23 February 2009 **AIM: PDL**

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

Interim results for the six months to 31 December 2008

Focus on cash-generative production

Petra Diamonds Limited, the international diamond mining group, announces its interim results (unaudited) for the six months to 31 December 2008 ("the Period").

Operational and financial highlights

- Gross revenue* from rough diamond sales for the Period: US$47.3 million, a 49% increase on the six months to 31 December 2007: US$31.7 million; Group attributable revenue* from rough diamond sales for the Period: US$33.8 million (31 December 2007: US$31.7 million)
- Gross production of 550,413** carats, a 444% increase on the six months to 31 December 2007: 101,213 carats
- On-mine gross profit: US$10.2 million (2007: US$15.5 million)
- South African mines cash flow positive for the Period; cash mainly applied on Cullinan and Williamson acquisitions, Kimberley Underground development / plant and Angolan exploration (now ended), resulting in cash at bank US$10.5 million (2007: US$59.0 million)
- Total resource base increased to 265 million carats (value US$27.3 billion as at September 2008 Resource Statement)

Current trading

- Acquisition of the Williamson diamond mine in Tanzania completed 19 February 2009 (ownership effective from 10 November 2008)
- Now the operator of six diamond mines in South Africa (5) and Tanzania (1)
- Two exceptional blue diamonds recovered at Cullinan of 39.19 carats (sold for US$8.8 million) and 26.58 carats (in stock)
- Exploration budget cut by US$25 million to focus resources on the development of the cash–positive producing operations
- Withdrawal from both the Alto Cuilo and Luangue projects in Angola (effective end December 2008)
- Sierra Leone – Petra's joint venture partner at Kono has assumed sole funding of the Kono advanced exploration project (effective 1 January 2009)

*In accordance with IFRS, the Group has proportionately consolidated 50% (joint venture interests held 50% Petra, 50% Al Rajhi Holdings W.L.L.) of the results of the Cullinan mine, which after the deduction of 13% in respect of the BEE minority interests gives the 37% attributable to the Group. Gross revenue and gross production is 100% Cullinan, attributable numbers are as noted above.

**including 19,318 carats produced at Williamson from the effective transaction date of 10 November to 31 December 2008. There were no sales of Williamson diamonds during this period.

Johan Dippenaar, Chief Executive Officer, comments:

"The Petra group is built on very strong foundations and a low cost production focus. With our world class production base being enhanced by the addition of the Kimberley Underground and Williamson mines, the decision to exit capital intensive exploration activity was a sound and swift response to the pressures brought on by the global financial environment.

"Petra's world-class asset base and management team positions the business to weather present market circumstances and to benefit strongly when the diamond market recovers."

SUMMARY OF RESULTS (unaudited)

	6 months to 31 December 2008 US$ million		6 months to 31 December 2007 US$ million
Revenue	**33.8**		**32.1**
Rough diamond sales	**33.8**		**31.7**
Polished diamond sales	**-**		**0.4**
Gross profit *	**10.2**		**15.5**
Exploration expenses *	**(13.2)**		**(1.0)**
Administration expenses *	**(3.3)**		**(4.4)**
EBITDA **	**(6.3)**		**10.1**
Depreciation	**(7.0)**		**(3.8)**
Amortisation	**(1.7)**		**(2.0)**
Impairment charge on assets	**(75.2)**		**-**
Share based expense	**(0.4)**		**(0.7)**
Foreign exchange (loss) / gain	**(2.1)**		**5.7**
Net finance income / (expense)	**(1.9)**		**(0.4)**
Profit / (loss) from discontinued operation	**2.1**		**(0.6)**
Tax credit / (charge)	**4.5**		**(0.1)**
Net (loss) / profit for the period ***	**(88.0)**		**8.2**
(Loss) / profit per share US cents ***	**(49.37)**		**2.44**

* stated before depreciation, amortisation of intangibles, interest paid, foreign exchange gains and losses, asset impairment charges and share based payments.

** EBITDA disclosures are "adjusted EBITDA", being stated before share based expense, foreign exchange gains and losses and asset impairment charges.

*** Stated before minority interests (BEE partners Cullinan, Koffiefontein, Sedibeng) of US$2.77 million

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About Petra Diamonds

Petra Diamonds is a rapidly growing diamond mining group, focused on the African continent. A number of recent acquisitions have established Petra Diamonds as one of the world's largest independent diamond groups by resources, with a total resource base of 265 million carats, worth US$27.3 billion (as at September 2008 Resource Statement). The Company's objective is to continue to develop its stature as a leading diamond producer in all of the countries in which it operates.

Petra Diamonds' objective is to bring this world-class resource base to account and to increase its annual production from 200,000 carats in the year to June 2008 to over 1 million carats in the year to June 2009.

In South Africa, Petra Diamonds has five producing mines – Cullinan, Koffiefontein, Helam, Sedibeng and Star - and has also reached agreement to acquire, from De Beers, the Kimberley Underground mines. In Tanzania, Petra has recently acquired a 75% interest in the producing Williamson mine.

Petra Diamonds will only commit to working in countries which are members of the Kimberley Process and shareholders can remain assured that the Company's diamonds will only ever be 100% conflict free.

Petra Diamonds is listed in London under the share code PDL. For further information, please go to Petra's website (which has been significantly revised and updated with effect from 23 February 2009), www.petradiamonds.com

Chairman's Statement

During 2008 we witnessed a severe global financial downturn and we are not alone in facing what can only be described as challenging circumstances, both within the diamond market and the wider capital markets. However, I believe our shareholders can take confidence from the fact that Petra faces these challenges from a position of strength, having laid a base of very firm foundations.

In response to the global weakening of rough diamond prices, Petra has undertaken operational reviews at all of its mines, focusing on operating costs, efficiencies and capital expenditure ("Capex"). Capex plans have been adjusted appropriately and the South African operations are expected to be cash flow positive at current rough diamond prices.

A low-cost culture was developed and instilled over time at Petra, which focuses on tight control of expenditure and maximisation of operational efficiencies. Despite rapid growth, the Petra group has maintained this core ethos, backed up by flat management structures and very low central overheads. We are confident in our assertion that Petra is one of the lowest cost major diamond producers globally.

As the Company has grown, our project focus has rightly shifted to our cash-generative production portfolio, which we believe has the potential to offer the highest and the most immediate returns to our shareholders. In line with this strategic focus, and in order to further effectively manage our cost base in these testing times, the Board chose to dramatically scale down our exploration activity and associated expenditure. This has generated savings for the Group in the region of US$25 million per annum.

Despite the external challenges of this turbulent financial period, Petra has recorded some exceptional achievements. Most notable was the successful and smooth takeover of the Cullinan mine, now our flagship asset, where we have been able to accelerate our production plans. Furthermore, we acquired an interest in another significant producing diamond asset, the world renowned Williamson mine in Tanzania.

Petra has now compiled a world-class asset base, with a production portfolio of global significance. In so doing, we also increased the spread of our mines renowned for the production of 'special' stones, namely large, white and fancy coloured diamonds. Such finds are scarce and tend to hold their value due to their incredible rarity.

FINANCIAL RESULTS

Petra Diamonds is now the operator of six diamond mines, being Cullinan, Koffiefontein and the three fissure mines (Helam, Sedibeng and Star) in South Africa, as well as the Williamson mine in Tanzania. The interim results comprise results from Cullinan (from 16 July 2008), Koffiefontein, the fissure mines and Williamson (from 10 November 2008).

Petra has an effective 37% interest in Cullinan and in accordance with IFRS, the Group has proportionately consolidated 50% (joint venture interests held 50% Petra, 50% Al Rajhi Holdings W.L.L. ("Al Rajhi")) of the results of the Cullinan mine, which after the deduction of 13% in respect of the BEE minority interests gives the 37% attributable to the Group.

As far as Williamson is concerned, there was production of 19,318 carats from the effective transaction date of 10 November to 31 December 2008, but there were no sales of Williamson diamonds (and hence no revenue included) for the Period.

Attributable revenue for the Period of US$33.8 million was recorded, slightly higher than US$31.7 for 2007. Although gross carat production increased substantially by 444% to 550,413 carats (2007: 101,213 carats), the weakening of diamond prices in the last three months of the Period had a major effect on average diamond prices and revenue. Had this adjustment to prices not occurred, Petra would have reported another substantial increase in revenue, and this observation bodes well for when diamond prices recover.

Despite the revenue being so affected by the weakening in diamond prices, sound control of mining costs meant that a gross profit on-mine (before depreciation) of US$10.2 million (2007; US$15.5 million) was achieved, again a notable result given the rough diamond market and again reflecting strongly for the Group's prospects when a recovery in diamond prices takes place.

Adjusted EBITDA of US$6.3 million loss (2007; US$10.1 million profit) was impacted by Petra's decision to take up control and sole funding of the Alto Cuilo and Luangue joint ventures earlier in the year, following BHP Billiton's decision to withdraw. Petra withdrew from both projects effective 31 December 2008 and all cash spend for the period and withdrawal expenses have been fully accrued for in the exploration spend of US$13.2 million.

The Group prides itself in its well managed cost culture, as clearly illustrated in the central administration expenses of US$3.3 million, remarkably low for a Group of Petra's size and asset spread.

As required In accordance with IAS 36 “Impairment of Assets”, the directors have reviewed the carrying value of assets to determine whether their carrying value is higher than recoverable value. Value is estimated by calculating the present value of the future cash flows expected to be derived from the asset. An impairment charge of US$75.2 million has been charged in the Period and is comprised of the following.

Withdrawal from Luangue	US$37.0 million
Withdrawal from Alto Cuilo, write down of interest in Moyoweno	US$6 million
Impairment of Helam mine based on IAS36 review	US$12.9 million
Impairment of Star mine based on IAS36 review	US$10.8 million
Impairment of 51% interest in Kono project	US$ 8.5 million

Luangue – due to the withdrawal from Luangue effective 31 December 2008, the net investment in Luangue of US$37 million has been fully impaired in the Period and there is no residual value in Petra's balance sheet. The investment in Luangue arose due to the acquisition of Frannor Investments Limited (which was the foreign partner in the Luangue concession contract) by Petra in 2007 in a US$60 million all-share transaction, less an amount of US$23 million paid to Petra by BHP Billiton to acquire a 25% interest in Frannor and associated costs. BHP Billiton's interests in Luangue reverted to Petra prior to Petra's withdrawal from Luangue.

Alto Cuilo – Petra had previously acquired a 40% shareholding in Moyoweno, one of the other parties at Alto Cuilo exploration, for a cash consideration of US$6 million. This interest in Moyoweno had increased Petra's interest in the Alto Cuilo kimberlite contract from 36% to 41.2%. Petra withdrew from Alto Cuilo effective 31 December 2008 and has therefore fully impaired the investment in Moyoweno, as it is not expected that there will be any value recovered from Moyoweno's residual interest in Alto Cuilo.

The impairments at Helam and Star follow Petra's announcement in December 2008 that it was undertaking operational reviews due to the weakening of rough diamond prices. Although it has been decided that the mines will not be put onto care and maintenance, but rather operated at lower levels of production, impairment charges still arise under the IAS36 review.

The impairment charge for the Kono project is the 51% interest in that project that Petra held in its balance sheet. Although Petra is optimistic that the project will develop into a successful economic fissure mine, at current diamond prices and given Petra's decision to stop funding from 1 January 2009, the directors consider it more prudent to expense what has to date been capitalised exploration spend. Stellar are now operating and sole funding the project and Petra continues to provide technical support.

The Group loss for the year of US$88.0 million (2007: US$8.2 million profit) is largely due to the impairment charge. The loss is stated after charging;

(i) depreciation of US$7.0 million (2007: US$3.8 million);

(ii) amortisation of intangibles of US$1.7 million (2007: US$2.0 million), which is in respect of the Botswana prospecting licences;

(iii) impairment charges on Luangue, Alto Cuilo, Helam, Star and Kono of US$75.2 million. The impairments are all non-cash;

(iv) share based expenses of US$0.4 million (2007: US$0.7 million);

(v) exchange losses of US$2.1 million (2007: US$5.7 million gain), arising due to the substantial weakening of the rand against the US dollar during the Period; and

(vi) a tax credit of US$4.5 million, being tax payable of US$2.2 million relating to Koffiefontein and Sedibeng, deferred tax credits for Koffiefontein and Sedibeng of US$2.1 million and an additional deferred tax credit due to the impairment of Helam and Star of US$4.6 million.

Cash at bank at the Period end was US$10.5 million (31 December 2007: US$59.0 million; 30 June 2008 US$37.5 million). The lower cash balance was mainly due to Petra's contribution to the consortium funding of the Cullinan acquisition, the purchase of the 75% interest in Williamson, Kimberley Underground development / plant expenditure and cash exploration costs in Angola.

As noted in the operations review below, the costs of bringing underground and plant at Kimberley Underground up to production capability have already been largely paid from Petra's internal cash resources, and the Cullinan consortium remains well funded for ongoing working capital needs. As far as the B-Cut resource expansion is concerned, there are currently five to six years of reserves available without further development and therefore the B-Cut expansion will be phased in over this time period. It will be funded from internal cash resources generated over that time and if necessary topped-up by project finance available within South Africa.

Although debt has increased in Petra's balance sheet, this is largely due to the Petra share of the liability for the $85 million loan to Al Rajhi in respect of the Cullinan acquisition. However, the loan is ring-fenced to Cullinan and only repayable out of the future cash flows from the mine. The original loan made by Al Rajhi in July 2008 was US$95 million, and US$10 million has already been repaid. The Group remains relatively un-geared outside of the Cullinan consortium structure.

DIAMOND MARKET

The diamond market is facing a difficult period due to a number of factors. First and foremost, consumer confidence has naturally been damaged by the developments in the global financial system and equity markets, combined with wider economic uncertainty. There has been a substantial reduction of credit facilities in the diamond pipeline and lack of funds combined with weaker demand has meant that diamantaires and manufacturers are not replacing their inventory at normal levels.

Major diamond producers, such as De Beers and Alrosa, have responded quickly with deep production cuts and it is estimated that as much as 25 million carats could be removed from a global production in the region of 160 million carats a year (source RBC Capital Markets), although in Petra's opinion the number could in fact end up being significantly higher.

It is Petra's view that the unique characteristics of diamonds as a 'commodity' should ensure that the recovery in the market, when it comes, is strong:

- History has shown us the enduring value of diamonds, which have traditionally been the world's most highly concentrated store of wealth. It is therefore not surprising that we are currently noticing a marked trend towards 'investment grade' diamonds, which offer an attractive and easily transportable alternative to investors who are moving away from risk / cash into hard assets.

- The scarcity of diamonds underscores their value. In the last few years, we have experienced a diamond exploration boom, but still there have been no new major discoveries and the diamond world is currently facing approximately 20 years of known significant diamonds reserves left in the ground. We believe demand for diamonds will resume its growth, particularly in emerging markets where new consumers will continue to enter the retail market. Should this pattern continue, diamond demand is set to outstrip supply.

- Diamonds are not simply an economic entity, given the firm and constant place they hold within our emotional lives. Engagement and wedding rings remain the cornerstone of the diamond market, and whilst consumers may downgrade spend, they still desire and buy diamonds to celebrate life's special occasions.

Petra's rough diamond tenders remain very well attended and all parcels offered for sale in the Period have been sold. Stock levels and sales were affected due to the introductions of the State Diamond Trader ('SDT') legislation in South Africa which has added approximately one month to the time taken to get goods to market.

OPERATIONS – SOUTH AFRICA

Cullinan

The Cullinan mine was acquired from De Beers by a Petra-led consortium in July 2008. Handover of operation of the mine to Petra from De Beers went very smoothly and no unforeseen issues were encountered.

The Cullinan mine is one of the world's most celebrated diamond mines, having produced some of the most spectacular diamonds ever seen, including the Cullinan, the largest ever gem diamond at 3,106 carats. It is also renowned as the world's only significant source of very valuable blue diamonds.

Cullinan		**6 months ended 31 December 2008**	**6 months ended 31 December 2007**
Production			
Diamonds produced	Carats	455,597	n/a
Grade	Cpht	41.2	n/a
Sales			
Revenue *	US$M	26.9	n/a
Diamonds sold	Carats	293,831	n/a
Average price per carat	US$	92	n/a

* In accordance with IFRS, the Group has proportionately consolidated 50% (joint venture interests held 50% Petra, 50% Al Rajhi) of the results of the Cullinan mine, which after the deduction of 13% in respect of the BEE minority interests gives the 37% attributable to the Group.

Petra's has, in the short period since taking over operations on 16 July 2008, achieved many wins. An overall cost structure of R220 per tonne was reduced over the Period to just over R180 per tonne. This was achieved by higher tonnage throughputs, reduction in input base costs and other overheads, such as reducing the dependence on third party contractors and streamlining of management and operational structures. Petra is targeting to reduce these costs further, with an ultimate target of R150 to R160 per tonne.

Underground operations are running well and during the reporting period 21 new draw points were established. Planning for mining of the BA West block (traditionally the producer of blues and large D flawless diamonds) is well advanced.

Ore delivery is running ahead of expectations and 455,597 carats were produced for the Period, with 950,000 carats targeted for the financial year to June 2009. Sales for the Period achieved an average value per carat of US$92, a significant improvement on Petra's original expectations for the mine in the region of US$75 per carat.

In addition to the normal run of mine ("ROM") production, two exceptional blue diamonds of 39.19 and 26.58 carats were recovered during the Period. The 39.19 carat stone was sold for US$8.8 million in October 2008 and Petra is currently reviewing options with regards to the route to market for the 26.58 carat stone (which is of better quality and colour than the 39.19 carat stone), which may involve cutting and polishing this spectacular stone. This blue, in accordance with Petra's accounting policies, is recorded in the Company's books at unit production cost, so the upside from the sale of this stone will positively impact results in the six months to 30 June 2009. In addition to blues, the Cullinan mine is also renowned as a source of high quality white diamonds, and we were encouraged to recover two such stones (of 26.54 and 36.17 carats) during the Period, which together sold for US$2.6 million.

Alterations in the optical sorting plant ("OSP") have resulted in the increase of the recovered grade from 29 cpht to a grade in excess of 70 cpht. Other modifications are expected to increase the OSP feed rate significantly further.

Petra is making major changes to the processing of ore at Cullinan, with the emphasis on the recovery of larger, 'special' diamonds. Over the past 25 years, Cullinan has proved a consistent source of large diamonds, with regular recovery each year of stones over 100 carats and, occasionally, over 200 carats in weight. As far as the recovery of these larger stones is concerned, the refurbishment of the large diamond recovery plant at Cullinan is progressing well and it is anticipated that this section of the plant will be operational by September 2009. Petra is also changing plant and crusher settings, introducing x-ray recovery and revising security, with the emphasis on the recovery of these larger, 'special' diamonds.

A key change has been to move away from using grease as the sole recovery technique. Thus far three Flow Sort X-ray diamond recovery machines (of a total 17) have been installed and commissioned. The remaining 14 machines are in various stages of finalisation and will be operational by June 2009. With the installation of these machines, the original grease recovery method will become the back-up recovery method rather than the primary. These changes should further enhance the value of diamonds recovered, including specials.

Closing stock (161,766 carats) was built up from production after the commencement of the last tender cycle for the Period, reflecting the Christmas close down period.

With regards to the C-Cut, a 133 million carat resource lying underneath the existing B-Cut mining operations, preliminary scenarios are being discussed. We are establishing the economic parameters for the project, and no preliminary decisions with regards to time and scale of development, as well as associated Capex, will be considered until diamond prices normalise.

Koffiefontein

Koffiefontein		**6 months ended 31 December 2008**	**6 months ended 31 December 2007**
Production			
Diamonds produced	Carats	37,800	38,456
Grade	Cpht	7.7	8.2
Sales			
Revenue	US$M	10.7	19.2
Diamonds sold	Carats	33,739	46,937
Average price per carat	US$	318	408

In the Period under review, Petra's Koffiefontein mine continued to rank as one of the world's top mines by average value per carat, achieving US$318 (2007: US$408), reflecting the weakening in diamond prices experienced over the last three months of the Period. Two special stones were recovered, the first being a 74 carat white that sold for over US$1 million and the second a four carat pink, which sold for US$226,666.

The decrease in carats sold was due to the release of diamond inventory in the comparable period which had been built up when Petra Diamonds was operating the mine under care and maintenance before the acquisition completed in July 2008.

Petra's core focus on containment of operating costs achieved good results at Koffiefontein, with operating cost per tonne of R118 per tonne.

Underground, all development for the opening of the ore reserve on 48/49 level eastern and western extensions has been completed. The opening of the high grade north western section of the mine on 52 level has progressed well and ore should be available from there by June 2009. In the deepening of the mine for the next cave block, the ramp from 48 to 52 level has been completed and the further deepening to 58 level has commenced. On completion, this project will replace the cave on 48 level when this ore is depleted.

Petra has already made a number of changes within the plant at Koffiefontein and is now in a position to increase plant throughput, enabling the Company to look at options for growing production, such as increasing tonnages from underground or extracting ore from the satellite Ebenheazer pipe. In addition, the tailings plant at Koffiefontein has recently been commissioned and testing of tailings with a view to future potential production has commenced.

Fissure Mines – Helam, Sedibeng and Star

The average value per carat achieved for the Period was US$240, reflecting the Company's decision to refocus attention at the Fissure Mines from volume of carats to optimisation of revenues by effecting improvements to grade and the final recovery. The fissure mines regularly produce diamonds of exceptional quality and during the Period a 126.69 carat diamond sold for US$5.25 million.

Production was lower than the corresponding period to 31 December 2007, primarily due to a strike at the Helam mine, as well as a restructuring programme. This production shortfall has therefore affected carat sales and revenue, although the Helam goods are the least valuable of Petra's production, so the effect is largely mitigated in terms of overall revenues.

Petra advised on 1 December 2008 that it was undertaking operational reviews at the Helam and Star mines, in response to the weakening of rough diamond prices. One of the possible outcomes of the reviews may have been that the mines would be placed on to care and maintenance programmes. Following the reviews, it was decided that mines will not be put onto care and maintenance, but rather operated at lower levels of production. Serious attention was given to cost saving measures at the fissure operations and a significant number of employees availed themselves of voluntary separation packages offered.

Fissure mines		**6 months ended 31 December 2008**	**6 months ended 31 December 2007**
Production			
Diamonds produced	Carats	37,698	62,757
Grade	Cpht	39.7	47.5
Sales			
Revenue	US$M	9.5	12.5
Diamonds sold	Carats	39,398	68,981
Average price per carat	US$	240	182

Kimberley Underground
The Company expects the acquisition of the Kimberley Underground mines to complete within the next two months. Petra has been operating this mine under care and maintenance since September 2007, with ore being stockpiled for processing once the acquisition is finalised and plant construction completed.

Completion of this acquisition has taken longer than anticipated, due to the specifics of the mining right conversions and related matters. However the care and maintenance period is allowing Petra to be fully prepared to ramp up production from the point of completion - as the Company did at Koffiefontein.

The Capex budget for the re-commissioning of the underground operations and construction of new ore treatment plants was US$13.8 million (R131 million). The re-commissioning and construction has been undertaken on budget, with US$8.8 million (R84 million) already paid out of Petra’s cash resources and US$5.0 million (R47 million) remaining to be paid, again to be settled from internal resources.

One of the plants being built for this operation is progressing well and will be commissioned by June 2009, when it will commence treating the stockpiled ore. Petra expects production in excess of 100,000 carats per annum when treatment of the stockpiled ore commences. The plant has been designed to cater for the recovery of large diamonds, which are known to occur at these mines. The largest stone known to have been recovered at these mines was approximately 800 carats.

OPERATIONS – TANZANIA

Williamson
On 9 September 2008 Petra announced that it had entered into an agreement to acquire a 75% interest in Tanzania’s renowned Williamson diamond mine (“Williamson”) for a cash consideration of US$10 million, and on 19 February 2009 Petra announced that the acquisition had completed. The effective date for the acquisition to take effect is 10 November 2008, and Petra has therefore recorded the financial results of the mine for the period from 10 November to end December. The US$10 million consideration was paid out of Petra’s internal cash resources before Period end.

The Williamson acquisition marks Petra's entry into stable and investor-friendly Tanzania, further diversifying the Group's geographical spread across Africa. It is in line with the Group's aim of creating a diamond production portfolio of global significance, complemented by a substantial and valuable resource base. The Williamson mine is a major open-cast resource, which complements Petra's underground pipe mines.

At 146 hectares, Williamson is the largest kimberlite pipe ever to be mined, having been operated continuously as an open pit mine for almost 70 years, and currently has a resource of some 40 million carats. The mine regularly produces large, high quality stones and is a source of rare and extremely valuable fancy pink diamonds.

It is Petra's strategy to initially maintain mining operations at the current volumes and during the first year of operation the Company will focus on establishing the new economics of the mine, including grade, value per carat, cost per tonne and overall production capacity of the infrastructure. In the first 12 months of operation, Petra expects gross production of around 150,000 carats.

Once the new operating parameters have been established, Petra will consider an appropriate expansion programme to capitalise on the economies of scale offered by the large size of the Mwadui deposit. Indications are that the introduction of new technology could increase throughput to around, or even above, 7.5 million tonnes per annum, reducing unit operating costs and resulting in an estimated annual production of some 500,000 carats and a mine life of around 20 years.

As far as the financing of the development and expansion of the mine is concerned, Petra will establish the new economics before finalising capital amounts required and it is anticipated that the expansion will be funded by development agency and bank financing. Should such funding not be forthcoming, then the expansion plans will be revised until the global financial situation improves and debt financing becomes more straightforward to obtain.

EXPLORATION

In the Period under review, the Board carried out a strategic review of the Group's exploration activities, taking into account the global weakness in financial markets, the appropriate risk-weighted allocation of capital across Petra's assets, and the medium term production and revenue growth that can be achieved by investment into the Group's world class production portfolio, as compared with continued spend on early stage exploration.

The results of this review were announced in January 2009 and the decision was made to relinquish Petra's capital intensive exploration projects, mainly being projects Alto Cuilo and Luangue in Angola. The review reduced Petra's annual exploration expenditure by some US$25 million.

The Company's exploration spend is now allocated to our operations in Botswana, which we believe still offers an exceptional basis for exploration in that it ranks highly with regards to diamond prospectivity and very favourably with regards to operating costs and ease of logistical operation.

Petra Diamonds announced at the time of BHP Billiton's withdrawal from the Angolan exploration projects on 1 April 2008 that it would monitor the ongoing exploration results with regards to further investment. Petra decided in December 2008, based on the ongoing exploration results and global weakness in financial markets, to withdraw from the Alto Cuilo project. Care and maintenance is not an option that is permissible under the Angolan contractual conditions, so its interest in Alto Cuilo will now revert to Endiama. Exploration costs related to Alto Cuilo have previously been expensed as incurred.

Shortly after the withdrawal from Alto Cuilo, Petra Diamonds also decided, based on the ongoing exploration results and global weakness in financial markets, to withdraw from the Luangue project (effective end December 2008). As at Alto Cuilo, care and maintenance was unfortunately not an option under the Angolan contractual conditions, so Petra's interest in Luangue will now revert to Endiama.

Botswana – Kalahari Diamonds
As previously announced, Petra Diamonds has reduced the level of exploration activity and commensurate spend for its Kalahari Diamonds operation in Botswana, but the Company will not relinquish any licence areas of interest and remains committed to operations in the country.

The Company's spend in Botswana for the six months to June 2009 is estimated to be US$500,000. Thereafter, Petra has earmarked an annual spend of US$500,000 in Botswana, the Group's only exploration spend going forward.

Petra's exploration programme in Botswana achieved some notable successes during the Period, including the discovery of a new kimberlite (possibly a new kimberlite field), situated approximately 60 kilometres away from any previously known kimberlite and well inside the craton edge. First petrographic reports from the kimberlite samples give a high interest rating relative to diamond potential and the first sample has delivered indicator minerals which indicate that the kimberlite should be diamondiferous. Further work will be carried out on this kimberlite in future work programmes.

Another important development was the discovery of kimberlite BK1S, which is contiguous to Debswana's producing Damtshaa mine. This kimberlite discovery extends northwards into the Debswana mining licence and the portion in Petra's licence areas could represent 20 to 30 percent of the total kimberlite.

Sierra Leone – Kono
In January 2009, Petra announced that its joint venture partner Stellar Diamonds would assume sole funding of the Kono fissure project in Sierra Leone, an advanced exploration project with trial mining underway. The current technical team will remain on the project and Petra will continue to offer technical advice as required.

Petra has until the end of 2009 to elect to refund Stellar for the 51% of the exploration incurred since 1 January 2009, or to alternatively dilute its interest in Kono, depending on the progress achieved at the project during the year.

DISPOSAL OF CALIBRATED DIAMONDS
In September 2008, Petra announced the disposal of its small cutting and polishing business, Calibrated Diamonds Investment Holdings (Pty) Limited to Gem Diamonds Limited for a total cash consideration of R47.0 million (US$5.9 million). This disposal was in line with Petra's strategy of focusing on maximising returns from its world-class production portfolio.

CURRENT TRADING AND OUTLOOK
The Petra Board has moved quickly to control costs and ensure the future prosperity of the Group.

Diamonds are a unique product, which history has shown to quickly recover in value after difficult economic times, and despite the challenges facing the diamond industry we enter 2009 in a relatively strong position. We will maintain our objective to bring our world-class resource base to account and produce over 1 million carats in the full year to June 2009.

The changes we have implemented and introduced at Cullinan, our tight management of costs, our focus on cash generative production and our world-class portfolio of producing diamond mines, positions us well to benefit when the recovery commences.

Adonis Pouroulis
Chairman
23 February 2008

PETRA DIAMONDS LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2008

	Notes	**(Unaudited) 1 July 2008- 31 December 2008 US$**	(Unaudited) 1 July 2007- 31 December 2007 US$	1 July 2007- 30 June 2008 US$
Revenue		**33,819,678**	32,185,814	76,974,897
Cost of Sales		**(27,933,567)**	(19,642,512)	(43,498,407)
Gross profit / (loss)		**5,886,111**	12,543,302	33,476,490
Other income		**-**	-	1,150,513
Exploration expenditure		**(17,606,017)**	(3,552,815)	(14,484,792)
Other operating expenditure before impairment charges	6	**(3,707,381)**	(5,353,350)	(7,097,383)
Impairment charges	5	**(75,274,714)**	-	-
Other operating expenditure		**(78,982,095)**	(5,353,350)	(7,097,383)
Financial income		**2,971,547**	6,965,104	3,081,991
Financial expense		**(7,025,080)**	(1,652,998)	(6,833,796)
Net financing (costs) / income	7	**(4,053,533)**	5,312,106	(3,751,805)
(Loss) / profit before tax		**(94,755,534)**	8,949,243	9,293,023
Income tax credit / (expense)		**4,530,822**	(130,404)	(5,925,821)
(Loss) / profit for the period from continuing operations		**(90,224,712)**	8,818,839	3,367,202
Profit / (loss) on discontinued operations (net of tax)	11	**2,148,198**	(583,510)	(1,388,902)
(Loss) / profit for the period		**(88,076,514)**	8,235,329	1,978,300
Attributable to:				
Equity holders of the parent company		**(90,849,096)**	4,450,693	(7,209,338)
Minority interest		**2,772,582**	3,784,636	9,187,638
		(88,076,514)	8,235,329	1,978,300
(Loss) / profit per share attributable to the equity holders of the parent during the period:				
From continuing operations				
Basic (loss) / profit – US cents	9	**(50.54)**	2.76	(3.17)
Diluted (loss) / profit – US cents		**(50.54)**	(2.69)	(3.17)
From continuing and discontinued operations				
Basic (loss) / profit – US cents	9	**(49.37)**	2.44	(3.93)
Diluted (loss) / profit – US cents		**(49.38)**	(2.37)	(3.93)

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2008

	(Unaudited) 1 July 2008- 31 December 2008 US$	(Unaudited) 1 July 2007- 31 December 2007 US$	1 July 2007- 30 June 2008 US$
Exchange differences on translation of foreign operations	**(29,322,655)**	(960,858)	(3,351,183)
Loss on hedges recognised directly in equity	**138,299**	-	(138,299)
Net income recognised directly in equity	**(29,184,356)**	(960,858)	(3,489,482)
Profit / (loss) for the period	**(88,076,514)**	8,235,329	1,978,300
Total recognised income and expenses for the period	**(117,260,870)**	7,274,471	(1,511,182)
Attributable to:			
Equity holders of the parent company	**(120,033,452)**	3,489,835	(10,698,820)
Minority interest	**2,772,582**	3,784,636	9,187,638
	(117,260,870)	7,274,471	(1,511,182)

PETRA DIAMONDS LIMITED
CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	Notes	**(Unaudited) 31 December 2008 US$**	(Unaudited) 31 December 2007 US$	30 June 2008 US$
ASSETS				
Non-current assets				
Property, plant and equipment	5	**130,210,420**	94,873,353	90,902,372
Intangible assets	5	**2,494,757**	43,157,372	41,781,946
Investment in associate	5	**-**	6,241,671	6,636,292
Available for sale financial assets		**-**	69,905	-
Loans and other receivables		**13,861,852**	157,591	138,177
Defined benefit pension fund surplus		**1,286,424**	-	-
Total non-current assets		**147,853,453**	144,499,892	139,458,787
Current assets				
Inventories		**18,786,767**	11,243,742	11,778,572
Trade and other receivables		**26,330,572**	14,708,962	40,115,305
Derivative financial assets		**-**	1,266,195	-
Cash and cash equivalents		**10,509,333**	58,989,948	37,469,370
Non-current assets classified as held for sale	11	**-**	3,081,586	3,681,868
Total current assets		**55,626,672**	89,290,433	93,045,115
Total assets		**203,480,125**	233,790,325	232,503,902
EQUITY AND LIABILITIES				
Equity				
Share capital		**36,698,062**	36,742,769	36,698,062
Share premium account	8	**228,745,618**	229,024,305	228,745,618
Foreign currency translation reserve	8	**(38,810,692)**	(7,097,712)	(9,488,037)
Hedging reserve	8	**-**	-	(138,299)
Share-based payment reserve	8	**3,508,663**	2,256,205	3,142,465
Other reserves	8	**4,016,968**	4,003,682	4,016,968
Accumulated loss	8	**(200,616,027)**	(98,106,900)	(109,766,931)
Attributable to equity holders of the parent company		**33,542,592**	166,822,349	153,209,846
Minority interest		**10,269,186**	3,784,636	9,187,638
Total equity		**43,811,778**	170,606,985	162,397,484
Liabilities				
Non-current liabilities				
Loans and borrowings		**45,140,776**	2,548,588	1,859,679
Trade and other payables		**13,372,498**	3,377,585	4,898,336
Provisions		**27,991,848**	14,198,526	12,140,783
Deferred tax liabilities		**5,360,369**	9,289,370	13,041,589
Total non-current liabilities		**91,865,491**	29,414,069	31,940,387
Current liabilities				
Loans and borrowings		**30,324,779**	19,330,482	19,854,722
Trade and other payables		**23,947,034**	10,303,817	12,564,790
Derivative financial liabilities		**2,234,851**	-	138,299
Current tax payable		**2,144,417**	-	1,420,783
Liabilities directly associated with non-current assets classified as held	11	**-**	2,038,329	81,646

for sale			
Provisions	**9,151,775**	2,096,643	4,105,791
Total current liabilities	**67,802,856**	33,769,271	38,166,031
Total liabilities	**159,668,347**	63,183,340	70,106,418
Total equity and liabilities	**203,480,125**	233,790,325	232,503,902

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2008

	Notes	**(Unaudited) 1 July 2008 - 31 December 2008 US$**	(Unaudited) 1 July 2007- 31 December 2007 US$	1 July 2007 - 30 June 2008 US$
Profit / (loss) before taxation for the period from continuing and discontinued operations		**(92,607,336)**	8,365,733	7,904,121
Depreciation of property plant and equipment - exploration		**2,669,925**	567,533	1,159,072
Depreciation of property plant and equipment - mining		**4,375,001**	3,168,364	5,772,464
Depreciation of property plant and equipment - other		**28,983**	57,330	142,017
Amortisation of intangible assets		**1,682,096**	1,982,627	3,803,634
Impairment charge on assets	5	**75,274,714**	-	96,593
(Profit) / loss on sale of subsidiary		**(7,993)**	-	-
(Profit) / loss on sale of property plant and equipment		**(2,312,024)**	2,999	3,047
Finance income		**(1,947,683)**	(1,238,350)	(2,484,965)
Finance expense		**3,538,308**	938,540	2,239,386
Present value adjustment on rehabilitation provision		**46,068**	86,770	133,277
Share based payment provision		**366,198**	729,205	1,629,783
Foreign exchange (gain) / loss		**1,852,421**	(4,351,260)	4,594,410
Operating profit / (loss) before working capital changes		**(7,041,322)**	10,309,491	24,992,839
(Increase) / decrease in trade and other receivables		**18,020,665**	(1,152,149)	(25,292,582)
Increase / (decrease) in trade and other payables		**4,348,271**	2,372,171	4,810,330
(Increase) in inventories		**599,802**	(2,912,549)	(2,878,040)
Cash generated from / (utilised) in operations		**15,927,416**	8,616,964	1,632,547
Interest paid		**(3,538,308)**	(938,540)	(862,335)
Taxation paid		**(1,420,783)**	-	-
Net cash generated from / (utilised) by operating activities		**10,968,325**	7,678,424	770,212
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**3,788,541**	-	919,655
Proceeds from sale of intangibles		**-**	22,354,768	22,354,768
Disposal of subsidiary net of cash disposed		**1,436,099**	-	-
Acquisition of subsidiary net of cash acquired		**(8,958,000)**	-	-
Finance income		**1,947,683**	1,238,350	2,484,965
Increase in long term receivables		**(13,723,675)**	-	-
Acquisition of investment in associate		**-**	(3,000,000)	(6,636,292)
Acquisition of property, plant and equipment		**(71,162,210)**	(3,876,701)	(16,664,852)
Development expenditure		**(2,117,500)**	(1,939,261)	(4,211,646)
Net cash from investing activities		**(88,789,062)**	14,777,156	(1,753,402)
Cash flows from financing activities				
Net proceeds from the issue of share capital		**-**	2,788,633	2,966,654
(Decrease) / increase in short-term borrowings		**(7,651,343)**	(7,855,968)	416,466
Increase / (decrease) in long-term borrowings		**58,237,400**	(2,431,324)	(9,197,589)
Net cash (utilised) / generated from financing activities		**50,586,057**	(7,498,659)	(5,814,469)
Net increase in cash and cash equivalents		**(27,234,680)**	14,956,921	(6,797,659)
Cash and cash equivalents at beginning of the period		**37,469,370**	44,124,829	44,124,829
Effect of exchange rate fluctuations on cash held		**274,643**	(91,802)	142,200
Cash and cash equivalents at end of the period		**10,509,333**	58,989,948	37,469,370

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

The interim results, which are unaudited, have been prepared in accordance with the requirements of International Accounting Standard 34. This condensed interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed report is to be read in conjunction with the Annual Report for the year ended 30 June 2008 and any public announcements made by the Group during the interim reporting period.

The unaudited condensed interim financial statements for the six months ended 31 December 2008 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 2009, 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 2008.

The financial information for the year ended 30 June 2008 has been extracted from the statutory accounts for that period. The auditors' report for the year ended 30 June 2008 was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

The financial information for the 6 months ended 31 December 2007 has been extracted from the interim results released to 31 December 2007 and has been re-presented to show separately the results of operations which have been classified as discontinued in the current period.

2. DIVIDENDS

No dividends were proposed or paid during the period.

3. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. 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 period 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.

Business and Geographical segments

The Group comprises the following business segments:

Mining – the extraction and sale of rough diamonds from mining operations in South Africa and Tanzania.

Exploration – exploration activities in Angola, Botswana, Sierra Leone and South Africa. As of 31 December 2008, the exploration segment comprise mainly of assets and liabilities applicable to the Group and administration functions within the organisation.

Beneficiation - cutting and polishing of rough diamonds.

Business segments	Mining	Exploration	Beneficiation	Inter-segment	Consolidated
(six month period ended 31 December 2008)	1 July 2008 - 31 December 2008 US$	1 July 2008 - 31 December 2008 US$	1 July 2008 - 31 December 2008 US$		1 July 2008 - 31 December 2008 US$
Revenue	33,683,192	136,486	975,893	(975,893)	33,819,678
Segment result	5,749,625	(4,244,518)	-	-	1,505,107
Operating profit / (loss)	2,567,472	(15,879,758)	(402,557)	(2,200,298)	(15,915,141)
Impairments	(23,694,900)	(51,579,814)	-	-	(75,274,714)
Profit on sale of assets	85,297	-	2,530,800	-	2,616,097
Financial income	4,183,299	1,602,286	1,087	(2,814,038)	2,972,634
Financial expense	(10,640,243)	3,071,575	18,868	543,588	(7,006,212)
Income tax credit / (expense)	4,530,822	-	-	-	4,530,822
Minority interest	(2,772,582)	-	-	-	(2,772,582)
Profit / (loss) for the period	(25,740,835)	(62,785,711)	2,148,198	(4,470,748)	(90,849,096)
Segment assets	182,925,474	20,554,651	-	-	203,480,125
Segment liabilities	123,112,844	36,555,503	-	-	159,668,347

Geographical segments	Angola	Botswana	Sierra Leone	South Africa	Tanzania	Jersey	Consolidated
	1 July 2008 - 31 December 2008 US$	1 July 2008 - 31 December 2008 US$	1 July 2008 - 31 December 2008 US$	1 July 2008 - 31 December 2008 US$	1 July 2008 - 31 December 2008 US$	1 July 2008 - 31 December 2008 US$	1 July 2008 - 31 December 2008 US$
Revenue	-	-	136,486	33,683,192	-	-	33,819,678
Segment assets	2,585,526	2,761,357	1,157,580	152,424,741	25,942,600	18,608,321	203,480,125
Segment liabilities	4,253,642	43,026	-	101,649,668	20,666,388	33,055,623	159,668,347
Capital expenditure	-	37,997	2,117,500	71,124,213	-	-	73,279,710

Business segments	Mining	Exploration	Beneficiation	Consolidated
(six month period ended 31 December 2007)	1 July 2007 - 31 December 2007 US$	1 July 2007 - 31 December 2007 US$	1 July 2007 - 31 December 2007 US$	1 July 2007 - 31 December 2007 US$
Revenue	31,668,533	-	517,281	32,185,814
Segment result	16,147,606	(3,617,687)	13,383	12,543,302
Operating profit / (loss)	11,034,490	(7,409,925)	(570,957)	3,053,608
Impairments	-	-	-	-
Financial income	1,919,537	5,058,139	(12,507)	6,965,169
Financial expense	(396,759)	(1,256,239)	(46)	(1,653,044)
Income tax expense	(130,404)	-	-	(130,404)
Minority interest	(3,784,636)	-	-	(3,784,636)
Profit / (loss) for the period	8,642,228	(3,608,025)	(583,510)	4,450,693
Segment assets	99,475,679	130,541,539	3,773,107	233,790,325
Segment liabilities	34,994,805	25,671,846	2,516,689	63,183,340

Geographical segments	Angola	Botswana	Sierra Leone	South Africa	Tanzania	Jersey	Consolidated
	1 July 2007 - 31 December 2007 US$	1 July 2007 - 31 December 2007 US$	1 July 2007 - 31 December 2007 US$	1 July 2007 - 31 December 2007 US$	1 July 2008 - 31 December 2007 US$	1 July 2007 - 31 December 2007 US$	1 July 2007 - 31 December 2007 US$
Revenue	-	-	-	32,185,814	-	-	32,185,814
Segment assets	43,422,262	7,641,074	10,360,225	115,422,720	-	56,944,044	233,790,325
Segment liabilities	-	43,332	3,754,736	37,689,647	-	21,695,625	63,183,340
Capital expenditure	-	101,976	1,939,261	3,774,725	-	-	5,815,962

Business segments	Mining	Exploration	Beneficiation	Inter-segment	Consolidated
(full year ended 30 June 2008)	2008 US$	2008 US$	2008 US$	2008 US$	2008 US$
Revenue from external customers	77,295,691	-	827,039	(1,147,833)	76,974,897
Segment result	37,199,561	(5,010,511)	(188,579)	(1,817,805)	30,182,666
Operating profit/(loss)	28,727,290	(14,113,915)	(1,292,899)	(1,664,550)	11,655,926
Impairments	-	-	-	-	-
Financial income	752,464	2,407,773	12,534	(90,780)	3,081,991
Financial expense	(812,956)	(5,912,303)	(108,537)	-	(6,833,796)
Income tax	(5,925,821)	-	-	-	(5,925,821)
Minority interest	(9,187,638)	-	-	-	(9,187,638)
Profit / (loss) for year	13,553,339	(17,618,445)	(1,388,902)	(1,755,330)	(7,209,338)
Segment assets	95,818,569	132,552,544	4,132,789	-	232,503,902
Segment liabilities	54,144,288	15,880,484	81,646	-	70,106,418

Geographical segments	Angola	Botswana	South Africa	Sierra Leone	Tanzania	Jersey	Consolidated
	2008 US$	2008 US$	2008 US$	2008 US$	2008 US$	2008 US$	2008 US$
Revenue from external customers	-	-	76,974,897	-	-	-	76,974,897
Segment assets	46,006,982	5,085,096	117,915,289	13,450,364	-	50,046,171	232,503,902
Segment liabilities	1,570,231	114,656	42,239,954	5,172,288	-	21,009,289	70,106,418
Capital expenditure	-	103,449	16,561,403	4,211,646	-	-	20,876,498

The results from beneficiation activities represent those activities disclosed under discontinued operations as disclosed in Note 11.

The Group commenced activities in Tanzania effective 10 November 2008 on the acquisition of Willcroft Company Limited. Therefore there are no comparative numbers for the period ending 31 December 2007 and the year ended 30 June 2008.

4. ACQUISITIONS

4 (a) Investment in Cullinan Diamond Mine ("Cullinan")

On 15 July 2008 Petra Diamonds Limited, as a member of the Petra Diamonds Cullinan Consortium ('PDCC'), acquired Cullinan for a consideration of ZAR1 billion (US$125 million), from De Beers Consolidated Mines Limited ("De Beers"). The members of PDCC are Petra Diamonds Limited (37% interest), Al Rajhi Holdings W.L.L (37% interest) and PDCC's Black Economic Empowerment partners (26% interest). Petra's share of the consideration was R370 million (US$46.2 million) for an effective stake in Cullinan of 37%.

Effect of the acquisition

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

Cullinan Diamond Mine net assets at acquisition date:	**Book Values**	**Fair Value Adjustments**	**Fair Values**
	US$	US$	US$
Fair value of net assets of entity acquired			
Mining property, plant & equipment	119,886,470	12,165,393	132,051,863
Land	3,247,650	-	3,247,650
Mineral properties	-	6,250,000	6,250,000
Trade and other receivables	9,630	-	9,630
Inventory	1,417,993	-	1,417,993
Defined benefit pension surplus	2,449,260	-	2,449,260
Deferred tax	-	(685,793)	(685,793)
Environmental liabilities	(13,789,405)	-	(13,789,405)
Employee related payables	(3,902,661)	-	(3,902,661)
Trade and other payables	(2,048,537)	-	(2,048,537)
Consideration amount satisfied in cash			125,000,000
Petra on acquisition share of net assets acquired (37%)			46,250,000

The fair value adjustment of US$17,729,600 arose as a result of the premium attributable to the mining property, plant and equipment and mineral properties (grossed up for deferred taxation) purchased from De Beers. The Group has a 50% interest in and jointly controls Cullinan Investment Holdings Limited ('CIHL'). CIHL has a 74% interest in and controls the Cullinan operations; CIHL consolidates the Cullinan operations within its books and reflects a 26% minority interest. The Group has used the gross method of proportional consolidation and therefore reflects 50% of the Cullinan operating results, assets, and liabilities and a 13% minority interest. The net interest attributable to the Group is 37%, as stated above.

4 (b) Acquisition of interest in associate Organizações Moyoweno – Comércio Geral, Lda.

In August 2007 the Company acquired a 40% equity interest in Organizações Moyoweno – Comércio Geral, Lda.("Moyoweno"), an Angolan registered company, for US$6 million. Moyoweno's sole asset is a 13% interest in the Alto Cuilo kimberlite exploration contract. Subsequent to the acquisition and the Group's decision to withdraw from its exploration projects in Angola, the interest in Moyoweno has been impaired in the Group's balance sheet to US$ nil.

4 (c) Acquisition of subsidiary Petra Diamonds Alto Cuilo Limited

On 13 May 2008 Petra announced the transfer of BHP Billiton's 75% interest in the Alto Cuilo Joint Venture to Petra, with the Company taking control of the project with effect from 1 April 2008. The consideration price of US$1 was paid for the acquisition of BHP Billiton's 75% interest in the Alto Cuilo Joint Venture; no value was assigned to the assets acquired due to the Groups decision to withdraw from its exploration projects in Angola.

On 19 December 2008, Petra announced that based on the results achieved and the global weakness in financial markets that it had decided to withdraw from the Alto Cuilo project (effective end December 2008). Care and maintenance is not an option that is permissible under the Angolan contractual conditions, so Petra has therefore decided that it shall withdraw completely and its interest in Alto Cuilo will now revert (at no cost) to Endiama.

4 (d) Acquisition of minority interest Frannor Investments and Finance Limited

On 13 May 2008 Petra announced the transfer of BHP Billiton's 25% interest in the Luangue Joint Venture to Petra, with the Company assuming the exploration funding obligations of the project with effect from 1 May 2008. The consideration price of US$1 was paid for the acquisition of BHP Billiton's 25% interest in the Luangue Joint Venture; no value was assigned to the assets acquired due to the Groups decision to withdraw from its exploration projects in Angola. Similar to the Alto Cuilo project, Petra announced at the time of BHP Billiton's withdrawal that it would monitor the ongoing exploration results with regards to further investment.

On 2 February 2009 Petra announced that it had decided based on the ongoing exploration results and global weakness in financial markets, to withdraw from the Luangue project (effective end December 2008). As with Alto Cuilo, care and maintenance was not an option permissible under the Angolan contractual conditions, so Petra's interest in Luangue will revert to Endiama.

4 (e) Acquisition of subsidiary Williamson Diamond Mine ("Williamson")

On 10 November 2008 Petra acquired the entire share capital of Willcroft Company Limited ("Willcroft") from Cheviot Holdings ("Cheviot"), a wholly owned subsidiary of De Beers Societe Anonyme ("De Beers") for a cash consideration of US$10 million. The total cash consideration of US$10 million was funded entirely from Petra's internal cash resources.

Willcroft owns 75% of Williamson Diamonds Limited, the sole owner and operator of the Williamson mine, while the Government of the United Republic of Tanzania owns the remaining 25%. The results of Willcroft are consolidated in to the Group accounts. The Group reflects within its accounts 100% of the Williamson Diamonds Limited operating results, assets and liabilities and a 25% minority interest in attributable profits where applicable. In the 2 months to 31 December 2008, Williamson made a loss of $1,741,788. If the acquisition had occurred on 1 July 2008, the Group's loss for the period ending 31 December 2008 would have increased by US$5,801,000.

Effect of the acquisition

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

Williamson Diamond Mine net assets at acquisition date:	**Book Values**	**Fair Value Adjustments**	**Carrying Values**
	US$	US$	US$
Fair value of net assets of entity acquired			
Mining property, plant & equipment	12,622,000	-	12,622,000
Mineral properties	21,000	6,502,600	6,523,600
Trade and other receivables	4,841,000	-	4,841,000
Inventory	6,899,000	-	6,899,000
Cash assets	1,042,000	-	1,042,000
Deferred tax	-	(1,500,600)	(1,500,600)
Environmental liabilities	(12,105,000)	-	(12,105,000)
Trade and other payables	(106,314,000)	97,992,000	(8,322,000)
Consideration amount satisfied in cash			10,000,000

The fair value adjustment of US$6,502,600 to mineral properties arose as a result of the premium attributable to the mineral properties purchased (grossed up for deferred taxation) from De Beers. The fair value adjustment of US$97,992,000 arose as a result of inter-group loans acquired from Cheviot on acquisition of Willcroft for which there is no future external liability. The allocation of the premium to mineral properties is deemed to be provisional.

4(f) Acquisition of Kimberley Underground Mines assets

On 14 September 2007, the Company entered into a conditional agreement with De Beers Consolidated Mines Limited ('De Beers') to acquire the mining and associated assets previously used by De Beers in the operation of the Kimberley Underground diamond mines ('Kimberley Underground'), which are situated near Kimberley, South Africa.

The consideration payable is R78.5 million (US$8.3 million). The consideration is to be settled by Petra assuming De Beers' rehabilitation obligations with regards to Kimberley Underground of R63.5 million (US$6.3 million), and the payment in cash by Petra to De Beers of R15 million (US$1.6 million). An extension letter to 30 June 2009 has been signed by the Company and De Beers to allow additional time to satisfy the conditions precedent within the agreement.

The acquisition is not reflected in the financial statements as at 31 December 2008 as the agreement is conditional upon the following:

(i) the DME converting the old order mining right in respect of Kimberley Underground held by De Beers into a new order mining right;

(ii) the amendment of the new order mining right to subdivide the Kimberley Underground mines from other rights to be retained by De Beers;

(iii) DME consenting to the cession to Petra of the new order mining right in respect of Kimberley Underground;

(iv) the DME consenting to the cession, transfer and delegation of the rehabilitation obligations and liabilities in respect of Kimberley Underground from De Beers to Petra;

(v) other related sale assets being sub-divided as required, and all regulatory approvals or consents being obtained in that regard;

(vi) issue of appropriate guarantees to De Beers; and

(vii) all other regulatory approvals as may be required.

Fair values of the assets and liabilities have not been disclosed as the agreement has not yet been completed. For the six months ending 31 December 2008, care and maintenance costs of US$322,720 and capital expenditure of US$914,470 have been incurred. De Beers have confirmed their on-going commitment to the sale of Kimberley Underground assets.

5. IMPAIRMENT OF INVESTMENTS AND OPERATIONAL ASSETS

In accordance with IAS 36 “Impairment of 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 cash flows expected to be derived from the asset. Fair value less costs to sell is based on the most reliable information available (market statistics, recent transactions, etc.) The discounted cash flow basis has been used to calculate a value in use for the mining operations.

When determining recoverable values of investments and property, plant and equipment, assumptions and estimates are made, based primarily on market outlooks, obsolescence and sale or liquidation disposal values. Any change in these assumptions can have a significant effect on the recoverable amount and could lead to a revision of recorded impairment losses. Impairment losses of US$75,274,714 have been recorded in 2008, (2007: US$ nil).

Investment impaired	**Asset class**	**Book Value**	**Impairment adjustment**	**Carrying Value**
40% equity interest in Moyoweno – Angolan registered company with a 13% interest in the Alto Cuilo kimberlite exploration contract	Investment	US$6,000,000	US$6,000,000	US$-
39% equity interest in the Project Luangue kimberlite exploration project	Intangible asset-prospecting licence	US$37,041,906	US$37,041,906	US$-
Kono project (Sierra Leone)	Property, Plant & Equipment	US$8,537,908	US$8,537,908	US$-
Helam Mining (Pty) Limited (Note1)	Property, Plant & Equipment	US$22.525,298	US$12,906,362	US$9,618,936*
	Mineral Properties		US$6,275,966	
	UG Development		US$3,802,773	
	Buildings		US$216,495	
	Mining P,P&E		US$2,611,128	
Star Diamonds (Pty) Limited (Note1)	Property, Plant & Equipment	US$14,919,756	US$10,788,538	US$4,131,218
	Mineral Properties		US$5,140,275	
	UG Development		US$3,101,718	
	Buildings		US$1,147,520	
	Mining P,P&E		US$1,399,025	

Total	US$75,274,714

Note 1 – the mining operations recoverable amount estimated on a discounted cash flow basis at a discount rate of 12% and cost escalation based on the current South African inflation rate.

* The Group's project division is housed in Helam Mining (Pty) Limited. Included in the carrying value of US$9,618,936 is Group project related work in progress of US$4,965,715. Had these amounts not been included, Helam's carrying value would be US$4,653,220.

The net movement in property, plant and equipment in the period is US$39.3m. This is primarily as a result of increases in property, plant and equipment from capital expenditure of US$6.5m, assets purchased on the acquisition of Cullinan of US$69.2m, assets purchased on the acquisition of Williamson of US$19.1m, which are offset by the impairments set out above of US$32.2m, depreciation of US$7.1m and assets of US$6m in respect of the Kono Project which were offset against a liability to the minority interest holders following Petra's decision to cease funding on the project.

	1 July 2008 - 31 December 2008 US$	1 July 2007 - 31 December 2007 US$	1 July 2007 - 30 June 2008 US$
6. OTHER OPERATING EXPENDITURE			
Auditors' remuneration			
- audit services	**334,672**	289,460	315,325
- other services	**-**	-	5,002
Depreciation of property, plant and equipment	**28,893**	57,330	142,017
Operating lease rentals - buildings	**83,699**	61,490	127,225
Staff costs	**1,059,718**	1,819,556	2,847,418
Bid and project expenditure	**66,582**	133,013	5,232
Loss / (profit) on disposal of property, plant and equipment	**251,518**	2,999	3,047
(Profit) on disposal of subsidiary	**(7,993)**	-	-
Administration expenses - mining operations	**-**	1,512,698	-
Write-off of investment held for sale	**-**	-	96,593
Care and maintenance	**322,720**	591,098	413,300
Other charges	**1,201,374**	156,501	1,512,441
Share-based payments			
- directors	**359,695**	347,660	772,196
- senior management	**6,503**	381,545	857,587
	3,707,381	5,353,350	7,097,383

	1 July 2008 - 31 December 2008 US$	1 July 2007 - 31 December 2007 US$	1 July 2007 - 30 June 2008 US$
7. NET FINANCING INCOME/(COSTS)			
On bank loans and overdrafts	**(272,156)**	(938,494)	(861,563)
Other debt finance costs	**(3,756,176)**	(714,504)	(1,377,823)
Expected costs on pension plan liabilities	**(509,583)**	-	-
Realised foreign exchange losses on the settlement of forward exchange contracts	**(252,314)**	-	-
Unrealised foreign exchange losses on forward exchange contracts	**(2,234,851)**	-	-

Unrealised foreign exchange losses	**-**	-	(4,594,410)
Financial expense	**(7,025,080)**	(1,652,998)	(6,833,796)
Realised foreign exchange gains on the settlement of forward exchange contracts	**-**	1,375,559	597,026
Unrealised foreign exchange gains on forward exchange contracts	**-**	1,266,195	-
Other unrealised foreign exchange gains	**382,430**	3,085,065	-
Expected return on pension plan assets	**641,434**	-	-
Interest received on loans and other receivables	**1,450,437**	1,238,285	52,561
Interest received bank deposits	**497,246**	-	2,432,404
Financial income	**2,971,547**	6,965,104	3,081,991
	(4,053,533)	5,312,106	(3,751,805)

8. RESERVES

	Share capital	Share premium account	Foreign currency translation reserve	Hedging reserve*	Share-based payment reserve	Other reserves	Accumulated loss	Total	Minority Interest	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
6 Month period ending 31 December 2007:										
At 1 July 2007	36,360,403	227,366,888	(6,136,854)	-	1,527,000	4,003,682	(102,557,593)	160,563,526	-	160,563,526
Exchange differences recognised directly in equity	-	-	(960,858)	-	-	-	-	(960,858)	-	(960,858)
Net income recognised directly in equity	-	-	(960,858)	-	-	-	-	(960,858)	-	(960,858)
Profit for the period	-	-	-	-	-	-	4,450,693	4,450,693	3,784,636	8,235,329
Total recognised income and expense for the period	-	-	(960,858)	-	-	-	4,450,693	3,489,835	3,784,636	7,274,471
Equity settled share based payments	-	-	-	-	729,205	-	-	729,205	-	729,205
Exchange differences	-	(748,850)	-	-				(748,850)	-	(748,850)
Allotments during the period	382,366	-	-	-	-	-	-	382,366	-	382,366
Premium allotments during the year	-	2,406,267	-	-	-	-	-	2,406,267	-	2,406,267
At 31 December 2007	36,742,769	229,024,305	(7,097,712)	-	2,256,205	4,003,682	(98,106,900)	166,822,349	3,784,636	170,606,985

8. RESERVES

	Share capital	Share premium account	Foreign currency translation reserve	Hedging reserve*	Share-based payment reserve	Other reserves	Accumulated loss	Total	Minority Interest	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
6 Month period ending 31 December 2008:										
At 1 July 2008	36,698,062	228,745,618	(9,488,037)	(138,299)	3,142,465	4,016,968	(109,766,931)	153,209,846	9,187,638	162,397,484
Exchange differences recognised directly in equity	-	-	(29,322,655)	138,299	-	-	-	(29,184,356)	-	(29,184,356)
Net income recognised directly in equity	-	-	(29,322,655)	138,299	-	-	-	(29,184,356)	-	(29,184,356)
Loss for the period	-	-	-	-	-	-	(90,849,096)	(90,849,096)	2,772,582	(88,076,514)
Minority share of dividend paid by subsidiary	-	-	-	-	-	-	-	-	(1,691,034)	(1,691,034)
Total recognised income and expense for the period	-	-	(29,322,655)	138,299	-	-	(90,849,096)	(120,033,452)	1,081,548	(119,707,616)
Equity settled share based payments	-	-	-	-	366,198	-	-	366,198	-	366,198
At 31 December 2008	36,698,062	228,745,618	(38,810,692)	-	3,508,663	4,016,968	(200,616,027)	33,542,592	10,269,186	43,811,778

***The unrealised foreign exchange gains or losses on hedging instruments have been taken directly to the income statement as disclosed in Note 10.

9. EARNINGS PER SHARE

	Continuing operations 31 December 2008 US$	**Discontinued operations 31 December 2008 US$**	**Total 31 December 2008 US$**	Continuing operations 31 December 2007 US$	Discontinued operations 31 December 2007 US$	Total 31 December 2007 US$
Numerator						
(Loss) / Profit for the year	**(92,997,294)**	**2,148,198**	**(90,849,096)**	5,034,203	(583,510)	4,450,693
Denominator						
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS						
As at 1 July	**184,005,523**	**184,005,523**	**184,005,523**	181,448,191	181,448,191	181,448,191
Effect of shares issued during the period	**-**	**-**	**-**	1,236,393	1,236,393	1,236,393
As at 31 December	**184,005,523**	**184,005,523**	**184,005,523**	182,684,584	182,684,584	182,684,584
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	**-**	**1,348,766**	**-**	5,389,257	-	-
Weighted average number of ordinary shares in issue used in diluted EPS	**184,005,523**	**185,354,289**	**184,005,523**	188,073,841	182,684,584	182,684,584
	US cents	**US cents**	**US cents**	US cents	US cents	US cents
Basic (loss) / profit per share – cents	**(50.54)**	**1.17**	**(49.37)**	2.76	(0.32)	2.44
Diluted (loss) / profit per share - cents	**(50.54)**	**1.16**	**(49.38)**	2.69	(0.32)	2.37

The number of potentially dilutive ordinary shares in respect of employee share options and warrants is 20,418,370. These potentially dilutive ordinary shares may have a dilutionary effect on future earnings per share.

10. HEDGING INSTRUMENTS

From time to time the Group may acquire forward contracts to fix the exchange rate on future transactions. As set out in the accounting policy in the financial statements for the year ending 30 June 2008, where these forward contracts qualify for hedge accounting the unrealised gain or loss is taken to reserves and corresponding asset or liability is included on the balance sheet.

Where a hedge does not qualify for hedge accounting at inception or no longer qualifies for hedge accounting due to the hedged transaction having occurred, the unrealised gain or loss is taken to the income statement and corresponding asset or liability is included on the balance sheet until such time as the hedge is settled. During the period such unrealised foreign exchange losses on forward contracts of US$2,234,851 (31 December 2007: unrealised gain US$1,266,195) were debited to the income statement within net finance expenses. A corresponding liability is included within derivative financial liabilities.

11. DISCONTINUED OPERATION

Calibrated Diamonds Investment Holdings (Pty) Limited ("CDIH")

On 22 September 2008, the Group disposed of the entire ordinary share capital of CDIH together with associated assets for a total cash consideration of R47.0 million (US$5.9 million). On initial reclassification of the operation as held for sale in the results for the year ended 30 June 2008, the Group did not recognise any impairment losses. The results of the discontinued operation included in the income statement and the cash flows from discontinued operations included in the statement of cash flows are set out below.

CDIH net assets at:	**As at 22 September 2008**	**31 December 2007**	**30 June 2008**
	US$	US$	US$
a) Net assets :			
Property, plant and equipment	14,767	246,360	158,160
Trade and other receivables	23,136	721,196	1,002,038
Inventories	178,022	2,294,155	2,546,151
Other financial assets	-	387,926	339,928
Cash	42,626	123,470	86,512
Intangible assets	3,183,780	3,183,780	3,183,780
Net loans from group companies	-	(2,589,001)	(5,996,775)
Trade and other payables	(154,309)	(2,038,329)	(81,646)
Net assets disposed	3,288,022	2,329,557	1,238,148
	US$	US$	US$
b) Result of discontinued operation:			
Revenue	975,893	530,664	827,039
Cost of sales	(975,893)	(517,281)	(921,406)
Gross profit / (loss)	-	13,383	(94,367)
Expenses other than finance costs	(402,557)	(584,340)	(1,198,532)
Profit on sale of assets	2,530,800	-	-
Finance income	20,453	65	12,534
Finance costs	(498)	(12,618)	(108,537)
Tax expense	-	-	-
Profit / (loss) for the year	2,148,198	(583,510)	(1,388,902)
Attributable to:			
- Equity holders of the parent	2,148,198	(583,510)	(1,388,902)
- Minority interest	-	-	-
	2,148,198	(583,510)	(1,388,902)

Basic profit / (loss) per share (US cents)	1.17	(0.32)	(0.76)
Dilutive profit / (loss) per share (US cents)	1.16	(0.32)	(0.76)

c) Post-tax profit / (loss) on disposal of discontinued operation	**As at 22 September 2008 US$**
Consideration received on disposal	1,478,726
Less: transaction costs	(563,590)
Less: Net assets disposed	(3,288,022)
Less: Foreign currency translation recycled on disposal	1,671,162
Pre-tax profit on disposal of discontinued operation	(701,724)
Deferred taxation recycled	709,717
Post-tax profit on disposal of discontinued operation	7,993

d) The cash flow statement includes the following amounts relating to discontinued operations:	**As at 22 September 2008**	**31 December 2007**	**30 June 2008**
	US$	US$	US$
Operating activities	(416,845)	(564,107)	(5,045,233)
Investing activities	1,087	65	12,534
Financing activities	2,545,486	27,465	4,638,212
Net cash from /(used in) discontinued operations	2,129,728	(536,577)	(394,487)