28 February 2007

Petra Diamonds Limited
(“Petra”, “the Group” or “the Company”)

Interim Results for the Six Months to 31 December 2006 (unaudited)

Highlights to 27 February 2007

- **Trading update** – for January 2007 Petra is pleased to report that, in line with management expectations, the South African mines recorded a significant uplift in performance as below:
  (i) a 30% increase in US$ per carat prices received for January 2007 (US$166 per carat) compared to the average for the 6 months to December 2006 (US$127 per carat)
  (ii) Diamond sales for January of 13,904 carats, up 28% on the average monthly sales for the 6 months to December 2006
  (iii) a 9% improvement in grade at Star, mainly due to plant refurbishment, coupled with improved grade control at both Sedibeng and Helam, led to an average grade of 34.0 carats per hundred tonnes (“cpht”) for January 2007 compared to an average of 31.1 cpht for the 6 months to December 2006
- **The Group** – on 27th November 2006, Petra acquired Calibrated Diamonds Investment Holdings (Pty) Limited (“CDIH”), giving the Company the ability to cut and polish (beneficiate) its own production
- **Angola** – large diameter drilling operations at Alto Cuilo continue alongside plant treatment; 73 kimberlites now identified; drill core sent for external specialist analysis has given encouraging microdiamond counts; analysis of drill core continues to give encouraging diamond indicator mineral chemistry (“minchem”) results
- **Botswana** – a 600 metre diameter negative gravity anomaly has been revealed by gravity data in the Kukama project area over a previously identified kimberlite proven to be diamondiferous
- **Sierra Leone** - encouraging diamond recoveries from mini samples at the Kono project of 638 diamonds totaling 58.78 carats
- **South Africa** – Petra announces acquisition of Koffiefontein mining and associated assets from De Beers; production from the other South African mines of 71,928 carats for the six months (6 months to 30 June 2006: 86,371 carats)

Adonis Pouroulis, Chairman, said;
"It has been another formative period for the Company as the acquisition of CDIH has transformed us into a vertically integrated business. Alongside this key development, we have continued to make great strides in our exploration efforts as well as significantly boosting our production portfolio through the acquisition of the Koffiefontein mine and the achievement of improved performance at our other South African assets.

"We believe that the diamond market is heading into a period of major deficit, given the lack of new discoveries, as supplies of diamonds won't keep pace with the growth in forecast demand. With our diversified asset base of quality exploration and development projects and producing assets, we believe we are in a very strong position from which to capitalise on a strengthening diamond market."

Summary of Results (unaudited)

	6 months to 31 December 2006	6 months to 30 June 2006	6 months to 31 December 2005
Revenue	US$8.2m	US$11.1m	US$9.7m
Production (carats)	71,928	86,371	88,640
Loss before depreciation, amortisation and foreign exchange movements	US$3.7m	US3.0m	US$2.1m
Loss for the period	US$9.5m	US16.9m	US$1.9m
Loss per share	6.33 cents	11.7 cents	1.40 cents
Cash at bank (period end)	US$19.2m	US$7.0m	US$12.2m

Chairman's Statement

It is with great pleasure that I present the December 2006 interim financial statements for a period that saw Petra Diamonds further consolidate its position as a significant player in the diamond mining industry. As I write this, new diamond companies are being listed and others are advancing plans to do the same. I believe there to be investor appetite for exposure to the growing world of diamonds and although the industry has recently attracted some negative publicity, diamonds are a force for good, as has been shown many times over on the African continent.

As we have grown the business, the Company's attention, effort and strategy remain Africa focused. Petra's operations across the African continent now employ over 2,500 people and through our various exploration and mining initiatives, communities are being sustained, jobs are being created, investment is going into various infrastructure and social projects and above all sustainable value is being created in the countries in which we operate. Further, through the recent acquisition of Calibrated Diamonds, Petra now has the ability to cut and polish its own diamonds, giving the Company the ability to trace its diamonds from "mine to finger" and guaranteeing the end user a product that has been ethically mined, processed and beneficiated.

Although the half year under review saw a softening of diamond prices, the market in early 2007 is seeing prices firming up. The fundamentals of the industry remain robust as continued demand is set to outpace production supply, with the forecast deficit further exacerbated by the lack of any significant new diamond discoveries. Petra's flagship exploration project is Alto Cuilo in Angola; the first bulk sampling results are expected shortly and should the results be in line with our expectations, Alto Cuilo has the potential to be a major source of diamonds for years to come.

Petra's producing mines have also developed during the period, with the capital expenditure invested at the Sedibeng and Star mines now seen to be bearing fruit. Results for the month of January 2007 show an increase in the grade, as forecast in the December quarterly statement, and the January tender results saw higher values being paid for our production than in any month during the 2006 calendar year. These developments, combined with the addition of the recently acquired Koffiefontein mine to Petra's production portfolio, puts Petra in a position to report a significant growth in production and revenues for the 6 month period to June 2007. The Company's goal is to achieve 500,000 carats total production per annum by the financial year 2009/10, and the Board is confident of achieving that goal over the next three years.

Results

A summary of the trading results for the period is set out below:

	6 months to 31 December 2006 US$	6 months to 30 June 2006 US$	6 months to 31 December 2005 US$
Revenue	**8,268,611**	11,151,607	9,717,150
EBITDA on mine – South African operations	**583,204**	933,825	1,300,241
Care and maintenance – Koffiefontein	**(1,253,926)**	-	-
Exploration expenses *	**(416,303)**	(1,621,295)	(435,100)
Administration expenses *	**(2,184,543)**	(2,231,564)	(2,968,617)
Net finance costs	**(489,730)**	(128,008)	(26,086)
Loss before depreciation, amortisation and foreign exchange movements	**(3,761,298)**	(3,047,042)	(2,129,562)
Taxation	**864,681**	692,807	427,547
Loss for the period **	**(9,469,559)**	(16,915,709)	(1,948,747)
CAPEX	**1,971,552**	884,503	3,268,245

* Expenses before depreciation, amortisation, interest and foreign exchange movements.

** Loss after non-cash flow items; unrealised foreign exchange loss of US$1.7m, depreciation and amortisation of US$4.8m

EBITDA on-mine was adversely impacted by declining diamond prices during the six months under review, with $484,355 negative impact on revenue compared to prices achieved during the six months to 30 June 2006. As mentioned earlier, January tender results indicated a return to higher prices, and management is confident that better prices will be achieved during the following six month period.

The loss for the period amounted to US$9,469,559 (6 months to 30 June 2006: US$16,915,709), stated after foreign exchange losses of US$1,747,930 (6 months to 30 June 2006: US$10,219,913), amortisation of intangibles of US$1,995,688 (6 months to 30 June 2006: US$1,808,526), and depreciation of US$2,829,324 (6 months to 30 June 2006: US$2,369,359).

Group net cash inflow for the period is stated after taking account of mining development cash outflows in Sierra Leone of US$1,522,980 (6 months to 30 June 2006: US$1,648,838), other capital expenditure for the period of US$1,971,552 (6 months to 30 June 2006: US$884,503), CDIH acquisition of US$2,334,665, cash inflows from the US$20 million convertible bond and US$2,075,106 from the issue of new shares.

A charge of US$1,995,688 (6 months to 30 June 2006: US$1,808,526) is included within operating expenditure in respect of the amortisation of prospecting licences held by Sekaka Diamonds (Pty) Limited, the Group's Botswana operating company. IFRS require that the cost of the licences be written off over their estimated life, which the Board has estimated to be four years.

Alto Cuilo – Angola
Exploration developments at Alto Cuilo continue to exceed our expectations. To date, 73 kimberlites have been discovered from 91 drill targets, again confirming the effectiveness of the exploration programme, where the success ratio of kimberlite discoveries stands at 80% of all targets drilled. There are in excess of 100 targets that remain to be drilled, from which we expect there to be further kimberlite discoveries.

As the large diameter drill rig arrived on site, bulk sampling commenced on pre-selected kimberlites according to a ranking system. The purpose of undertaking these bulk samples is that, after they have been processed, the results will give a clearer indication of diamond quality and grade. The micro-diamond and mineral chemistry results (associated with diamond discovery) obtained thus far from the core drilling campaign have been very encouraging. AC16 is currently being processed through a dedicated 10 tonne per hour Dense Media Separation ("DMS") kimberlite sampling plant and AC63 is being bulk sampled and stockpiled awaiting processing. We expect initial results from the bulk sampling campaign in April 2007.

The alluvial exploration programme continues alongside the kimberlite programme with bulk sampling resulting in over 1130 observation test pits and 7 bulk sampling trenches being excavated so far.

The costs of exploration and associated activities on Alto Cuilo for the six months to 31 December 2006 amounted to US$10.1 million, all such expenditure being funded by BHP Billiton in accordance with the Alto Cuilo JV agreement. BHP Billiton's cumulative spend as at 31 December 2006 amounted to US$32.9 million.

Kalahari Diamonds – Botswana
Petra is the largest holder of diamond exploration licences in Botswana, with approximately 52,000 km² of diamond ground under exploration. This portfolio includes five kimberlites in the Gope area and sixteen kimberlites in the Kukama area. Gravity data in the Kukama project area has revealed a 600 metre diameter negative gravity anomaly located over the Go173 S kimberlite; previous test work over this kimberlite returned a grade of 9.6 cpht from one drill hole, whilst another kimberlite, Go234 returned a sample grade of 11.9 cpht, also from one drill hole. Petra will focus on the Kukama and Gope areas this year as they are known to host diamondiferous pipes. Drilling will also be conducted in the Orapa South area. We are nearing completion of our drilling programme in the Gope area and further news will follow in the near future.

Production - South Africa

The South African mines recorded revenue of US$8.2 million for the six month period and Petra continues to be South Africa's second largest producer of rough diamonds by volume after De Beers. Production for the six months was 71,928 carats, and the board is confident that with the engineering and production changes that are currently being implemented, we are on track for record production, including Koffiefontein, of around 200,000 carats for the full year to June 2007.

The commissioning of the refurbished plant at Star towards the end of the December quarter and the construction of the new plant at Sedibeng, expected to be completed in the quarter to March, are expected to yield improved recoveries and further enhance cost efficiencies.

Koffiefontein

In December Petra entered into a conditional agreement with De Beers Consolidated Mines Limited ("De Beers") to acquire the mining and associated capital assets ("the Assets") previously used by De Beers in the operation of the Koffiefontein diamond mine ("Koffiefontein") in South Africa. The addition of the Koffiefontein mine to Petra's South African portfolio will serve to significantly increase production and will also augment revenue by increasing the average price per carat received; the diamonds are of exceptional quality and we expect to achieve an average price of US$190 per carat. The mine is well established and we believe there to be at least another 15 years of underground mine life. In addition there are in excess of 50 million tonnes of untreated primary tailings. The addition of Koffiefontein to the South African portfolio illustrates Petra's ability to operate larger mines and management will actively look to acquire similar operations.

The consideration for the Assets is R81.9 million ($11.61 million), to be settled by Petra assuming De Beers' rehabilitation obligations at Koffiefontein, which amount to R80 million ($11.34 million), plus the payment in cash by Blue Diamond Mines (Petra's operating subsidiary in South Africa) to De Beers of R1.9 million ($269,000).

Petra plans to produce around 100,000 carats per annum from the mine, with 70% attributable, the balance being allocated to our Koffiefontein Black Economic Empowerment partners.

Petra has been, with permission from the Department of Minerals and Energy in South Africa, maintaining the cave at Koffiefontein since July 2006 and the costs of this maintenance and drawing the corresponding ore has been expensed in the period. When production commences at the mine, which is expected to be shortly, and this stockpiled ore is processed through the plant, gross profit will be enhanced as a significant portion of the mining costs have already been expensed as care and maintenance costs (6 months December 2006: US$1,25m).

Kono Project – Sierra Leone

Petra is very pleased to have delivered on its goal of first diamond recovery at the Kono project in June 2006. Trenching continues on the various fissure systems with the objective of establishing the continuity, width and grade of each of these deposits. Two bulk sample shafts are down 30 metres and test shafts are being excavated elsewhere on the concession areas. These bulk shafts allow trial mining to take place thus getting a realistic sense of mining conditions, grade, deposit continuity and costs. Fissure widths of up to 1.7 metres have been discovered and work is in progress to find and determine a particular fissure or set of fissures that could be economic to mine. Mano River Resources continues to co-fund the project, with Petra being the majority 51% partner.

Calibrated Diamonds
In November 2006, Petra acquired Calibrated Diamonds Integrated Holdings ("CDIH"), a business focused on the cutting and polishing of rough diamonds utilising a unique process developed by CDIH which allows the company to cut diamonds to a very high and consistent standard.

The deal was significant for Petra as it is not only an avenue for Petra to increase its revenues but also vertically integrates the company. The possibility exists to significantly increase revenues by beneficiating the product as by world wide standards around 50% gross value uplift can be achieved by cutting and polishing a stone. The next step will see Petra set up a fully fledged polishing and cutting business and operate this as a stand alone business.

The move is also important as it consistent with Petra's commitment to operating ethically in Africa. By beneficiating our rough diamond production in its country of origin, we will be able to eventually bring further employment opportunities, revenues and taxes directly to those African producer nations, as well as helping to develop further skills base as part of a more sustainable economy.

ASX Listing
Notice was given during the period that Petra would cease to trade on the Australian Stock Exchange in March 2007. As less than 10% of Petra's share holder base is in Australia we felt that due to the size of the company and the complexities involved in working with two exchanges, a single listing would be preferable.

Conclusion
The Company continues to grow rapidly and the coming six months will see the first bulk sample results coming out of Alto Cuilo. Production will increase from South Africa as Koffiefontein starts to add its product to the mix. Botswana and Sierra Leone will be aggressively explored with the aim of getting further production onto the table. We also hope to see the establishment of Petra's first cutting and polishing factory in South Africa.

The Company has a strong treasury with nearly US$20 million in the bank and increasing revenues from operations in South Africa. Underpinning all of the above is a buoyant diamond market responding to the fundamentals of a supply-demand market. The future for diamonds as an investment looks promising.

Adonis Pouroulis, Chairman
28 February 2007

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PETRA DIAMONDS LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

	Notes	**(Unaudited) 1 July 2006- 31 December 2006**	(Unaudited) 1 July 2005- 31 December 2005	(Audited) 1 July 2005 - 30 June 2006
		$	$	$
Revenue		**8,268,611**	9,717,150	20,868,757
Cost of Sales		**(9,831,860)**	(10,602,922)	(23,178,587)
Gross (loss)		**(1,563,249)**	(885,772)	(2,309,830)
Exploration expenditure		**(2,440,798)**	(1,305,480)	(4,924,437)
Operating expenditure		**(5,840,463)**	(158,956)	(12,596,449)
Financial income		**113,814**	252,363	411,107
Financial expense		**(300,784)**	(278,449)	(565,201)
Net financing (costs)	6	**(489,730)**	(26,086)	(154,094)
Loss before tax		**(10,334,240)**	(2,376,294)	(19,984,810)
Income tax		**864,681**	427,547	1,120,354
Loss for the period		**(9,469,559)**	(1,948,747)	(18,864,456)
Basic and diluted loss per share – cents	7	**(6.33)**	(1.40)	(13.11)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

	(Unaudited) 1 July 2006- 31 December 2006	(Unaudited) 1 July 2005- 31 December 2005	(Audited) 1 July 2005 - 30 June 2006
	$	$	$
Loss for the period	**(9,469,559)**	(1,948,747)	(18,864,456)
Exchange adjustments on translation of subsidiary and branch undertakings recognised directly in equity	**8,283,906**	1,791,775	1,561,653
Total recognised income and expenses	**(1,185,653)**	(156,972)	(17,302,803)

PETRA DIAMONDS LIMITED

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2006

	Notes	**(Unaudited) 31 December 2006 $**	(Unaudited) 31 December 2005 $	(Audited) 30 June 2006 $
ASSETS				
Property, plant and equipment		**68,644,181**	78,049,279	66,045,627
Intangible assets	5	**14,308,597**	16,227,462	13,105,561
Investments - available for sale		**1,371,372**	1,204,560	1,271,410
Investments - other		**4,785,697**	-	4,785,697
Trade and other receivables		**200,576**	187,349	164,402
Total non-current assets		**89,310,423**	95,668,650	85,372,697
Inventories		**4,653,190**	2,513,834	2,197,605
Trade and other receivables		**4,030,737**	2,953,251	2,760,378
Cash and cash equivalents		**19,215,929**	12,166,586	7,019,644
Total current assets		**27,899,856**	17,633,671	11,977,627
Total assets		**117,210,279**	113,302,321	97,350,324
EQUITY AND LIABILITIES				
Equity				
Share capital	9	**29,522,189**	25,524,177	27,031,103
Share premium account	10	**134,654,784**	116,341,557	123,189,903
Foreign currency translation reserve	10	**(5,742,819)**	5,678,357	2,541,087
Share based payment reserve	10	**1,196,715**	787,579	972,962
Other reserve	10	**4,003,682**	-	-
Accumulated loss	10	**(91,078,226)**	(62,277,053)	(81,608,667)
Total equity		**72,556,325**	86,054,617	72,126,388
Liabilities				
Interest-bearing loans and borrowings		**3,115,295**	6,061,774	2,914,960
Convertible bond	8	**16,299,078**	-	-
Trade and other payables		**2,021,556**	816,231	867,823
Provisions		**1,824,427**	1,871,012	1,697,756
Deferred tax liabilities		**9,713,898**	12,073,847	9,932,634
Total non-current liabilities		**32,974,254**	20,822,864	15,413,173
Interest-bearing loans and borrowings		**3,264,394**	911,152	1,149,646
Trade and other payables		**6,560,671**	4,185,058	6,658,735
Provisions		**1,854,635**	1,328,630	2,002,382
Total current liabilities		**11,679,700**	6,424,840	9,810,763
Total liabilities		**44,653,954**	27,247,704	25,223,936
Total equity and liabilities		**117,210,279**	113,302,321	97,350,324

PETRA DIAMONDS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

	Notes	**(Unaudited) 1 July 2006- 31 December 2006 $**	(Unaudited) 1 July 2005- 31 December 2005 $	(Audited) 1 July 2005 - 30 June 2006 $
Loss after taxation for the period		**(9,469,559)**	(1,948,747)	(18,864,456)
Depreciation of property plant and equipment - exploration		**28,807**	538,120	35,687
Depreciation of property plant and equipment - mining		**2,784,064**	2,745,547	5,630,717
Depreciation of property plant and equipment - other		**16,453**	18,265	40,573
Amortisation of intangible assets	5	**1,995,688**	1,023,847	2,832,355
Loss/(Profit) on sale of property plant and equipment		**-**	(5,828)	26,717
Interest received		**(113,814)**	(252,363)	(411,107)
Interest paid		**300,784**	278,449	565,201
Deemed interest paid - Convertible bond		**302,760**	-	-
Foreign exchange (gain)/loss		**1,747,930**	(4,105,133)	6,114,780
Share based payment provision		**223,753**	241,909	-
Present value adjustment on rehabilitation provision		**73,857**	66,555	140,783
Operating loss before working capital changes		**(2,109,277)**	(1,399,379)	(3,888,750)
Decrease/(increase) in trade and other receivables		**(1,334,699)**	(176,687)	140,515
(Decrease) / increase in trade and other payables		**1,294,367**	(2,588,474)	(3,604,742)
(Increase) in inventories		**(2,801,123)**	(1,216,480)	(792,440)
Cash utilised in operations		**(4,950,732)**	(5,381,020)	(8,145,417)
Interest paid		**(300,784)**	(278,449)	(565,201)
Taxation movement		**(864,681)**	(427,547)	(1,120,354)
Net cash utilised by operating activities		**(6,116,197)**	(6,087,018)	(9,830,972)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**-**	56,287	41,447
Acquisition of subsidiary net of cash acquired	4	**(2,334,665)**	5,560,464	5,560,464
Interest received		**113,814**	252,363	411,107
Increase in investments		**(99,960)**	(1,271,410)	(1,271,410)
Acquisition of property, plant and equipment		**(1,971,552)**	(3,268,245)	(4,152,748)
Development expenditure		**(1,522,980)**	(784,432)	(4,069,863)
Net cash from investing activities		**(5,815,343)**	545,027	(3,481,003)
Cash flows from financing activities				
Net proceeds from the issue of share capital		**2,075,106**	-	469,404
Increase/(decrease) in long term borrowings		**22,293,600**	(9,781,066)	(7,605,319)
Net cash from financing activities		**24,368,706**	(9,781,066)	(7,135,915)
Net increase/(decrease) in cash and cash equivalents		**12,437,166**	(15,323,057)	(20,477,890)
Cash and cash equivalents at beginning of the period		**7,019,644**	27,591,394	27,591,394
Effect of exchange rate fluctuations on cash held		**(240,881)**	(101,751)	(123,860)
Cash and cash equivalents at end of the period		**19,215,929**	12,166,586	7,019,644

PETRA DIAMONDS LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES

The interim results, which are unaudited, have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The interim financial statements have been prepared in accordance with the requirements of International Accounting Standard 34. This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2006 and any public announcements made by the Company during the interim reporting period.

The unaudited interim financial statements for the six months ended 31 December 2006 do not constitute statutory accounts and have been drawn up using accounting policies and presentation consistent with those applied in the audited accounts for the year ended 30 June 2006 as adjusted for the adoption of any new IFRS's which are applicable to the group for the year ended 30 June 2007.

The financial information for the year ended 30 June 2006 has been extracted from the statutory accounts for that period. The auditors report for the year ended 30 June 2006 was unqualified.

The financial information for the 6 months ended 31 December 2005 has been extracted from the interim results released to 31 December 2005 after the adjustment for the adoption of IFRS 2 and adopting the US Dollar as the functional currency. The interim results to 31 December 2005 were translated at a rate of US$1.72 to £1 for balance sheet items and average rate of US$1.76 to £1 for income statement items.

2. DIVIDENDS

No dividends were proposed or paid during the period.

3. SEGMENTAL INFORMATION

The Group comprises the following business segments:
Mining – extraction and sale of rough diamonds from mining operations in South Africa.
Exploration – exploration operations carried out in Angola, Sierra Leone, Botswana and South Africa.
Beneficiation - cutting and polishing of rough diamonds.

Business segments	**Mining**	**Exploration**	**Beneficiation**	**Consolidated**
	1 July 2006 - 31 December 2006	1 July 2006 - 31 December 2006	1 July 2006 - 31 December 2006	1 July 2006 - 31 December 2006
	$	$	$	$
Revenue from external customers	8,268,611	-	-	8,268,611
Gross loss	(1,563,249)	-	-	(1,563,249)
Segment result	(3,335,440)	(6,424,202)	(84,868)	(9,844,510)
Net financing income	(447,074)	(42,656)	-	(489,730)
Income tax	864,681	-	-	864,681
Loss for the period	(2,917,833)	(6,466,858)	(84,868)	(9,469,559)

PETRA DIAMONDS LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

3. SEGMENTAL INFORMATION (continued)

Business segments	**Mining**	**Exploration**	**Beneficiation**	**Consolidated**
	1 July 2005 - 31 December 2005 $	1 July 2005 - 31 December 2005 $	1 July 2005 - 31 December 2005 $	1 July 2005 - 31 December 2005 $
Revenue from external customers	9,717,150	-	-	9,717,150
Gross loss	(885,772)	-	-	(885,772)
Segment result	511,117	(2,861,325)	-	(2,350,208)
Net financing income/(cost)	(183,964)	157,878	-	(26,086)
Income tax	427,547	-	-	427,547
Loss for the period	754,700	(2,703,447)	-	(1,948,747)

Business segments	**Mining**	**Exploration**	**Beneficiation**	**Consolidated**
	1 July 2005 - 30 June 2006 $	1 July 2005 - 30 June 2006 $	1 July 2005 - 30 June 2006 $	1 July 2005 - 30 June 2006 $
Revenue from external customers	20,868,757	-	-	20,868,757
Gross loss	(2,309,829)	-	-	(2,309,829)
Segment result	(4,862,172)	(14,968,544)	-	(19,830,716)
Net financing income/(cost)	(1,178,884)	1,024,790	-	(154,094)
Income tax	1,120,354	-	-	1,120,354
Loss for the period	(4,920,702)	(13,943,754)	-	(18,864,456)

PETRA DIAMONDS LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

4. ACQUISITION OF SUBSIDIARY

On 27 November 2006, the Company acquired the issued share capital in Calibrated Diamonds Investment Holdings (Pty) Limited ("CDIH"), for $2,334,665, satisfied by a cash payment. CDIH is focused on the cutting and polishing ('beneficiation') of rough diamonds utilising a unique process developed by the CDIH Group, which enables CDIH to produce polished diamonds of a very high and consistent standard. In the one month to 31 December 2006, CDIH made a loss, before depreciation and amortisation, of $81,393. If the acquisition had occurred on 1 July 2006, the Group's loss for the period ending 31 December 2006 would have increased by $551,960.

Effect of the acquisition

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

CDIH's net assets at acquisition date:	**Book Values**	**Fair value Adjustments**	**Carrying Values**
	$	$	$
Consolidated fair value of net assets of entity acquired:-			
Intellectual property	362,689	2,447,300	2,809,989
Plant and equipment	283,985		283,985
Cash assets	9,185		9,185
Receivables	30,446		30,446
Inventory	345,537		345,537
Accruals and payables	(62,079)		(62,079)
Non interest bearing non-current liabilities	(1,082,398)		(1,082,398)
Consideration settlement satisfied in cash	(112,635)	2,447,300	2,334,665

The fair value adjustment of $2,447,300 arose as a result of the premium attributable to the Intellectual Property purchased from Calibrated Diamonds Investment Holdings (Pty) Limited. The allocation of the premium to intellectual property is deemed to be final.

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5. INTANGIBLE ASSETS

	Goodwill	Mineral rights	Intellectual Property	Prospecting licences	Total
	$	$	$	$	$
Cost					
At 1 July 2006	8,671,552	152,916	-	15,927,538	24,752,006
Transfer to property plant and equipment	-	-	-	-	-
Exchange differences	-	-	-	351,655	351,655
Acquisition by business combination	-	-	2,809,989	-	2,809,989
At 31 December 2006	8,671,552	152,916	2,809,989	16,279,193	27,913,650
Amortisation					
At 1 July 2006	(8,671,552)	(152,916)	-	(2,821,977)	(11,646,445)
Exchange differences	-	-	-	37,080	37,080
Provided in the period	-	-	-	(1,995,688)	(1,995,688)
At 31 December 2006	(8,671,552)	(152,916)	-	(4,780,585)	(13,605,053)
Net book amount 31 December 2006	-	-	2,809,989	11,498,608	14,308,597
Net book amount 30 June 2006	-	-	-	13,105,561	13,105,561

	Goodwill	Mineral rights	Intellectual Property	Prospecting licences	Pre-production expenditure	Total
	$	$	$	$	$	$
Cost						
At 1 July 2005	-	-	-	-	335,947	335,947
Transfer to property plant and equipment	-	-	-	-	(335,947)	(335,947)
Exchange differences	-	-	-	(368,949)	-	(368,949)
Acquisition by business combination	-	-	-	17,620,258	-	17,620,258
At 31 December 2005	-	-	-	17,251,309	-	17,251,309
Amortisation					-	
At 1 July 2005	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
Provided in the period	-	-	-	(1,023,847)	-	(1,023,847)
At 31 December 2005	-	-	-	(1,023,847)	-	(1,023,847)
Net book amount 31 December 2005	-	-	-	16,227,462	-	16,227,462
Net book amount 30 June 2005	-	-	-	-	335,947	335,947

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	1 July 2006 - 31 December 2006 $	1 July 2005 - 31 December 2005 $	1 July 2005 - 30 June 2006 $
6. NET FINANCING COSTS			
On bank loans and overdrafts	**(263,795)**	(190,915)	(412,485)
On convertible bond	**(302,760)**	-	-
Other debt finance costs	**(36,989)**	(87,534)	(152,716)
Financial expense	**(603,544)**	(278,449)	(565,201)
Interest received	**113,814**	252,363	411,107
	(489,730)	(26,086)	(154,094)

	1 July 2006 - 31 December 2006 $	1 July 2005 - 31 December 2005 $	1 July 2005 - 30 June 2006 $
7. LOSS PER SHARE			
Loss for the period	**(9,469,559)**	(1,948,747)	(18,864,456)
	Shares	Shares	Shares
Basic weighted average number of ordinary shares in issue	**149,679,152**	139,565,621	143,916,416
	Cents	Cents	Cents
Basic loss per share – cents	**(6.33)**	(1.40)	(13.11)
Due to the Group's loss for the period, the diluted loss per share is the same as the basic loss per share.			

8. CONVERTIBLE NOTES AND BOND

On 19 September 2006 the Company issued a US$20 million unsecured interest free convertible bond ("the Convertible").The Convertible is convertible at an exercise price of 130 pence per Petra share. If not converted, the Convertible is repayable in full on 18 September 2009. On 29 September 2006 the Company drew down on the Convertible. The Convertible is exercisable at the election of the holder.

	31 December 2006 $	31 December 2005 $
Movements in convertible notes and bond		
Balance at beginning of period	**-**	2,206,678
Issue of convertible bond	**20,000,000**	-
Equity portion	**(4,003,682)**	-
Interest amortised for the period	**302,760**	-
Exchange differences	**-**	(36,953)
Redeemed during the period	**-**	(1,273,110)
Converted to ordinary Shares	**-**	(896,615)
Balance at the end of period	**16,299,078**	-

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9. ISSUED CAPITAL

	Number of shares	**31 December 2006 $**	Number of shares	31 December 2005 $
Authorised – ordinary shares of 10p each				
As at 31 December 2005 and 31 December 2006	**200,000,000**	**35,982,000**	200,000,000	35,982,000
Issued and fully paid				
At 1 July	**148,825,098**	**27,031,103**	130,949,456	23,500,190
Allotments during the period	**1,867,509**	**2,491,086**	16,365,939	1,840,179
Conversion of convertible notes	**-**	**-**	1,011,993	183,808
At 31 December	**150,692,607**	**29,522,189**	148,327,388	25,524,177

10. RESERVES

	Share premium account	Foreign currency translation reserve	Share based payment reserve	Other reserve	Accumulated loss
	$	$	$	$	$
6 Month period ending 31 December 2005:					
At 1 July 2005	101,775,127	4,102,740	354,670	-	(62,550,955)
Implementation of IFRS 2	-	-	197,409	-	(197,409)
Restated balance at 1 July 2005	101,775,127	4,102,740	552,079	-	(62,748,364)
Loss for the period	-	-	-	-	(1,948,747)
Equity based share options	-	-	241,909	-	-
Exchange differences - adoption of US$ reporting currency	(4,695,321)	(216,158)	(6,409)	-	2,420,058
Exchange differences	-	1,791,775	-	-	-
Premium allotments during the year	18,600,255	-	-	-	-
Share issue costs	(56,238)	-	-	-	-
Convertible notes issued	717,734	-	-	-	-
At 31 December 2005	116,341,557	5,678,357	787,579	-	(62,277,053)
6 Month period ending 31 December 2006:					
At 1 July 2006	123,189,903	2,541,087	972,962	-	(81,608,667)
Loss for the period	-	-	-	-	(9,469,559)
Equity portion of convertible bond	-	-	-	4,003,682	-
Equity based share options	-	-	223,753	-	-
Exchange differences	9,685,360	(8,283,906)	-	-	-
Premium allotments during the year	1,792,182	-	-	-	-
Share issue costs	(12,661)	-	-	-	-
At 31 December 2006	134,654,784	(5,742,819)	1,196,715	4,003,682	(91,078,226)

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11. POST-BALANCE SHEET EVENTS

Koffiefontein

The South African Competition Commission has approved the acquisition of the assets associated with Koffiefontein diamond mine ('Koffiefontein') by the Company's wholly owned subsidiary, Blue Diamond Mines (Pty) Limited ('BDM'), from De Beers Consolidated Mines Limited ('De Beers'). The approval was one of the conditions precedent for completion of the acquisition.

12. CONTINGENT LIABILITIES

Acquisition of CDIH

As part of the CDIH acquisition a deferred consideration is payable should agreed production threshold levels be achieved using the CDIH cutting technology.

The deferred consideration is triggered in four stages, when CDIH cuts rough input of four threshold levels, being 2,500, 5,000, 7,500 and 10,000 carats per month, for a consecutive period of two months in each case and will be settled by;

(i) the issue of warrants over 750,000 Petra shares per threshold level at an exercise price of 114.5 pence per share (the closing mid market price on 2 October 2006, the day prior to the signing of the heads for the transaction) (subject to the approval of the granting of such warrants by the South African Reserve Bank), or at Petra's election (or if Reserve Bank approval is not received), by way of a cash amount equivalent to the notional gain in the value of the warrants had they been granted; and

(ii) the payment of an amount based on the EBITDA of CDIH. This amount will be calculated as a three times multiple of 28.36% of the EBITDA of CDIH when each of the above threshold levels is met, less any such EBITDA payments already made in respect of meeting earlier thresholds.