



9 May 2012

LSE: PDL

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

Interim Management Statement and Q3 FY 2012 Production and Sales Report

Petra Diamonds Limited announces its Interim Management Statement ("IMS") for the period from 1 January 2012 to 8 May 2012, covering production and sales from 1 January 2012 to 31 March 2012 ("Q3" or "the Period").

HIGHLIGHTS

- Strong production growth, 622,509 carats for the Period, 1,576,061 carats year to date – up 126% on Q3 FY 2011 (275,526 carats).
- Petra remains on track to achieve its stated FY 2012 production target of over 2 million carats ("Mcts").
- Revenue for the Period of US\$98.0 million, almost equal to H1 FY 2012 (US\$101.4 million), boding well for full year FY 2012 revenues.
- Entry into the FTSE 250 Index.

Q3 Production and Sales – Summary

	Unit	Q3 FY 2012	Q3 FY 2011	Variance	Nine months to 31 March 2012	Nine months to 31 March 2011	Variance
Production							
ROM diamonds	Carats	522,934	252,008	108%	1,340,094	785,920	71%
Tailings and alluvial diamonds	Carats	99,574	23,518	323%	235,967	71,709	229%
Total diamonds	Carats	622,509	275,526	126%	1,576,061	857,629	84%
Sales							
Diamonds sold	Carats	626,958	268,548	134%	1,305,730	852,782	53%
Gross revenue	US\$M	98.0	52.3	87%	199.3	142.3	40%

Note: For mine by mine production and sales data, please refer to the appendix to this announcement.

Johan Dippenaar, Chief Executive Officer, commented:

"These results demonstrate Petra's credentials as a high growth company, as we continue on our path to significantly ramp up annual production, with the goal of reaching over 5 million carats per annum by FY 2019. We are on track to enjoy a strong second half to the financial year, due to the seasonality of our tender dates, the inclusion of the strongly performing Finsch mine for a full six month period and an overall improvement in the rough diamond market."

CONFERENCE CALL

The Company will host a conference call on 9 May 2012 at 9:30am BST to discuss the IMS with investors and analysts. Participants may join the call by dialling one of the following three numbers shortly before the call:

From UK (toll free): 0800 368 1895
From South Africa (toll free): 0800 983 097
From rest of the world: +44 20 3140 0693
Participant passcode: 830650#

A replay of the conference call will be available by dialling one of the following numbers:

From UK (toll free): 0800 368 1890
From rest of the world: +44 20 3140 0698
Playback pin code: 384672#

COMMENTARY

Production

- Q3 production up 126% to 622,509 carats (Q3 FY 2011: 275,526), primarily due to the contribution of the Finsch mine for the full quarter.
- Finsch continued to deliver a strong performance (contributing 343,051 carats in Q3), again exceeding management's original expectations.
- Cullinan delivered a run-of-mine ("ROM") grade of 31.5 carats per hundred tonnes ("cpht") for the quarter (Q3 FY 2011: 35.9 cpht). The lower grade was countered by an additional throughput of ROM tonnes, which delivered an increase in volumes (213,180 carats in Q3 FY 2012 versus 209,038 carats in Q3 FY 2011). As noted in earlier statements, the ROM grade at Cullinan will remain a challenge due to the levels of waste ingress in the older mining areas where Petra is currently operating. Grades are expected to remain variable (between 31 and 36 cpht) until FY 2015, when the expansion programme provides access to a new block of undiluted ore.
- Although production at Koffiefontein increased, underground production remains constrained due to the high levels of dilution in the current underground mining areas. Volumes through the plant are therefore being augmented by tonnages from surface areas. As with Cullinan, the development plan at Koffiefontein will establish new production levels from FY 2014, where the Company will have access to undiluted ore.
- Section 54 stoppages by the South African Department of Mineral Resources hampered production at Kimberley Underground and the Fissure mines.
- At Kimberley Underground, a lower ROM grade of 10.8 cpht was recorded in Q3 (Q3 FY 2011: 12.5 cpht) as a result of the temporary pan processing plant at Wesselton. The new main plant at Kimberley Underground remains on track for commissioning in Q4 FY 2012, following which grades are expected to improve.
- The commissioning of the rebuilt plant at Williamson commenced during Q3. Although the initial commissioning grade of 5.3 cpht is slightly lower than management's expectations (6.0 cpht), the overall quality of the production observed to date is encouraging.

Sales

- Gross mine revenue for Q3 was up 87% to US\$98.0 million (Q3 FY 2011: US\$52.3 million), primarily due to the contribution from Finsch.
- Carats sold up 134% to 626,958 carats (Q3 FY 2011: 268,548).
- Carat sales were slightly higher than carats produced for the Period; the Company expects a release from inventory in Q4 as the production cut off for the last tender of FY 2012 will be in early June.
- Revenue growth for the nine months to 31 March 2012 was affected by weaker prices during H1 FY 2012, partially offset by a strengthening in the rough diamond market during Q3.

- Petra sold four 'special' stones exceeding US\$1 million each during the Period (two from Finsch, one from Cullinan, and one from Koffiefontein) for total revenue of US\$5.2 million.

Expansion projects

- The Group's expansion projects at Cullinan, Finsch, Koffiefontein and Kimberley Underground are progressing well.
- At Finsch, the expansion programme is currently in the planning and design phase. The shaft deepening tender process is planned to be finalised in Q4 FY 2012.
- At Cullinan, the shaft deepening contractor has commenced mobilisation with site establishment to follow in Q4 FY 2012. The construction of the new Cullinan tailings plant is progressing well and the plant will start up early FY 2013, with the re-crush section to follow later in the year.
- At Koffiefontein, the geological stress simulations have been completed as part of the mine expansion programme and the final decision on the mining lay-out will be made in due course.
- At Williamson, in line with Petra's previous statements, the Company is revisiting the longer-term 10 Mtpa expansion project. This project will be dependent upon a secure electricity supply, appropriate for the 10 Mtpa plant, and treatment results of main pit material following a six to nine month period of production utilising the rebuilt plant processing facility. Petra will provide an update on this in due course.

Diamond market and prices

- The rough diamond market stabilised in December 2011, and pricing showed a slow but steady upward trend during Q3, though tempered by some volatility as expected.
- The stronger market is due to a recovery in confidence after the initial impact of the Eurozone debt crisis abated. Steady demand is being seen from both the US and Asian markets.
- The table below sets out the average diamond prices achieved for the Period by mine against management's original full year expectations. Prices are broadly in line with guidance, aside from in the case of the Cullinan mine – whereas the Company previously reported pricing on a six monthly basis, prices reported on a quarterly basis will be subject to more variation due to the production mix and the incidence of higher value stones.

Mine	Average price for Q3 FY 2012 (US\$)	Average price for Q3 FY 2011 (US\$)	Average price for nine months to 31 March 2012 (US\$)	Original management estimates FY 2012 (US\$)
Finsch	151	n/a	142	155
Cullinan	125	159	127	163
Koffiefontein	551	556	480	549
Kimberley Underground	355	318	326	325
Fissures	263	265	257	271
Williamson	n/a	255	298	230 (Main Pit)

Note: All sales (both ROM and tailings/alluvials) including specials (stones above US\$1 million in value) were used to calculate the above average values.

Exploration (Botswana)

- Positive drilling and microdiamond results from kimberlite KX36 were announced on 14 March 2012, with initial indications of a potentially high grade (between 75 and 180 cph) and a relatively coarse diamond size distribution.
- The large diameter (24 inch) drilling and bulk sampling campaign has commenced. This campaign will take several months to complete; an update will be provided later in the year.

Corporate and Governance

- Petra entered the FTSE 250 on 19 March 2012, following its step up to the Main Market of the London Stock Exchange on 21 December 2011.
- The Company has engaged external consultants to assist in the search for two further independent Non-Executive Directors (“iNEDs”), who will bring complementary experience and skills to the Group.
- Once the new iNEDs are appointed, Petra’s Nominations Committee will appoint one of the Company’s iNEDs as the Company’s Senior iNED, in accordance with corporate governance best practice.
- Following the appointment of these two further iNEDs, and the appointment of the Senior iNED, Petra will meet the UK Corporate Governance Code requirements with regards to its Board composition.
- Petra is to increase its interests in its various South African operations by way of acquiring a 49.24% effective interest in its main BEE partner, Sedibeng Mining (Pty) Limited. This transaction is expected to complete by 30 June 2012.
- In March 2012, the Company settled the final amount due to Al Rajhi Holdings W.L.L. (in respect of the Cullinan deferred consideration) of US\$6 million, plus interest on this sum for the period from 1 January 2012 to date of settlement.
- On 16 March 2012, RMB exercised their remaining warrants in the Company (over 2.1 million shares). IFC still hold 6.3 million warrants in the Company and has exercised none to date.

Financial:

- As at 30 April 2012, Petra had cash at bank of US\$17.7 million and as at 31 March 2012, diamond inventories of circa US\$37 million (372,105 carats) (end H1 2012: US\$38 million, 372,556 carats). Diamond inventory carrying values are stated at the lower of cost of production on the weighted average basis or estimated net realisable value.
- Loans and borrowings as at 30 April 2012 were US\$73.6 million, being seasonal utilisation of the Group’s working capital facilities of US\$3.1 million and the amount drawn-down of US\$70.5 million on the IFC / RMB facilities (US\$78.2 million total) put in place in November 2010. The balance of the IFC / RMB facilities is available for draw-down by the Company until 14 September 2012. These facilities are repayable in eight semi-annual payments commencing September 2012, with the final payment due in March 2016.
- The revolving credit facilities of circa US\$38.2 million (R300 million) that were put in place with RMB in December 2011 remain undrawn.
- The Company has commenced discussions with its bankers with regards to the restructure of the Group’s optimal debt requirements. The Company is comfortable with cash requirements and debt facilities in place at this time (based on current diamond prices, capex spend and other reasonable assumptions), but it is an opportune time to revisit the debt amount, terms and structure, given that Finsch was not part of the Group when the original financing was put in place and given the other positive Group developments since this time.

Health and safety:

- Group lost time injury frequency rate (“LTIFR”) for the Period of 1.00 (Q3 FY 2011: 0.79).
- As previously reported, a fatality regrettably occurred at Kimberley Underground on 22 January 2012.
- The health and safety of all employees is of the utmost importance to the Company and Petra is highly focused on this area; the Company continues to strive for zero harm across all its operations.

Notes

1. An exchange rate of US\$1 : R7.85 has been used for the purposes of this announcement.

For further information, please contact:

Petra Diamonds, London

Cathy Malins

Telephone: +44 20 7318 0452

cathym@petradiamonds.com

Buchanan

(PR Adviser)

Bobby Morse

James Strong

Cornelia Browne

Telephone: +44 20 7466 5000

bobbym@buchanan.uk.com

james@buchanan.uk.com

corneliab@buchanan.uk.com

RBC Capital Markets

(Joint Broker)

Martin Eales

Pierre Schreuder

Telephone: +44 20 7653 4000

martin.eales@rbccm.com

pierre.schreuder@rbccm.com

Canaccord Genuity Limited

(Joint Broker)

Rob Collins

Andrew Chubb

Telephone: +44 20 7523 8000

rcollins@canaccordgenuity.com

achubb@canaccordgenuity.com

About Petra Diamonds Limited

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company has a well-diversified portfolio, with interests in eight producing mines: seven in South Africa (Finsch, Cullinan, Koffiefontein, Kimberley Underground, Helam, Sedibeng and Star) and one in Tanzania (Williamson). It also maintains a highly focused 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 its 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'.

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

APPENDIX – MINE BY MINE PRODUCTION TABLES

Cullinan – South Africa

	Unit	Q3 FY 2012	Q3 FY 2011	Nine months to 31 March 2012	Nine months to 31 March 2011
<u>ROM Production</u>					
Tonnes treated	Tonnes	676,301	582,617	1,901,418	1,769,675
Diamonds produced	Carats	213,180	209,038	639,937	649,027
Grade	cpht	31.5	35.9	33.7	36.7
<u>Tailings Production</u>					
Tonnes treated	Tonnes	142,310	170,275	512,654	433,367
Diamonds produced	Carats	9,016	11,617	26,299	39,684
Grade	cpht	6.3	6.8	5.1	9.2
<u>Total Production</u>					
Tonnes treated	Tonnes	818,611	752,892	2,414,072	2,203,042
Diamonds produced	Carats	222,196	220,655	666,236	688,711
<u>Sales</u>					
Diamonds sold	Carats	244,718	211,040	624,612	692,089
Average price per carat	US\$	125	159	127	132
Revenue	US\$M	30.6	33.6	79.3	91.4

Finsch – South Africa

	Unit	Q3 FY 2012	Q3 FY 2011 ¹	Nine months to 31 March 2012	Nine months to 31 March 2011 ¹
<u>ROM Production</u>					
Tonnes treated	Tonnes	710,588	n/a	1,501,303	n/a
Diamonds produced	Carats	262,066	n/a	567,280	n/a
Grade ²	cpht	36.9	n/a	37.8	n/a
<u>Tailings Production</u>					
Tonnes treated	Tonnes	476,378	n/a	1,118,468	n/a
Diamonds produced	Carats	80,985	n/a	190,333	n/a
Grade ²	cpht	17.0	n/a	17.0	n/a
<u>Total Production</u>					
Tonnes treated	Tonnes	1,186,966	n/a	2,619,771	n/a
Diamonds produced	Carats	343,051	n/a	757,613	n/a
<u>Sales</u>					
Diamonds sold	Carats	338,770	n/a	558,178	n/a
Average price per carat	US\$	151	n/a	142	n/a
Revenue	US\$M	51.1	n/a	79.3	n/a

Notes:

- 1. The acquisition of Finsch completed on 14 September 2011 and therefore there are no results prior to this time.*
- 2. Petra continues to apply the bulk sample tailings grade result of 17.0 cpht to back-calculate the ROM grade of 36.9 cpht (as explained in detail in Petra's interim results for H1 FY 2012, dated 28 February 2012).*

Koffiefontein – South Africa

	Unit	Q3 FY 2012	Q3 FY 2011	Nine months to 31 March 2012	Nine months to 31 March 2011
<u>ROM Production</u>					
Tonnes treated	Tonnes	122,991	136,414	408,457	600,266
Diamonds produced	Carats	5,929	4,135	20,292	31,525
Grade	cpht	4.8	3.0	5.0	5.3
<u>Tailings Production</u>					
Tonnes treated	Tonnes	237,249	166,345	711,373	504,939
Diamonds produced	Carats	3,974	2,828	11,148	9,938
Grade	cpht	1.7	1.7	1.6	2.0
<u>Total Production</u>					
Tonnes treated	Tonnes	360,240	302,759	1,119,830	1,105,205
Diamonds produced	Carats	9,903	6,963	31,440	41,462
<u>Sales</u>					
Diamonds sold	Carats	11,657	9,181	26,854	45,850
Average price per carat	US\$	551	556	480	487
Revenue	US\$M	6.4	5.1	12.9	22.3

Kimberley Underground – South Africa

	Unit	Q3 FY 2012	Q3 FY 2011	Nine months to 31 March 2012	Nine months to 31 March 2011
<u>ROM Production¹</u>					
Tonnes treated	Tonnes	100,544	137,447	387,731	313,974
Diamonds produced	Carats	10,903	17,198	45,654	42,186
Grade	cpht	10.8	12.5	11.8	13.4
<u>Sales</u>					
Diamonds sold	Carats	16,387	16,460	42,782	33,730
Average price per carat	US\$	355	318	326	301
Revenue	US\$M	5.8	5.2	13.9	10.2

Note:

1. Petra only produces from ROM (underground) operations at Kimberley Underground

Fissure mines – South Africa

	Unit	Q3 FY 2012	Q3 FY 2011	Nine months to 31 March 2012	Nine months to 31 March 2011
<u>ROM Production</u>					
Tonnes treated	Tonnes	35,240	45,671	127,271	137,152
Diamonds produced	Carats	17,297	21,637	53,371	63,182
Grade	cpht	49.1	47.4	41.9	46.1
<u>Tailings Production</u>					
Tonnes treated	Tonnes	5,988	12,618	5,988	42,504
Diamonds produced	Carats	175	924	175	3,091
Grade	cpht	2.9	7.3	2.9	7.3
<u>Total Production</u>					
Tonnes treated	Tonnes	41,228	58,289	133,259	179,656
Diamonds produced	Carats	17,472	22,561	53,546	66,273
<u>Sales</u>					
Diamonds sold	Carats	15,425	19,225	48,260	60,747
Average price per carat	US\$	263	265	257	215
Revenue	US\$M	4.1	5.1	12.4	13.1

Williamson – Tanzania

	Unit	Q3 FY 2012	Q3 FY 2011 ¹	Nine months to 31 March 2012 ¹	Nine months to 31 March 2011 ¹
<u>ROM Production</u>					
Tonnes treated	Tonnes	255,925	n/a	255,925	n/a
Diamonds produced	Carats	13,559	n/a	13,559	n/a
Grade	cpht	5.3	n/a	5.3	n/a
<u>Alluvial Production</u>					
Tonnes treated	Tonnes	107,432	123 687	167,206	378,335
Diamonds produced	Carats	5,424	8,150	8,011	18,997
Grade	cpht	5.0	6.6	4.8	5.0
<u>Total Production</u>					
Tonnes treated	Tonnes	363,357	123 687	423,131	378,335
Diamonds produced	Carats	18,983	8,150	21,570	18,997
<u>Sales</u>					
Diamonds sold	Carats	-	12,643	5,044	20,643
Average price per carat	US\$	-	255	298	259
Revenue	US\$M	-	3.2	1.5	5.3

Note:

1. *During FY 2011 and H1 FY 2012 there was no production from the main pit at Williamson while the development programme was underway, therefore the results for the comparative periods only represent alluvial and limited tailings production only and do not reflect conditions associated with normal production.*