975 carats) mainly due to a reduced ROM grade of 27.8 cpht (FY 2013: 30.7 cpht). This was partially offset by increased tailings production of 116,891 carats (FY 2013: 73,605 carats), with tailings throughput increasing to 2.1 Mt (FY 2013: 1.5 Mt).

Petra is currently mostly operating in 'mature' production areas at Cullinan, which are highly diluted by the ingress of waste rock. This will therefore result in ROM grade volatility until the expansion programmes open up access to undiluted ore from the new C-Cut Phase 1 block cave from FY 2016 onwards.

The lower ROM grade of 27.8 cpht achieved for the Year was due to 85% of the tonnes being sourced from highly diluted areas, compounded by increased waste from the development activities, which is processed through the plant as there are no separate waste handling facilities at the mine.

Petra has a number of initiatives in place to mitigate the diluted ROM grade at Cullinan, including opening up access to tonnages from the BA5 area at the 645 mL and in the BA West area, as well as by the migration of mining from the more diluted AUC North area to the AUC South area. An initiative is also in place to negate the development waste impact on plant efficiencies (refer to the '*Development Plan'* section).

Costs:
The on-mine cash cost at Cullinan reduced slightly to ZAR154/t (FY 2013: ZAR158/t) mainly due to the increased volumes of lower cost tailings throughput. Longer-term, once the development plan has significantly progressed in the years to come, unit cost efficiencies are expected to be driven by initiatives such as a simplified ore-handling system underground and further streamlining of the plant.

Development Plan
Cullinan contains a world-class diamond resource of 199.6 Mcts (including 17.2 Mcts in tailings), and the Company is capitalising on this by undertaking an expansion programme at the mine to take annual production to ca. 2.2 Mcts by FY 2019 (comprising 2.0 Mcts ROM and 0.2 Mcts tailings).

This expansion plan will establish a new block cave, known as C-Cut Phase 1, on the western side of the orebody in the upper portion of the major C-Cut resource (estimated to contain some 133 Mcts in total) and will also involve a large tailings operation. Petra's current mine plan has a life of 16 years, but the major residual resources at the mine indicate that the actual life of mine ("LOM") could be in excess of 50 years. A schematic of the Cullinan mine and orebody is available on Petra's website at: http://www.petradiamonds.com/investors/analysts/analyst-guidance.

The shaft deepening and underground development at Cullinan continued to progress in line with expectations, with the C-Cut Phase 1 waste development yielding a total of 5,597 metres for FY 2014 (FY 2013: 4,147 metres), while raiseboring delivered 854 metres (FY 2013: 626 metres). Kimberlite development preparing the new block cave has now commenced, with 72 metres developed by Year end.

In FY 2015 there will be an increase in production of undiluted kimberlite tonnes, as well as a reduction in development waste, and the percentage of tonnages pulled from diluted areas is therefore expected to decrease to 78%. Development activities are also now shifting towards tunnel development through the orebody (kimberlite development, rather than surrounding host rock development); therefore the total waste content in the tonnes mined will reduce by up to 30% compared to FY 2014. The impact of development waste on plant efficiencies will be further negated through the introduction of an NIR (near infra-red) waste sorting machine that can identify and remove waste in the coarser size fractions. This is planned to be operational from Q2 FY 2015.

FY 2015 ROM tonnes treated are guided at ca. 2.7 Mt, with a gradual increase in tonnes treated to 4.0 Mtpa by FY 2019. The ROM grade is expected to increase from ca. 27.8 cpht in FY 2014 to in excess of 50 cpht by FY 2019, when Cullinan's C-Cut Phase 1 block cave is in full production.

The tailings programme at Cullinan is expected to reach its steady state level of 2.7 Mt in FY 2015 at a grade of ca. 6.2 cpht, increasing to ca. 7.5 cpht by FY 2016, following commissioning of the re-crush circuit.

Capex:
Capex of US$93.1 million for the Year (FY 2013: US$89.0 million) was in line with the progression of Cullinan's development programme. The majority of the capital was spent on underground development and infrastructure, the commencement of the shaft deepening project and the continued construction of the tailings treatment facility.

Sustaining Capex included new trackless equipment purchased in relation to the project to open up access to ore on the 645 mL in the BA5 area.

Koffiefontein – South Africa

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	US$M	26.7	16.6	+61%
Diamonds sold	Carats	49,250	35,168	+40%
Average price per carat	US$	542	471	+15%
ROM Production				
Tonnes treated	Tonnes	245,833	239,161	+3%
Diamonds produced	Carats	17,502	14,356	+22%
Grade	Cpht	7.1	6.0	+18%
Tailings / Ebenhaezer Production				
Tonnes treated	Tonnes	431,833	1,242,360	-65%
Diamonds produced	Carats	32,873	20,444	+61%
Grade	Cpht	7.6	1.6	+375%
Total Production				
Tonnes treated	Tonnes	677,666	1,481,521	-54%
Diamonds produced	Carats	50,375	34,800	+45%
Costs				
On-mine cash cost per tonne treated	ZAR	293	136	+115%
Capex				
Expansion Capex	US$M	25.1	10.9	+130%
Sustaining Capex	US$M	5.6	9.5	-41%
Total Capex	US$M	30.7	20.4	+50%

Koffiefontein is one of the world's top kimberlite mines by average value per carat, achieving US$542 for FY 2014, despite the fact that the overall average has to some extent been reduced by the higher proportion of lower value tailings/Ebenhaezer production in the total sales mix.

Diamond production increased by 45% in FY 2014 to 50,375 carats (FY 2013: 34,800 carats) largely owing to increased treatment of recovery tailings (which have a significantly higher grade than ordinary tailings material), supplemented by ore from the Ebenhaezer satellite pit. A 22% increase in ROM production yielded strong prices in H2 FY 2014, given the increased contribution of higher value ROM carats. Revenue therefore increased 61% to US$26.7 million for the Year.

Costs:
The on-mine cash cost increased to ZAR293/t, due to the higher proportion of underground ROM tonnes treated during FY 2014, compared to FY 2013. At Koffiefontein, the mining and treatment of underground ROM tonnes has a substantially higher operating cost per tonne, compared to the mining and treatment of surface tonnes. The nature of treating recovery tailings is that they are processed in lower volumes than normal tailings and therefore record a higher cash cost per tonne, but with an associated higher value per tonne recovered.

Development Plan
Petra's expansion plan at Koffiefontein will increase production from 50,375 ctpa in FY 2014 to ca. 100,000 ctpa by FY 2017 (underground only). Petra's current mine plan has a life of 11 years, but the residual resources at the mine indicate that the actual LOM could be in excess of 20 years.

As at Finsch, management has identified the opportunity to put in place a value accretive change of scope to the mine plan at Koffiefontein, which involves the installation of an SLC, before putting in place a new block cave. Whereas previously Petra's plan was to mine the SLC from 560mL to 580mL, the revised mining scope will expand the footprint of the SLC to a depth of 600mL. Development on the 560 mL of the SLC is well advanced, with production to commence during Q2 FY 2015. A schematic of the Koffiefontein mine and orebody is available on Petra's website at: http://www.petradiamonds.com/investors/analysts/analyst-guidance.aspx.

Sample results carried out on the 560 mL SLC material also confirmed the previously guided grade of ca. 9 to 10 cpht and resulted in a significant increase in Koffiefontein's guided average ROM price to US$800/carat.

In addition to the SLC, Petra has opened up access to new production areas on the 520 mL area, which will commence operation during Q1 FY 2015. The change in scope outlined above results in FY 2015 expansion Capex of ca. ZAR198 million, an increase on prior guidance of ca. ZAR90 million.

Management has focused on the bottleneck issues that have been experienced in the past and expects the improvements made at the mine to produce results in FY 2015 and onwards. ROM throughput is expected to increase to 0.74 Mt in FY 2015, at a grade of ca. 9.3 cpht, rising to 1.1 Mt by FY 2017 in line with previous guidance. Grades are expected to remain steady over this period at 9 to 10 cpht. The increase in contribution from underground ROM production is expected to increase recovery of the larger and more valuable stones (including Type II diamonds) for which Koffiefontein is well known.

Surface mining of the Ebenhaezer satellite pit will continue in FY 2015 with ca. 0.8 Mt planned to be treated at a grade of 2 to 3 cpht. Mining of the Ebenhaezer pit is expected to continue for two years (including FY 2015), in order to supplement the underground ROM tonnes.

Capex:
Capex for the Year of US$30.7 million (FY 2013: US$20.4 million) was primarily applied to underground development and the purchasing of plant, mining and surface equipment.

Kimberley Underground – South Africa

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	US$M	38.8	33.4	+16%
Diamonds sold	Carats	127,729	113,383	+13%
Average price per carat	US$	303	295	+3%

Total Production (all ROM)				
Tonnes treated	Tonnes	908,498	804,725	+13%
Diamonds produced	Carats	126,917	115,400	+10%
Grade	Cpht	14.0	14.3	-2%
Costs				
On-mine cash cost per tonne treated	ZAR	301	265	+14%
Capex				
Expansion Capex	US$M	5.8	17.6	-67%
Sustaining Capex	US$M	4.3	4.0	+8%
Total Capex	US$M	10.1	21.6	-53%

The Kimberley Underground operation comprises three kimberlite pipe mines: Bultfontein and Dutoitspan (serviced by the Joint Shaft and the Joint Shaft plant) and Wesselton (serviced by the Wesselton Shaft and the Wesselton plant).

FY 2014 production increased 10% to 126,917 carats (FY 2013: 115,400 carats) and revenue increased 16% to US$38.8 million. Recovered grades were marginally below management's earlier expectations, with the depletion of the Joint Shaft stockpile during H2 FY 2014. The remaining Wesselton stockpile contains circa 244,000 tonnes for future processing.

Costs:
The on-mine cash cost increased to ZAR301/t (FY 2013: ZAR265/t) due to start up of the Wesselton plant, increased maintenance costs and lower than planned volumes treated at Wesselton during the final stages of plant commissioning.

Development plan:
Petra's mine plan at Kimberley Underground will take steady state production to 170,000 ctpa by FY 2016. A schematic of the Kimberley Underground mines and orebodies is available on Petra's website at: http://www.petradiamonds.com/investors/analysts/analyst-guidance.

ROM tonnes planned for treatment in FY 2015 are guided as 1.17 Mt, remaining at ca. 1.2 Mtpa from FY 2016 onwards, as supported by treatment results in Q4 FY 2014 reaching 261,000 tonnes, equating to an annualised rate exceeding 1 Mtpa.

Capex:
Capex for the Year was 53% lower than the previous year at US$10.1 million (FY 2013: US$21.6 million) mainly due to the finalisation of the plant upgrades as well as limited underground capital during the initial phases of underground development.

Williamson – Tanzania

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	US$M	53.9	41.9	+29%
Diamonds sold	Carats	178,171	165,324	+8%
Average price per carat	US$	303	254	+19%
ROM Production				
Tonnes treated	Tonnes	3,405,524	2,730,133	+25%
Diamonds produced	Carats	178,379	150,342	+19%
Grade	Cpht	5.2	5.5	-5%

Alluvial Production				
Tonnes treated	Tonnes	405,166	385,186	+5%
Diamonds produced	Carats	10,086	14,035	-28%
Grade	Cpht	2.5	3.6	-31%
Total Production				
Tonnes treated	Tonnes	3,810,690	3,115,319	+22%
Diamonds produced	Carats	188,465	164,376	+15%
Costs				
On-mine cash cost per tonne treated	US$	11	12	-8%
Capex				
Expansion Capex	US$M	2.4	8.4	-71%
Sustaining Capex	US$M	6.5	3.3	+97%
Total Capex	US$M	8.9	11.7	-24%

Williamson is an open pit operation, based upon the mining of the 146 hectare Mwadui kimberlite. The mine produces high quality diamonds, as evidenced by the average value of US$303 per carat in FY 2014.

The mine has also been known historically for very rare pink stones and Petra was therefore encouraged by the recovery of a high quality 16.4 carat pink diamond at the mine in Q1 FY 2015, which was included in the Company's first sales tender of FY 2015 and sold for US$2.2 million. Images of this beautiful pink can be viewed on the Company's website at:
http://www.petradiamonds.com/media/image-library/diamonds.

The mine delivered increased production of 188,465 carats for the Year (FY 2013: 164,376 carats), further to the increase in tonnes treated in line with the progression of the mine's development plan.

ROM grades decreased 5%, partly due to excessive rainfall during Q3 FY 2014 which led to higher grade production areas being made inaccessible, as well as plant constraints which are being addressed. During Q4 FY 2014, 1 Mt of ROM material was treated, giving an annualised equivalent production level in excess of 3.6 Mtpa.

Costs:
The on-mine cash cost of US$11/t (FY 2013: US$12/t) improved as expected due to an increase in tonnages treated.

Development Plan:
Petra's expansion plan at Williamson will see tonnage throughput ramp up to ca. 5 Mtpa from FY 2017, which at a grade of ca. 6.0 cpht is expected to deliver 300,000 ctpa. Petra's current mine plan for Williamson has a life of 19 years, but given that the Mwadui kimberlite hosts a major resource of 33.1 Mcts, there is potential to extend the LOM considerably. A schematic of the Williamson mine and Mwadui orebody is available on Petra's website at:
http://www.petradiamonds.com/investors/analysts/analyst-guidance.aspx.

The Williamson expansion plan is on track, with FY 2015 tonnage throughput guided at ca. 3.7 Mt, ramping up to 4.3 Mt in FY 2016 and then reaching steady state production of ca. 5 Mtpa from FY 2017 onwards. The ROM grade is expected to be ca. 5.6 cpht for FY 2015, rising to ca. 6.0 cpht from FY 2016 onwards further to improved plant efficiencies.

Capex:
Capex reduced to US$8.9 million for the Year (FY 2013: US$11.7 million) and was predominantly spent on finalising the rebuilt plant and on other production related activities, including pit shaping/shale removal, haul road construction and slimes/tailings handling facilities.

EXPLORATION

Petra's exploration programme is concentrated on Botswana, the world's largest diamond producer by value and host to two of the world's largest diamond mines, Jwaneng and Orapa. With its high prospectivity, low risk profile and attractive fiscal regime, Petra considers Botswana to offer the most attractive environment for diamond exploration worldwide.

Petra continues to review its exploration holdings in Botswana and during FY 2014 the Company decreased the size of the 100% held diamond prospecting licences ground from ca. 21,520 km^2 to ca. 11,390 km^2 following the relinquishment of large tracks of well explored ground holdings.

KX36
Petra's focus at present remains the evaluation of the KX36 kimberlite discovery and an intensified search for other kimberlites in the surrounding area.

Phase one of a +800 tonnes large diameter drilling ("LDD") campaign completed in FY 2013 rendered a total of ca. 285 carats (including three stones of approximately 5 carats, two of which were of gem quality). This programme was followed up in FY 2014 by a third phase of narrow diameter drilling ("NDD") to improve delineation of the KX36 pipe and to provide additional geological and geotechnical information. Analysis and integration of this information into an updated 3D Gemcom model has led to the recognition and classification of mainly two different kimberlite facies – uniform coherent and transitional coherent.

Towards Year end, results from a third batch of ca. 800kg of micro diamond samples (sampled by facies) became available. These results will be evaluated, together with the previously obtained micro and macro diamond results, to increase the confidence in further diamond size distribution and diamond content modelling.

Significant work is required to increase the confidence levels of both the grade and the average diamond value of the deposit, which will involve a second phase of LDD sampling, commencing in early FY 2015. The aim of this programme is to obtain ca. 720 carats for a more representative diamond parcel of ca. 1,000 carats which will be used for further resource modelling and diamond value determination.

KX36 surrounding area
The high resolution regional deflation sampling programme that commenced late FY 2012, covering kimberlite KX36 and the immediate surrounds, has been completed. An anomalous zone trending south west of KX36 has been defined by visually identified and probed kimberlite indicator mineral ("KIM") recoveries from 7,750 samples. This broad KIM anomaly seems to break up into several separate anomalies.

Following the analysis, interpretation and final integration of all data obtained to date for the KX36 region (a combination of SkyTEM Heli-borne Electromagnetic data, geological and geophysical data), 16 selected targets in relatively close proximity to KX36 were drilled to a cumulative depth of ca. 2,100 metres. The drilled targets were mainly electromagnetic and magnetic anomalies selected within a high interest area with respect to the kimberlitic indicator distribution. No new kimberlites were discovered.

At Year end, a complete data package was handed over to external consultants for a thorough review of all KX36 region exploration work done to date.

Kokong Field
Further to the award of three new prospecting licences to the east and adjacent to the Kokong kimberlite field, a 6,286 line-km low-level Hi-Res (Xcalibur) Aeromagnetic survey was conducted over a portion of the newly issued licence PL189/2014 in this project area. Ground geophysical follow-up of high interest targets has already commenced and will continue into FY 2015.

Manica Minerals Co-operation Agreement
During the Year, the Company announced a diamond exploration co-operation agreement ("Agreement") with Manica Minerals Ltd ("Manica"), which is led by Dr Peter Hildebrand and Dr John Gurney, the renowned kimberlite expert. The Agreement is an exciting development for Petra, due to the combined kimberlite exploration skills and expertise in both Manica and Petra, and provides the Company with access to an additional ca. 18,200 km^2 of highly prospective land holdings in the Jwaneng and Orapa areas.

Work on the Manica prospecting licences held in the Orapa area commenced in earnest in the middle of the Year with a detailed historical data review and geophysical target generation exercise, followed by high resolution ground magnetic follow-up over selected targets. This area is also host to several known kimberlites, and particular attention will be given to the initial evaluation of these previously identified kimberlites with respect to size, mineral chemistry and diamond bearing potential.

To this end, a ca. 1,300 metres Reverse Circulation ("RC") drilling programme was carried out in Q1 FY 2015. Material obtained through this programme has been submitted for Mantle Mapper™ analysis, a procedure developed by Mineral Services (under the auspices of Dr Gurney), for quantitatively analysing the abundance and composition of key indicator minerals in kimberlite to allow reliable evaluation of the diamond potential of the host orebody.

CORPORATE AND GOVERNANCE

Sale of Sedibeng and Star
Effective 30 April 2014, Petra and its BEE partners disposed of their interests in both the Sedibeng and Star mines. The purchase price for the shares and loan accounts for the two mines together was ca. US$2.4 million, resulting in a net loss on disposal of US$15.9 million on the discontinued operations once the impact of recycling the foreign currency translation reserves, assets disposal values and FY 2014 trading performance was taken into account.

Helam
A business review of the Helam mine was undertaken during H2 FY 2014 and the Company is currently in discussions with employee representatives as to the future of the operation, which might include putting the operation on care and maintenance.

Board Diversity
Petra understands that diversity is important to the effective functioning of a Board. The Petra Board is considered to have a broad and highly relevant skillset, however the Company's Nomination Committee is continually evaluating its composition, bearing in mind a range of factors, including diversity.

Given the clear business case for gender diversity at all levels of the organisation, Petra is actively seeking to improve the diversity of its Board and expects to make firm progress on this in FY 2015.

SAFETY
The health and safety of all employees is of the utmost importance to the Company and Petra has a wide range of initiatives, training and awareness programmes in place to foster a zero harm workplace.

The Group's LTIFR for the Year reduced to 0.32 (FY 2013: 0.67) which is a good achievement in comparison to national and international industry standards and other mining companies in South Africa.

However, it is with deep regret that Petra experienced a fatality in January 2014 at the Cullinan operation, following an accident at an electrical substation on surface. The Company and its management team express their sincere condolences to the family and friends of the deceased.

For each incident resulting in loss of life or severe injury, a formal internal investigation is conducted and the lessons learned are shared with all operations in the Group. Necessary remedial actions derived from these investigations are also implemented at all sites of the Group to mitigate the possibility of repeat incidents or accidents.

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

GROSS RESERVES & RESOURCES

Petra manages one of the world's largest diamond resources. This major resource suggests that the potential mine lives of Petra's assets could be considerably longer than the current mine plans in place at each operation, or could support significantly higher production rates. A summary of the Group's gross Reserves and Resources is below and the Group's full 2014 Resource Statement can be accessed at http://www.petradiamonds.com/operations/reserves-and-resources.

Gross Resources

As at 30 June 2014, the Group's gross Diamond Resources (inclusive of Reserves) decreased 3% to 301.1 Mcts (30 June 2013: 309.6 Mcts).

Apart from depletion by mining activity, the main reasons for an overall decrease in gross Diamond Resources were the sale of the Sedibeng and Star fissure operations (1.2 Mcts), the application of a revised resource model at Williamson (resulting in the total Resource decreasing by 6.3 Mcts due to a lower grade attributed to the K1, K1A and K2/KT facies in the 'diatreme' portion of the orebody – currently not in the LOM business plan), and a 0.8 Mcts decrease in the total Resource at Kimberley Underground (mainly due to a reduced grade on the East Blow section of Dutoitspan, based on new sampling results).

These decreases were countered by a 0.5 Mcts increase at Finsch due to re-modelling of Finsch Block 4 with PCBC software, and a 0.6 Mcts increase at Koffiefontein due to the base of the mine's Resource being taken to 720 metres, based on new sampling results.

Gross Reserves

The Group's gross Diamond Reserves increased 1.5% to 55.2 Mcts (30 June 2013: 54.4 Mcts), mainly owing to re-calibration of the Finsch Block 4 PCBC model, and new PCSLC and PCBC modelling of the Finsch Block 5 Sub Level Cave and Block Cave respectively.

The following table summarises the gross Reserves and Resources status of the combined Petra Group operations as at 30 June 2014.

	Gross		
Category	**Tonnes (millions)**	**Grade (cpht)**	**Contained Diamonds (Mcts)**
Reserves			
Proved	1.0	49.2	0.50
Probable	121.8	44.9	54.74
Sub-total	**122.9**	**45.0**	**55.24**

Resources			
Measured	14.5	7.1	1.03
Indicated	447.5	49.7	222.51
Inferred	1289.9	6.0	77.61
Sub-total	**1751.9**	**17.2**	**301.16**

OUTLOOK

The entire team at Petra has worked hard to pave the way for the Company's future success. We are now well advanced with all our expansion plans and are coming ever closer to the time when the production profile will move from mostly diluted to mostly undiluted ore sources. This will see a major shift in the economics of our operations, as our diamond grade, average value per carat and associated operating margins rise significantly.

I would like to take this opportunity to extend my sincere thanks to all the Petra employees and stakeholders, as well as our Government and BEE partners, who are so integral to the fulfilment of our strategy to build a leading independent diamond mining group.

Johan Dippenaar
CEO
18 September 2014

Notes

1. *The following exchange rates have been used for this announcement: US$: ZAR10.63 (FY 2013: US$: ZAR9.88); average for the Year: US$: ZAR10.38 (FY 2013: US$: ZAR8.84)*
2. *The following definitions were used in this announcement:*
    a. *cpht: carats per hundred tonnes*
    b. *ctpa: carats per annum*
    c. *FY: financial year*
    d. *H: half of the financial year*
    e. *Kt: thousand tonnes*
    f. *Mctpa: million carats per annum*
    g. *Mcts: million carats*
    h. *Mt: million tonnes*
    i. *Q: quarter of the financial year*
    j. *ROM: run-of-mine (i.e. production from the primary orebody)*
    k. */t: per tonne*

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

US$ million	Notes	**2014**	2013[1]
Revenue		**471.8**	392.5
Mining and processing costs		**(320.1)**	(298.1)
Other direct income		**6.7**	6.1
Exploration expenditure		**(2.9)**	(4.9)
Corporate expenditure	5	**(13.7)**	(13.6)
Impairment charge	6	**(13.9)**	-
Total costs		**(343.9)**	(310.5)
Financial income	7	**14.5**	8.0
Financial expense	7	**(18.0)**	(16.0)
Profit before tax		**124.4**	74.0
Income tax charge		**(41.0)**	(25.1)
Profit for the year from continuing operations		**83.4**	48.9
Loss on discontinued operations (net of tax)	14	(15.9)	(21.0)
Profit for the year		**67.5**	27.9
Profit/(loss) for the year attributable to:			
Equity holders of the parent company		**49.6**	32.0
Non-controlling interest		**17.9**	(4.1)
		67.5	27.9
Earnings per share attributable to the equity holders of the parent during the year			
From continuing operations:			
Basic profit – US$ cents	12	**12.80**	10.43
Diluted profit – US$ cents	12	**12.42**	10.14
From continuing and discontinued operations:			
Basic profit – US$ cents	12	**9.69**	6.30
Diluted profit – US$ cents	12	**9.40**	6.13

[1] Comparative results have been amended to reflect the results of the Sedibeng JV and Star operations within the loss on discontinued operations (net of tax) as per the requirements of IFRS 5, refer to Note 14. The FY 2013 figures are audited except for the adjustment of loss on discontinued operations detailed in Note 14.

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

US$ million	**2014**	2013
Profit for the year	**67.5**	27.9
Exchange differences on translation of the share-based payment reserve	**2.7**	0.2
Exchange differences on translation of foreign operations[1]	**(44.3)**	(97.9)
Exchange differences on non-controlling interest[1]	**(1.5)**	(4.7)
Gains on foreign exchange hedges transferred directly to equity[1]	**3.1**	—
Recycling of foreign currency translation reserve on disposal of operations[2]	**8.5**	—
Valuation loss on available for sale financial asset[1]	**—**	(0.1)
Total comprehensive income / (expense) for the year	**36.0**	(74.6)
Total comprehensive income and expense for the year attributable to:		
Equity holders of the parent company	**19.6**	(65.8)
Non-controlling interest	**16.4**	(8.8)
	36.0	(74.6)

[1] Valuation losses on available for sale financial assets, exchange differences arising on non-controlling interest, translation of foreign operations and gains on foreign exchange hedges transferred directly to equity will be reclassified to profit and loss if specific future conditions are met.

[2] During the year the Company disposed of the Sedibeng JV and Star operations and recognised a foreign exchange translation loss of US$8.5 million.

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained earnings / (losses)	Attributable to the parent	Non-controlling interest	Total equity
At 1 July 2013	86.3	654.8	(143.0)	13.9	(0.8)	(40.1)	571.1	16.3	587.4
Profit for the year	—	—	—	—	—	49.6	49.6	17.9	67.5
Other comprehensive (expense) / income	—	—	(35.8)	2.7	3.1	—	(30.0)	(1.5)	(31.5)
Non-controlling interest disposed	—	—	—	—	—	—	—	3.1	3.1
Transfer between reserves for exercise of options and warrants	—	—	—	(4.2)	—	4.2	—	—	—
Equity share-based payments settled in cash	—	—	—	(0.7)	—	(3.9)	(4.6)	—	(4.6)
Equity settled share-based payments	—	—	—	6.6	—	—	6.6	—	6.6
Allotments during the year:									
– Share options exercised	0.1	0.2	—	—	—	—	0.3	—	0.3
– Warrants exercised	0.3	2.8	—	—	—	—	3.1	—	3.1
At 30 June 2014	**86.7**	**657.8**	**(178.8)**	**18.3**	**2.3**	**9.8**	**596.1**	**35.8**	**631.9**

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained losses	Attributable to the parent	Non-controlling interest	Total equity
At 1 July 2012	85.7	651.1	(45.1)	10.3	(0.7)	(63.7)	637.6	27.4	665.0
Profit / (loss) for the year	—	—	—	—	—	32.0	32.0	(4.1)	27.9
Other comprehensive (expense) / income	—	—	(97.9)	0.2	(0.1)	—	(97.8)	(4.7)	(102.5)
Non-controlling interest purchased	—	—	—	—	—	(8.9)	(8.9)	(2.3)	(11.2)
Transfer between reserves for exercise of options and warrants	—	—	—	(0.5)	—	0.5	—	—	—
Equity settled share-based payments	—	—	—	3.9	—	—	3.9	—	3.9
Allotments during the year:									
– Share options exercised	0.2	1.0	—	—	—	—	1.2	—	1.2
– Warrants exercised	0.4	2.7	—	—	—	—	3.1	—	3.1
At 30 June 2013	86.3	654.8	(143.0)	13.9	(0.8)	(40.1)	571.1	16.3	587.4

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

US$ million	Notes	**2014**	2013
ASSETS			
Non-current assets			
Property, plant and equipment	8	**839.1**	735.6
Available-for-sale financial assets		**0.1**	0.1
Deferred tax asset		**3.0**	5.9
Loans and other receivables		**89.2**	85.4
Total non-current assets		**931.4**	827.0
Current assets			
Inventories		**46.1**	53.7
Trade and other receivables		**86.0**	93.7
Derivative asset		**1.4**	—
Cash and cash equivalents (including restricted amounts)		**34.0**	26.2
Total current assets		**167.5**	173.6
Total assets		**1 098.9**	1 000.6
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**86.7**	86.3
Share premium account		**657.8**	654.8
Foreign currency translation reserve		**(178.8)**	(143.0)
Share-based payment reserve		**18.3**	13.9
Hedging and other reserves		**2.3**	(0.8)
Retained earnings / (losses)		**9.8**	(40.1)
Attributable to equity holders of the parent company		**596.1**	571.1
Non-controlling interests		**35.8**	16.3
Total equity		**631.9**	587.4
LIABILITIES			
Non-current liabilities			
Loans and borrowings		**125.1**	109.9
Trade and other payables		**64.2**	65.3
Provisions		**75.4**	67.3
Deferred tax liabilities		**96.4**	64.1
Total non-current liabilities		**361.1**	306.6
Current liabilities			
Loans and borrowings		**33.8**	37.1
Trade and other payables		**70.0**	64.7
Provisions		**2.1**	4.8
Total current liabilities		**105.9**	106.6
Total liabilities		**467.0**	413.2
Total equity and liabilities		**1 098.9**	1 000.6

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2014

US$ million	Notes	**2014**	2013
Profit before taxation for the year from continuing and discontinued operations		**108.5**	52.5
Depreciation of property, plant and equipment	8	**41.7**	42.8
Impairment	6	**13.9**	12.6
Increase / (decrease) in other provisions		**0.5**	(0.2)
Provision for retrenchments		**—**	2.6
Other finance income	7	**(10.9)**	(12.7)
Unrealised foreign exchange gain	7	**(13.1)**	(2.0)
Other finance expense	7	**18.0**	16.1
Unrealised foreign exchange loss	7	**9.5**	6.7
Loss on disposal of discontinued operations	14	**10.1**	—
Present value adjustment of rehabilitation provision – change in assumptions		**—**	(1.9)
Loss on sale of property, plant and equipment		**0.6**	—
Share-based payment provision		**4.2**	3.3
Cash settled share-based payments		**(4.6)**	—
Operating profit before working capital changes		**178.4**	119.8
Decrease / (increase) in trade and other receivables		**2.2**	(57.3)
Increase in trade and other payables		**10.9**	28.6
Decrease / (increase) in inventories		**4.8**	(15.5)
Cash generated from operations		**196.3**	75.6
Finance expense		**(0.2)**	(2.6)
Taxation paid (corporate income tax)		**—**	—
Net cash generated from operating activities		**196.1**	73.0
Cashflows from investing activities			
Acquisition of property, plant and equipment (including cash interest paid and capitalised of U$9.7 million (30 June 2013 US$9.3 million))		**(209.1)**	(190.6)
Payments for acquisition of increased interest in the Group's South African mines		**—**	(0.6)
Dividend received		**—**	6.6
Loans advanced to BEE partners		**(0.5)**	—
Finance income		**0.3**	0.4
Transfer (to) / from restricted cash deposits		**(1.7)**	3.9
Net cash utilised in investing activities		**(211.0)**	(180.3)

Cashflows from financing activities		
Proceeds from the issuance of share capital	**3.4**	4.3
Increase in borrowings	**69.4**	98.9
Repayment of borrowings	**(50.8)**	(9.2)
Net cash generated by financing activities	**22.0**	94.0
Net increase /(decrease) in cash and cash equivalents	**7.1**	(13.3)
Cash and cash equivalents at beginning of the year	**14.1**	31.3
Effect of exchange rate fluctuations on cash held	**(1.0)**	(3.9)
Cash and cash equivalents at end of the year[1]	**20.2**	14.1

The cashflows specific to the discontinued operations (net of tax) are disclosed in Note 14.

[1] Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US$13.8 million (30 June 2013: US$12.1 million) and unrestricted cash of US$20.2 million (30 June 2013: US$14.1 million).

1. GENERAL INFORMATION

Petra Diamonds Limited (the "Company"), a limited liability company listed on the Main Market of the London Stock Exchange, is registered in Bermuda, with its Group management office domiciled in Jersey. The consolidated preliminary financial statements of the Company for the year ended 30 June 2014 comprise the Company and its subsidiaries and associates (together referred to as the "Group").

2. ACCOUNTING POLICIES

The preliminary results, which are unaudited, do not include all the notes of the type normally included in an annual financial report. Accordingly, this unaudited preliminary report is to be read in conjunction with the Annual Report for the year ended 30 June 2013, and any public announcements made by the Group during the reporting period. The annual financial report for the year ended 30 June 2013 was prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and the accounting policies applied in this preliminary report are consistent with the policies applied in the annual financial report for the year ended 30 June 2013 unless otherwise noted.

Basis of preparation

After a review of the Group's operations, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the unaudited preliminary financial statements.

The unaudited consolidated preliminary financial statements for the year ended 30 June 2014 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 2014, which are not expected to be significantly different to those set out in Note 1 to the Group's audited financial statements for the year ended 30 June 2013.

The financial information for the year ended 30 June 2013 has been extracted from the statutory accounts for that period. The auditors' report for the year ended 30 June 2013 was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

Changes in accounting policies:

In the current financial period, the Group has adopted the following new standards, amendments to standards and interpretations applicable from 1 July 2013 but none have had a material impact on the Group's reporting. Those that apply to the Group from 1 July 2013 are as follows:

IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IAS 19	Amendment – Employee Benefits	1 January 2013

IAS 19 – The amendment to IAS 19 Employee Benefits withdraws the corridor method that the Group previously used in its accounting policy. Before the amendments, IAS 19 permitted leaving actuarial gains and losses unrecognised if they were within a 'corridor' and deferred recognition of actuarial gains and losses outside the corridor in profit or loss (the corridor approach). The amendments to IAS 19 result in the elimination of the corridor approach. They also require immediate recognition of actuarial gains and losses and the return on plan assets in the Consolidated Statement of Other Comprehensive Income. There are additional amendments to presentation. The adoption of IAS 19 during the year by the Group did not have a material impact on the results for the year or the results of prior periods.

IFRIC 20 – This interpretation applies to waste removal (stripping) costs that are incurred in surface mining activity, during the production phase of the mine (production stripping costs). The Group has commenced production from its open cast mine (Williamson) and so this standard is relevant. IFRIC 20 requires that, to the extent that the benefit from the stripping activity is realised in the form of inventory produced, the directly attributable costs of that activity should be treated as ore stockpile inventory. To the extent that the benefit is the improved access to ore, the directly attributable costs should be treated as a non-current 'stripping activity asset', if the following criteria are met:

- it is probable that the future economic benefit (improved access to the orebody) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the orebody for which access has been improved; and
- the costs relating to the improved access to that component can be measured reliably.

The stripping activity asset is initially measured at cost and is treated as an enhancement of an existing asset, not as an independent asset. Subsequently the stripping activity asset is accounted for in a manner consistent with that adopted for the asset it has enhanced and is depreciated on a units of production basis over the expected useful life of the identified component of the orebody that becomes more accessible as a result of the stripping activity. The adoption of IFRIC 20 during the year by the Group did not have a material impact on the results for the year or the results of prior periods.

Key estimates and judgements:

The preparation of the consolidated preliminary financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, reported revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the preliminary 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 and judgements that have a significant risk of causing a material adjustment to the financial results of the Group in future reporting periods are discussed below.

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, recovery and production rates. Any such estimates and assumptions may change as new information becomes available. Changes in exchange rates, commodity prices, 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.

The current life of mine plan is 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 impacts the depreciation of mining assets depreciated on a unit of production basis. Ore reserves and resources further impact the estimated date of decommissioning and rehabilitation.

Impairment reviews

While conducting an impairment review of its assets, the Group exercises judgement in making assumptions about future rough diamond prices, exchange rates, volumes of production, ore reserves and resources included in the current life of mine plans, feasibility studies, future development and production costs and macroeconomic factors such as inflation and discount rates. Changes in estimates used can result in significant changes to the 'Consolidated Income Statement' and 'Statement of Financial Position'. The Group prepares value in use impairment models and assesses mining assets for impairment. The net present value exceeds the carrying value of the Kimberley Underground mining assets by 85% (FY 2013: 20%) but remains sensitive to rough diamond prices, foreign exchange rates, forecasted growth in production rates and the successful exploitation of orebodies. Details of impairments in the year are set out in Note 6.

Taxation judgement

The Group has received a number of historical tax claims in respect of its Tanzanian mining operation, relating to the period prior to the operations being acquired by the Group, together with additional claims during the Group's ownership. A significant element of the claims is being disputed by the Group. Where a claim is considered probable the Group has raised a provision.

Judgement is applied in making assumptions about recognition of deferred tax assets. Judgement is required in respect of recognition of such deferred tax assets including the timing and value of estimated future taxable income and available tax losses, as well as the timing of rehabilitation costs and the availability of associated taxable income.

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.

Assumptions and estimates:

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 7.8%–8.3% (30 June 2013: 5.6%–7.9%), estimated rehabilitation timing of 11 to 51 years (30 June 2013: 12 to 52 years) and an inflation rate range of 5.8%–6.3% (30 June 2013: 1.8%–5.9%). 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. Increases in estimates are immediately recognised. The carrying value of rehabilitation provisions at the reporting date is US$62.3 million (30 June 2013: US$56.3 million).

Inventory and inventory stockpile

Judgement is applied in making assumptions about the value of inventories and inventory stockpiles, including diamond prices, 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. The relevant reserves and resources includes those included in current approved life of mine plans and certain additional resources which 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 in determining the future production unit assigned to on-mine shared infrastructure which is utilised over more than one section of the orebody. Judgement is applied when assessing the estimated useful life of individual assets and residual values. The assumptions are reviewed at least annually by management.

Valuation of share options and share-based incentives

In determining the fair value of share-based payments made during the year to employees and Directors, a number of assumptions have been made by management. Significant judgements include the determination of appropriate inputs to valuation models and assessment of the likelihood of vesting.

Pension scheme

The Company operates a defined benefit scheme and a defined contribution scheme. The pension charge or income for the defined benefit 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 2014. The most important assumptions made in connection with the 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.

Post-retirement medical fund

The Company operates a post-employment health care liability scheme. The 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 2014. The most important assumptions made in connection with the 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 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.

3. DIVIDENDS

No dividends were proposed or paid during the year (30 June 2013: 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.

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 Jersey. Each segment derives, or aims to derive, its revenue from diamond mining and diamond sales, except for the corporate and administration cost centre.

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

The Group's non-current assets are located in South Africa US$824.3 million (30 June 2013: US$730.0 million), Tanzania US$106.5 million (30 June 2013: US$96.5 million), Botswana US$0.5 million (30 June 2013: US$0.4 million) and Jersey US$0.1 million (30 June 2013: US$0.1 million).

The Group's property, plant and equipment included in non-current assets are located in South Africa US$732.1 million (30 June 2013: US$638.7 million), Tanzania US$106.5 million (30 June 2013: US$96.5 million) and Botswana US$0.5 million (30 June 2013: US$0.4 million).

4. SEGMENTAL INFORMATION (continued)

Operating segments US$ million	South Africa – Mining activities Cullinan	Finsch	Koffiefontein	Kimberley Underground	Fissure Mine (Helam)	Tanzania - Mining activities Williamson	Botswana Exploration	Jersey Corporate administration	Inter-segment	Consolidated
	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
Revenue	162.8	183.7	26.7	38.8	5.9	53.9	—	—	—	471.8
Segment result[1]	75.5	82.0	5.2	3.5	(16.3)	1.0	(2.9)	(13.7)	0.8	135.1
Impairment charge	—	—	—	—	(13.9)	—	—	—	—	(13.9)
Other direct income	1.0	1.9	0.5	0.1	3.0	0.2	—	—	—	6.7
Operating profit/(loss)[2]	76.5	83.9	5.7	3.6	(27.2)	1.2	(2.9)	(13.7)	0.8	127.9
Financial income										14.5
Financial expense										(18.0)
Income tax expense										(41.0)
Loss on discontinued operations (net of tax)										(15.9)
Non-controlling interest										(17.9)
Profit attributable to equity holders of the parent company										49.6
Segment assets	581.0	337.2	129.8	78.5	11.3	141.7	1.0	1 944.9	(2 126.5)	1 098.9
Segment liabilities	345.2	235.5	121.7	95.7	56.2	260.5	34.7	912.4	(1 594.9)	467.0
Capital expenditure	93.1	67.8	30.7	10.1	1.0[3]	8.9	0.2	1.9	(2.5)	211.2

[1] Total depreciation of US$41.7 million, comprises depreciation incurred at Cullinan US$7.7 million, Finsch US$13.0 million, Koffiefontein US$2.0 million, Kimberley Underground US$4.3 million, Helam US$10.8 million, Williamson US$3.3 million, Exploration US$0.1 million and Corporate administration US$0.5 million.

[2] Operating profit is equivalent to revenue of US$471.8 million less total operating costs of US$343.9 million as disclosed in the 'Consolidated Income Statement'.

[3] Capital expenditure at the Fissure Mine includes work in progress of US$0.3 million in respect of the manufacture of plant and equipment for other mines within the Group. Other direct income in respect of the Fissure Mine includes US$13.5 million of revenue and US$14.8 million of costs in respect of the projects division at Helam for the manufacture of plant and equipment for other mines within the Group. Segment assets and liabilities include inter-company receivables and payables which are eliminated on consolidation.

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities					Tanzania - Mining activities	Botswana	Jersey		
US$ million	Cullinan	Finsch	Koffiefontein	Kimberley Underground	Fissure Mine (Helam)	Williamson	Exploration	Corporate administration	Inter-segment	Consolidated
	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013
Revenue	133.0	160.6	16.6	33.4	7.0	41.9	—	—	—	392.5
Segment result[1]	49.5	61.2	(9.4)	(0.2)	(3.7)	(3.8)	(4.9)	(13.6)	0.8	75.9
Other direct income	1.7	3.0	0.6	0.2	(0.8)	0.4	—	—	1.0	6.1
Operating profit/(loss)[2]	51.2	64.2	(8.8)	—	(4.5)	(3.4)	(4.9)	(13.6)	1.8	82.0
Financial income										8.0
Financial expense										(16.0)
Income tax expense										(25.1)
Loss on discontinued operations (net of tax)										(21.0)
Non-controlling interest										4.1
Profit attributable to equity holders of the parent company										32.0
Segment assets	542.8	241.5	92.2	87.9	85.9	121.1	0.9	1,824.8	(1,996.5)	1 000.6
Segment liabilities	322.9	186.0	88.2	106.1	131.9	240.0	31.7	877.1	(1,570.7)	413.2
Capital expenditure	89.0	48.6	20.4	21.6	7.0[3]	11.7	—	5.4	(12.5)	191.2

[1] Total depreciation of US$42.3 million, comprises depreciation incurred at Cullinan US$11.2 million, Finsch US$15.8 million, Koffiefontein US$2.2 million, Kimberley Underground US$9.0 million, Helam US$1.2 million, Williamson US$2.5 million, Exploration US$0.1 million and Corporate administration US$0.3 million.

[2] Operating profit is equivalent to revenue of US$392.5 million less total operating costs of US$310.5 million as disclosed in the 'Consolidated Income Statement'.

[3] Capital expenditure at Helam includes work in progress of US$4.4 million in respect of the manufacture of plant and equipment for other mines within the Group. Other direct income in respect of the Fissure Mines includes US$35.9 million of revenue and US$36.9 million of costs in respect of the projects division at Helam for the manufacture of plant and equipment for other mines within the Group. Segment assets and liabilities include inter-company receivables and payables which are eliminated on consolidation.

US$ million	2014	2013
5. CORPORATE EXPENDITURE		
Auditors' remuneration		
- Audit services[1]	**0.8**	0.7
- Non-audit services	**0.6**	—
Depreciation of property, plant and equipment	**0.5**	0.3
Operating lease rentals – buildings	**0.8**	0.7
Other charges	**4.0**	4.2
Share-based expense – Directors	**2.1**	1.4
Share-based expense – Senior Management	**0.5**	0.5
Other staff costs	**4.4**	5.8
Total staff costs	**7.0**	7.7
	13.7	13.6

[1] Audit fees for the year ended 30 June 2014 stated above refer to fees for the FY 2013 audit; audit fees for the year ended 30 June 2013 refer to fees for the FY 2012 audit.

6. IMPAIRMENT OF OPERATIONAL ASSETS

When events or changes in market conditions indicate that tangible or intangible assets may be impaired, such assets are reviewed in detail to determine whether their carrying value is higher than their recoverable value, which could lead to recording an impairment loss (recoverable value is the higher of value in use and fair value less costs to sell). Value in use is estimated by calculating the present value of the future cashflows expected to be derived from the asset over its useful economic life. Fair value less costs to sell is based on the most reliable information available (market statistics, recent transactions etc.). The discounted cashflow basis has been used to calculate a value in use for the mining operations for those mines for which value in use exceeds fair value less cost to sell.

Impaired assets are reviewed annually to determine whether any substantial change to their fair value amounts previously impaired would require reversal.

When determining recoverable values of investments and property, plant and equipment, assumptions and estimates are made as set out in Note 2. Any change in these assumptions can have a significant effect on the recoverable amount and could lead to a revision of recorded impairment losses.

During the year to 30 June 2014, the Group reviewed the Helam operational assets for indicators of impairment. Impairment of property, plant and equipment was considered appropriate given the outcome of the business review exercise. The Group recognised a Consolidated Income Statement charge of US$13.9 million, being management's estimate of fair value less costs to sell the Helam assets. Detail of the impairment assessment is shown below.

Impairment (US$ million)	Asset class	Segment	Impairment	Carrying value post impairment
Helam	Property, plant & equipment	Fissure Mines	13.9	1.3

	Mineral Properties		4.1	
	Underground development		4.5	
	Buildings		1.2	
	Mining property, plant & equipment		4.1	
Total			13.9	1.3

30 June 2013

At 31 December 2012, the Group had, in conjunction with its BEE partners, decided to undertake a sale process in respect of all of its fissure mine operations, comprising the Helam, Sedibeng and Star mines in South Africa (the "Fissure Mines"). On initial reclassification of the Fissure Mines as held for sale, the Group recognised Consolidated Income Statement charges of US$17.8 million, being management's re-measurement to fair value less costs to sell the discontinued Fissure Mines in a disposal group, allocated to property, plant and equipment. During H2 FY 2013, the sale process was concluded without an acceptably funded offer being received. The mines were declassified out of held for sale status accordingly and the fair value adjustment of US$17.8 million was reversed to the extent of the lower of carrying value (adjusted for depreciation that would have arisen), value in use and fair value less cost to sell of each mine as assessed following the end of the sale process. The reversal totalled US$5.2 million.

Accordingly, the Group recognised an impairment loss for 2013 relating to operational assets at Sedibeng and Star of US$12.6 million (30 June 2012: US$ nil) – refer to Note 14. The Group decided to put both Sedibeng and Star on care and maintenance, meaning that they will not be actively mined until the economic viability of those mines improves. Management reviewed the separate Helam operational assets for indicators of impairment and following the assessment no impairment of property, plant and equipment was considered appropriate at 30 June 2013. Details of the impairment test assessments are shown below.

Impairment (US$ million)	**Asset class**	**Segment**	**Impairment**	**Carrying Value**
Sedibeng	Property, plant & equipment	Fissure Mines	11.8	1.8
	Mineral Properties		3.4	
	Underground development		3.4	
	Buildings		0.9	
	Mining property, plant & equipment		4.1	
Star	Property, plant & equipment	Fissure Mines	0.8	0.5
	Mineral Properties		—	
	Underground development		0.2	
	Buildings		—	
	Mining property, plant & equipment		0.6	
Sub-total			12.6	2.3

US$ million	2014	2013
7. FINANCIAL INCOME / (EXPENSE)		
Net unrealised foreign exchange gains / (losses)	**3.6**	(4.7)
Interest received on BEE loans and other receivables	**10.4**	9.2
Interest received bank deposits	**0.3**	0.4
Realised foreign exchange gains	**0.2**	3.1
Financial income	**14.5**	8.0
Gross interest on bank loans and overdrafts	**(11.4)**	(17.3)
Interest on bank loans and overdrafts capitalised	**9.7**	12.3
Net interest expense on bank loans and overdrafts	**(1.7)**	(5.0)
Other debt finance costs, including BEE loan interest and facility fees	**(9.4)**	(8.2)
Unwinding of present value adjustment for rehabilitation costs	**(3.8)**	(2.5)
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts	**(3.1)**	(0.3)
Financial expense	**(18.0)**	(16.0)
Net financial expense	**(3.5)**	(8.0)

8. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment for the year is US$103.5 million (30 June 2013: US$4.9 million). This is primarily as a result of an increase in property, plant and equipment from capital expenditure of US$211.2 million (30 June 2013: US$191.2 million), which is offset by the movement in the US$/ZAR foreign exchange rate resulting in a foreign exchange decrease on Rand based assets of US$59.7 million (30 June 2013: US$132.1 million decrease), depreciation of US$41.7 million (30 June 2013: US$42.8 million), impairment of Helam of US$13.9 million (30 June 2013: US$12.6 million impairment of Sedibeng JV and Star), increase in rehabilitation asset of US$9.9 million (30 June 2013: US$8.3 million reduction in rehabilitation asset), assets disposed in respect of the sale of Sedibeng JV and Star of US$2.2 million (30 June 2013: US$nil) and assets of US$0.1 million (30 June 2013: US$0.3 million) disposed of during the year.

9. SHARES ISSUED AND SHARE AWARDS

Allotments during the Year were in respect of the exercise of warrants over 2,100,000 ordinary shares by IFC and the exercise of share options over 409,000 ordinary shares by employees.

On 20 December 2013, the Executive Directors of the Company were granted a total of 203,845 deferred awards over ordinary shares in the Company. The awards represent 25% of the total bonus in respect of performance for the financial year ended 30 June 2013. The awards vest on 30 June 2015 and vesting is subject to continued employment.

On 20 December 2013, the Executive Directors of the Company were granted a total of 1,175,271 performance based share awards under the 2012 Performance Share Plan (“2012 PSP”). These awards under the 2012 PSP are subject to performance conditions based on: (i) absolute total shareholder return (25%) (ii) relative total shareholder return against industry peers (25%) and (iii) targets linked to delivery of the expansion programmes at the Company's various operations and operational performance (together 50%). Vesting will be based on performance measured over the period 1 July 2013 to 30 June 2016.

Further details with regards to the Group’s share plans will be provided in the Company’s 2014 Annual Report.

10. CAPITAL COMMITMENTS

As at 30 June 2014, the Company has committed to future capital expenditure totalling US$88.9 million (30 June 2013: US$87.2 million). Finsch and Cullinan account for US$74.1 million of the future capital commitments and Koffiefontein, Kimberley Underground, Williamson and Helam account for the remaining US$14.8 million.

11. RELATED PARTY TRANSACTIONS

During the year, a subsidiary of the Company paid US$0.8 million (R8.8 million) (30 June 2013: US$1.7 million (R14.9 million)) to Zeren (Pty) Ltd ("Zeren") in respect of the development and purchase of specialised plant and equipment. The cumulative amount paid to Zeren as at 30 June 2014 is US$9.6 million (R99.6 million) (30 June 2013: US$8.6 million (R85.5 million)). Effective 24 April 2014, the agreement whereby Zeren was developing specialised plant and equipment for the Company was terminated. Mr Dippenaar, Mr Davidson and Mr Abery are all Directors of the Company and were previously also directors and shareholders of Zeren. On 30 April 2014 they disposed of their entire shareholding in Zeren and on 2 May 2014 they resigned as directors of Zeren. There is no longer any related party relationship between Mr Dippenaar, Mr Davidson and Mr Abery and Zeren. Following termination of the relationship with Zeren, management has undertaken a review of the assets acquired; one of the machines developed with Zeren (with a carrying value at 30 June 2014 of US$0.9 million (ZAR9.8 million)) is in use at the Cullinan mine, the balance of the plant and equipment have been depreciated or fully impaired during the year.

Umnotho weSizwe Group (Pty) Ltd ("Umnotho"), one of Petra's BEE partners, holds a 36% interest in the Cullinan mine BEE holding company, Thembinkosi Mining Investments (Pty) Ltd ("Thembinkosi"). The Group has a non-current receivable due from Thembinkosi of US$28.9 million (30 June 2013: US$25.9 million) and a non-current payable due to Thembinkosi of US$24.2 million (30 June 2013: US$24.0 million). Included in net finance expense (note 7), the Company has finance income due from Thembinkosi of US$2.8 million (30 June 2013: US$2.5 million) and finance expense payable to Thembinkosi of US$2.1 million (30 June 2013: US$2.1 million). These sums arise due to the funding that the Group has provided to Thembinkosi to finance its interests in the Cullinan mine. Mr Abery is a director of Umnotho. Mr Pouroulis and Mr Abery are beneficiaries of a trust that is a shareholder in Umnotho.

The Group has a 49.24% interest in Nelesco 651 (Pty) Ltd, which is the holding company of Sedibeng Mining (Pty) Ltd ("Sedibeng"), one of Petra's BEE partners. Sedibeng holds direct interests in the Kimberley Underground and Helam, mines and indirect interests in Finsch, Cullinan and Koffiefontein through its shareholding in Thembinkosi, Senahka Diamonds Investments (Pty) Ltd ("Senahka") and Re Teng Diamonds (Pty) Ltd ("Re Teng Diamonds"). The Group has a non-current receivable due from Sedibeng of US$19.9 million (30 June 2013: US$19.0 million) and a non-current payable due to Sedibeng of US$2.1 million (30 June 2013: US$4.6 million). Included in net finance expense (Note 7), the Company has finance income due from Sedibeng of US$2.6 million (30 June 2013: US$1.7 million) and finance expense payable to Sedibeng of US$0.7 million (30 June 2013: US$0.7 million).These sums arise due to the funding that the Group has provided to Sedibeng to finance its interests in the Koffiefontein (through Re Teng Diamonds), Kimberley Underground and Sedibeng JV mines.

Senakha, another of Petra's BEE partners, holds a 21% direct interest in the Finsch mine. The Group has a non-current receivable due from Senakha of US$37.9 million (30 June 2013: US$36.7 million) and a non-current payable due to Senakha of US$37.9 million (30 June 2013: US$36.7 million). Included in net finance expense (Note 7) the Group has finance income due from Senakha of US$3.9 million (30 June 2013: US$4.1 million) and finance expense payable to Senakha of US$3.9 million (30 June 2013: US$4.1 million). These sums arise due to the funding that the Group has provided to Senakha to finance its interests in Finsch.

Re Teng Diamonds, another of Petra's BEE partners, holds a 30% direct interest in the Koffiefontein mine. The Group has an interest free receivable due from Re-Teng of US$0.9 million (30 June 2013: US$1.2 million).

12. EARNINGS PER SHARE

	Continuing operations 30 June 2014 US$	**Discontinued operations 30 June 2014 US$**	**Total 30 June 2014 US$**	Continuing operations 30 June 2013 US$	Discontinued operations 30 June 2013 US$	Total 30 June 2013 US$
Numerator						
Profit / (loss) for the year	**65,465,067**	**(15,892,270)**	**49,568,797**	52,970, 526	(20,961,668)	32,008,858
Denominator						
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS						
As at 1 July	**509,601,048**	**509,601,048**	**509,601,048**	505,654,430	505,654,430	505,654,430
Effect of shares issued during the year	**1,598,330**	**1,598,330**	**1,598,330**	2,362,221	2,362,221	2,362,221
As at 30 June	**511,199,378**	**511,199,378**	**511,199,378**	508,016,651	508,016,651	508,016,651
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	**15,892,664**	**—**	**15,892,664**	14,093,941	—	14,093,941
Weighted average number of ordinary shares in issue used in diluted EPS	**527,092,042**	**511,199,378**	**527,092,042**	522,110,592	508,016,651	522,110,592
	US$ cents	**US$ cents**	**US$ cents**	US$ cents	US$ cents	US$ cents
Basic profit / (loss) per share – US$ cents	**12.80**	**(3.10)**	**9.69**	10.43	(4.12)	6.30
Diluted profit / (loss) per share – US$ cents	**12.42**	**(3.10)**	**9.40**	10.14	(4.12)	6.13

In the current period, the number of potentially dilutive ordinary shares, in respect of employee share options, Executive Director and Senior Management share award schemes and warrants is 15,892,664 (30 June 2013: 14,093,941). These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share. There have been no significant post balance sheet changes to the number of options and warrants to impact the dilutive number of ordinary shares.

13. ADJUSTED EARNINGS PER SHARE

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

	Continuing operations 30 June 2014 US$	**Discontinued operations 30 June 2014 US$**	**Total 30 June 2014 US$**	Continuing operations 30 June 2013 US$	Discontinued operations 30 June 2013 US$	Total 30 June 2013 US$
Numerator						
Profit / (loss) for the year	65,465,067	(15,892,270)	49,568,797	52,970,526	(20,961,668)	32,008,858
Adjustments:						
Net unrealised foreign exchange (gain) / loss	(3,591,520)	—	(3,591,520)	4,670,690	—	4,670,690
Transaction costs (Note 14)	—	—	—	—	536,248	536,248
Retrenchment costs	—	—	—	—	2,603,377	2,603,377
Impairment charges	13,933,235	—	13,933,235	—	12,560,534	12,560,534
Adjusted profit for the year	**75,806,782**	**(15,892,270)**	**59,910,512**	57,641,216	(5,261,509)	52,379,707
Denominator						
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS						
As at 1 July	**509,601,048**	**509,601,048**	**509,601,048**	505,654,430	505,654,430	505,654,430
Effect of shares issued during the year	**1,598,330**	**1,598,330**	**1,598,330**	2,362,221	2,362,221	2,362,221
As at 30 June	**511,199,378**	**511,199,378**	**511,199,378**	508,016,651	508,016,651	508,016,651
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	**15,892,664**	**—**	**15,892,664**	14,093,941	—	14,093,941
Weighted average number of ordinary shares in issue used in diluted EPS	**527,092,042**	**511,199,378**	**527,092,042**	522,110,592	508,016,651	522,110,592
	US$ cents	**US$ cents**	**US$ cents**	US$ cents	US$ cents	US$ cents
Basic profit / (loss) per share – US$ cents	**14.82**	**(3.10)**	**11.72**	11.34	(1.03)	10.31
Diluted profit / (loss) per share – US$ cents	**14.38**	**(3.10)**	**11.36**	11.04	(1.03)	10.03

14. DISPOSAL OF SEDIBENG JV AND STAR

Disposal of Sedibeng and Star

On 30 April 2014, the Company, in conjunction with its BEE partners, disposed of the entire share capital of its subsidiaries Messina Investments (Pty) Ltd and Autumn Star Investment Holdings (Pty) Ltd, which held the Group's Sedibeng JV and Star mines ("the Mines") in South Africa, for a total deferred cash consideration of R25.0 million (US$2.4 million). These Mines formed part of the operating segment called "Fissures" for the purposes of the Group's segmental reporting, as disclosed in Note 4, but the Sedibeng JV and Star mines were separate cash generating units and in totally separate geographic locations to the other fissure mine, Helam. The results of the discontinued operations included in the Consolidated Income Statement and the cashflows from discontinued operations included in the Consolidated Statement of Cashflows are set out below.

US$ million	**Notes**	**1 July 2013 - 30 April 2014**	1 July 2012 - 30 June 2013
a) Net assets disposed of other than cash:			
Property, plant and equipment		2.2	
Long term advances		0.2	
Trade and other receivables		0.1	
Inventories		0.2	
Cash		—	
Total assets		2.7	
Rehabilitation provision		(1.8)	
Total liabilities		(1.8)	
Less: non-controlling interest recycled on disposal		3.1	
Net assets		4.0	
b) Result of discontinued operations:			
Revenue		0.8	10.2
Cost of sales		(6.6)	(18.5)
Gross loss		(5.8)	(8.3)
Finance income		—	0.1
Finance costs		—	(0.1)
Loss before taxation		(5.8)	(8.3)
Income tax credit		—	0.4
Loss after tax before impairment charge and transaction costs		(5.8)	(7.9)
Transaction costs		—	(0.5)
Impairment charge	6	—	(12.6)
Net loss for the year		(5.8)	(21.0)

c) Post-tax loss on disposal of discontinued operations	1 July 2013 - 30 April 2014
Consideration received on disposal	2.4
Less: net assets disposed (including U$3.1 million of non-controlling interest accumulated losses)	(4.0)
Less: foreign currency translation reserve recycled on disposal	(8.5)
Loss on disposal of discontinued operations	(10.1)
Less: net loss for the period	(5.8)
Loss on discontinued operations	(15.9)

d) The consolidated statement of cashflows includes the following amounts relating to discontinued operations:

Operating activities	(5.5)	(4.5)
Investing activities	(0.2)	(3.6)
Net cash utilised in discontinued operations	(5.7)	(8.1)

Principal Risk Factors and Uncertainties

The Group is exposed to a number of risks and uncertainties which could have a material impact on its long-term development and performance and management of these risks is an integral part of the management of the Group. The Board has identified the following as being the principal strategic and operational risks (in no order of priority). A more detailed analysis of the Group's risk factors as well as its risk management processes will be provided in the 2014 Annual Report.

Risk	Description
Mining, production and grade	The mining of diamonds from underground kimberlite deposits involves an intrinsic degree of risk from various factors, including variations in grade, geological, geotechnical and seismic factors, industrial and mechanical accidents, unscheduled plant shutdowns, technical failures, ground or water conditions and inclement or hazardous weather conditions. Specifically, the management of ROM grades at Cullinan and Finsch remains a challenge due to the mature nature and dilution of the current mining areas. As a result, volatility in recovered ROM grades at these two operations can be expected until such time as new mining areas have been accessed and deliver undiluted ore to the production profile.
Diamond prices	The Company's financial performance is closely linked to diamond prices which are influenced by numerous factors beyond the Company's control, including international economic conditions, world production levels and consumer trends. Whilst the medium to long term fundamentals of the diamond market remain intact, with demand forecast to significantly outpace supply, some volatility in rough diamond pricing is always possible. The Group's management closely monitors developments in the international diamond market (across the pipeline from the rough market to the retail consumer market) to be in a position to react in a timely manner to changes in rough diamond prices and demand.

Expansion and project delivery	Petra has set out a clear and transparent growth profile to increase annual production to circa 5 million carats by FY 2019. Actual annual production may vary from prior estimates of future production for a variety of reasons and it should be noted that assumptions may be subject to change as the Company continually evaluates its projects to optimise efficiency and production profitability.
Retention of key personnel	The successful achievement of the Group's strategies, business plans and objectives depends upon its ability to attract and retain certain key personnel.
Financing	Petra has a significant Capex programme over the years to FY 2019. The Company plans to continue to finance this Capex from operating cashflows and debt finance. Lack of adequate available cashflows could delay development work.
Country and political risk	Petra's operations are predominantly based in South Africa, with lesser exposure to Tanzania and Botswana. Emerging market economies could be subject to greater risks, including legal, regulatory, economic, withholding tax and political risks, and are potentially subject to rapid change.
Labour	The Group's production, and to a lesser extent its project development activities, is dependent on a stable and productive labour workforce. Petra remains highly focused on managing labour relations and on maintaining open and effective communication channels with the appropriate employee and union representatives at its operations.
Currency	With Petra's operations mainly in South Africa, but diamond sales based in US Dollars, the volatility and movement in the Rand is a significant factor to the Group. In order to mitigate currency risk, the Group continually monitors the movement of the Rand against the US Dollar and takes expert advice from its bankers in this regard. It is the Group's policy to hedge a portion of future US Dollar sales revenue when weakness in the Rand deems it appropriate.
Health and safety, social and environmental	The Group's success may depend upon its labour, social, safety and environmental performance, as failures can lead to delays or suspension of its mining activities.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

By order of the Board

Johan Dippenaar
CEO

David Abery
Finance Director

18 September 2014