



15 March 2006

**Petra Diamonds Limited ('Petra', 'the Group' or 'the Company')**

**Interim Results for the Six Months to 31 December 2005 (unaudited)**

**Highlights to 15 March 2006**

- **Group** - expansion of operations on track in Angola, Botswana, Sierra Leone, and South Africa; base set for significant exploration developments and production upside in next six months
- **Angola** - kimberlitic occurrences at Alto Cuilo increased to approximately 1,323 hectares in estimated surface area (31 January 2006: 1,080); 33 kimberlitic occurrences (31 January 2006: 26) now confirmed by drilling; third core drill rig ordered to expedite drilling of the substantial number of anomalies; 350 alluvial pits (31 January 2006: 245) now completed
- **Botswana** - focus placed on the Gope area where there are diamondiferous kimberlites within Petra's licence areas; Falcon results for the Gope West flyblock identify 18 anomalies in the A block; 700km<sup>2</sup> low-level Xcalibur horizontal gradient magnetic survey in the immediate vicinity of the Gope kimberlites results in the selection of a further 24 target anomalies
- **Sierra Leone** - Kono project on track for first production from the Lion fissures by June 2006; Petra has earned a 51% interest in the Kono joint venture following expenditure of US\$3 million on the Kono project
- **South Africa** - production growth target met of 167,000 carats for the twelve month period to 31 December 2005; on track for production of 200,000 carats for FY 2005/6 (FY 2004/5 actual: 143,673 carats); 76 carat (sold for US\$465,000) and 67 carat diamonds recovered

Adonis Pouroulis, Chairman, said;

"Petra has established operations in some of the most prospective regions for diamond exploration across Africa. As production increases at our mines in South Africa, so too will our revenue streams, whilst we progress our exciting exploration projects and commence production in Sierra Leone. The next six months will provide a steady stream of news as we work to further realise the true value of our assets and we believe there is significant potential upside for the Company."

**Summary of Results (unaudited)**

	6 months to 31 December 2005	6 months to 30 June 2005	6 months to 31 December 2004
Revenue *	£5.5m	£1.2m	-
Production (carats)	88,640	78,530	65,143
Loss before depreciation, amortisation and foreign exchange movements	£0.9m	£2.1m	£3.4m
Loss for the period	£1.1m	£7.2m	£4.3
Loss per share	0.79 pence	9.07 pence	6.28 pence
Cash at bank (period end)	£7.1m	£15.4m	£0.5m

\* The results from the Crown South African production operations are included from June 2005 as the acquisition of Crown Diamonds was effective 1 June 2005.

## Chairman's Statement

It is with great pleasure that I present the 2006 interim financial statements during what is a very active time for the Group. In the period under review South African diamond production increased substantially and exploration at Alto Cuilo was fast tracked, delivering exceptional results. The period also saw site preparations in Sierra Leone and the completion of the production plant in preparation of near term production on the Kono project whilst exploration was further advanced on the Kalahari ground in Botswana.

Petra's South African operations produced just over 167,000 carats for the 2005 calendar year and are on track to produce 200,000 carats for the year to June 2006. Although the rough diamond market experienced a dip in the last quarter of the year, in that prices achieved were below those for the six months to June 2005, the market has since recovered somewhat as demand for rough continues to outpace supply. De Beers has recently announced an overall increase of 2% in rough diamond prices.

Petra is achieving its objective of being an African-focused diamond group, with operations in South Africa, Botswana, Angola and Sierra Leone. In 2005 Africa accounted for over sixty percent of diamond supply world-wide and we continue to believe the continent offers the most exciting diamond opportunities. One of our main goals is to fill the production gap between the four major diamond producers and the diamond juniors. The increasing production from South Africa and near term production from Sierra Leone will assist us to achieve this goal.

## Results

The loss for the period amounted to £1,102,463 (6 months to 30 June 2005: £7,259,089), stated after operating charges of £1,833,100 (6 months to 30 June 2005: £1,830,195), amortisation of intangibles of £579,220 (6 months to 30 June 2005: £4,409), and net financing income of £2,307,636 (6 months to 30 June 2005: £237,549).

Group net cash outflow for the period is stated after taking account of mining development cash outflows in Sierra Leone of £1,398,996 (6 months to 30 June 2005: £102,270), other capital expenditure for the period of £893,722 (6 months to 30 June 2005: £520,613), repayment of all outstanding convertible loan notes of £718,944, cash inflow from the acquisition of Kalahari Diamonds of £3,154,388 as well as the settlement in July 2005 of the Helam mine acquisition costs and various term loans.

Intangible assets of £9,995,608 were brought into the balance sheet following the acquisition of Kalahari Diamonds Limited in September 2005 and IFRS require that this amount be written off over the estimated life of the assets, which the Board has estimated to be four years in respect of the prospecting licences. A charge of £579,220 is included within operating expenditure in respect of the amortisation of the licences during the period.

The results from the Crown South African production operations acquired were consolidated into the Petra Group results from 1 June 2005. Therefore, the comparative period to June 2005 includes results of the South African operations acquired for one month and the period to 31 December 2005 includes a full six months results.

The results for the period to 30 June 2005 and for the period to 31 December 2004 have been restated, as with effect from the period to 31 December 2005 the Company has complied with IRFS 2, Share Based Payments, in respect of share options granted to management.

## Alto Cuilo – Angola

Exploration developments at Alto Cuilo have continued to exceed our expectations. In conjunction with BHP Billiton and our Angolan partners, activities have been focused on the drilling of anomalies identified following the completion of the low-level Midas survey and the preparation and sampling of alluvial pits alongside the Luange river.

The Midas survey identified over 200 magnetic anomalies that have been earmarked for further investigation. Drilling of these anomalies has been underway since August and has so far resulted in the discovery of 33 kimberlitic occurrences, an increase from the 26 identified at the date of Petra's last quarterly report on 31 January 2006. Three of these kimberlitic occurrences have surface expressions of over 100 hectares in size. An estimated 1,300 hectares of kimberlitic occurrences have now been identified and will be further investigated. To date, over 15,000 metres of core drilling has been undertaken, with a third drill having been ordered to increase the pace of drilling. 74% of the holes drilled on the Midas anomalies have intersected kimberlite, again an exceptional success rate in kimberlite exploration.

The alluvial exploration programme continues alongside the kimberlite activities. Bulk sampling has resulted in over 350 pits being excavated so far.

The costs of exploration and associated activities on Alto Cuilo for the six months to 31 December 2005 amounted

to US\$7.8m, all such expenditure being funded by BHP Billiton in accordance with the Alto Cuilo JV agreement. BHP Billiton's spend as at 31 December amounted to US\$13.4m.

### **Kalahari Diamonds – Botswana**

The successful acquisition of Kalahari Diamonds in September 2005 established Petra as the largest holder of diamond exploration licences in Botswana. It also brought several new investors to the Company including the International Finance Corporation and resulted in BHP Billiton increasing its stake in Petra.

Drilling of selected Falcon anomalies continues on the ground and Petra is undertaking further investigation of the known Gope kimberlite field, where there are several known diamondiferous kimberlites within Petra's licence areas. Our technical teams are also focusing on revisiting and improving the analysis of the Falcon data acquired so far.

### **Helam, Sedibeng and Star mines – South Africa**

The South African mines recorded revenue of £5.5 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. The mines achieved record production of just over 167,000 carats for calendar year 2005 and are on track for the growth target of 200,000 carats for FY 2005/6.

Mining methods are being implemented on all mines to set the platform for a significant increase in production, targeted at over 300,000 carats in FY 2009/10.

There have been some notable stones recovered from the South African mines. A 67.1 carat diamond was recovered recently, this stone being in addition to the 76 carat diamond recovered in November 2005 which was sold for US\$465,000. High value recoveries of this nature, combined with stringent control of production costs, feed through to the Group's bottom line and we look forward to other similar recoveries in the future.

### **Kono Project – Sierra Leone**

As noted in Petra's announcement of 27 February 2006, the Kono project is on track for the first diamond recovery from treatment of the initial bulk samples by June 2006. The diamond recovery plant has arrived on site and establishment of site facilities will be completed this month.

Initial trenching has established that varying fissure seams, with widths of up to 1.7 metres having been intersected. Further, geological samples taken from various kimberlite fissures in the area have returned some exceptional processing and mineral probing results

Under the terms of the Kono JV with Mano River Resources ('Mano'), by spending a total of US\$3 million on the Kono Project, Petra would acquire a 51% equity interest in the Kono Project. Petra has accelerated expenditure and therefore the development of the Kono Project in order to bring production on line as soon as possible and has incurred US\$3 million of expenditure and earned a 51% interest in the Kono JV. From now on expenditure will be funded pro-rata by both Petra and Mano.

Petra is very pleased to have delivered on its stated objective of the fast-tracked development of the Kono Project. With a 51% interest in this exciting project we look forward to further developments and to first production beginning later this year.

### **Conclusion**

The Company aims to be a world class diamond group occupying a niche position; that of being a mid-tier producer of gemstone diamonds. This will be achieved by possessing a highly prospective exploration portfolio ensuring future growth, growing the Company's production profile and by geographically diversifying the Company's portfolio of projects.

The next six month period is expected to see increasing production from the mines in South Africa without a significant increase in operating costs. In the medium term production is planned from the kimberlite fissures in Sierra Leone and also from Alto Cuilo, should an economically viable alluvial deposit be quantified. The required infrastructure to achieve this is already in place. In addition, any new diamond projects that meet and fulfil Petra's overlying objectives will be carefully considered.

The Company has a strong treasury to finance the above development. The revenue for the period of £5.5 million was the largest of any diamond company quoted on AIM and the Company is well placed to benefit from the robust diamond market, at the same time enjoying strong support from BHP Billiton in both Angola and Botswana.

**Adonis Pouroulis, Chairman**  
**15 March 2006**

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**PETRA DIAMONDS LIMITED**

**UNAUDITED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2005**

	Notes	Restated	Restated
		1 July 2004- 31 December 2004	1 July 2004 - 30 June 2005
		£	£
<b>Revenue</b>		5,497,276	1,225,292
Cost of Sales		<b>(5,998,383)</b>	(1,060,954)
<b>Gross (loss)/profit</b>		<b>(501,107)</b>	164,338
Exploration expenditure		<b>(738,548)</b>	(3,799,608)
Operating expenditure		<b>(2,412,320)</b>	(7,544,760)
- other		<b>(1,833,100)</b>	(2,708,326)
- amortisation of intangibles	5	<b>(579,220)</b>	(4,409)
- impairment of goodwill		-	(4,832,025)
Financial income		<b>2,465,163</b>	19,636
Financial expense		<b>(157,527)</b>	(333,106)
Net financing income/(costs)	6	<b>2,307,636</b>	(313,470)
<b>Loss before tax</b>		<b>(1,344,339)</b>	(11,493,500)
Income tax		<b>241,876</b>	(35,508)
<b>Loss for the period</b>		<b>(1,102,463)</b>	(11,529,008)
Basic and diluted loss per share – pence	7	<b>(0.79)</b>	(15.59)

**UNAUDITED CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE  
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2005**

	Restated	Restated
	1 July 2004- 31 December 2004	1 July 2004 - 30 June 2005
	£	£
Loss for the period	(4,269,919)	(11,529,008)
Exchange adjustments on translation of subsidiary and branch undertakings recognised directly in equity	475,979	647,083
Total recognised income and expenses	<b>(3,793,940)</b>	<b>(10,881,925)</b>
Prior year adjustment	111,102	320,827
	<b>(3,682,838)</b>	<b>(10,561,098)</b>

**PETRA DIAMONDS LIMITED**

**UNAUDITED CONSOLIDATED BALANCE SHEET**  
AT 31 DECEMBER 2005

	Notes	31 December 2005 £	Restated 31 December 2004 £	Restated 30 June 2005 £
<b>ASSETS</b>				
Property, plant and equipment		45,356,392	2,301,919	40,938,217
Intangible assets	5	9,430,185	80,281	187,199
Investments - listed		700,000	-	-
Trade and other receivables		108,873	-	89,960
<b>Total non-current assets</b>		<b>55,595,450</b>	2,382,200	41,215,376
Inventories		1,460,852	-	782,996
Trade and other receivables		1,716,208	615,970	1,563,640
Cash and cash equivalents		7,070,308	452,466	15,374,678
<b>Total current assets</b>		<b>10,247,368</b>	1,068,436	17,721,314
<b>Total assets</b>		<b>65,842,818</b>	3,450,636	58,936,690
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Issued capital	9	14,832,739	6,926,954	13,094,946
Share premium account	10	67,608,994	19,746,615	56,711,873
Foreign currency translation reserve	10	3,299,838	2,115,057	2,286,161
Share based payment reserve	10	457,682	183,971	320,827
Accumulated loss	10	(36,190,756)	(27,959,146)	(35,088,293)
<b>Total equity</b>		<b>50,008,497</b>	1,013,451	37,325,514
<b>Liabilities</b>				
Interest-bearing loans and borrowings		3,522,649	2,000,000	239,470
Trade and other payables		474,332	-	1,114,737
Provisions		1,087,292	-	956,758
Deferred tax liabilities		7,016,415	-	6,648,166
<b>Total non-current liabilities</b>		<b>12,100,688</b>	2,000,000	8,959,131
Interest-bearing loans and borrowings		529,493	-	6,464,162
Trade and other payables		2,432,042	437,185	5,049,297
Provisions		772,098	-	1,138,586
<b>Total current liabilities</b>		<b>3,733,633</b>	437,185	12,652,045
<b>Total liabilities</b>		<b>15,834,321</b>	2,437,185	21,611,176
<b>Total equity and liabilities</b>		<b>65,842,818</b>	3,450,636	58,936,690

**PETRA DIAMONDS LIMITED**

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2005

	Notes	Restated	Restated
	<b>1 July 2005- 31 December 2005</b>	1 July 2004- 31 December 2004	1 July 2004 - 30 June 2005
	£	£	£
<b>Loss after taxation for the period</b>	<b>(1,102,463)</b>	(4,269,919)	(11,529,008)
Depreciation of property plant and equipment - exploration	304,430	284,403	340,966
Depreciation of property plant and equipment - mining	1,553,236	-	249,394
Depreciation of property plant and equipment - other	10,333	5,768	15,628
Amortisation of intangible assets	5 579,220	2,223	4,409
Profit on sale of property plant and equipment	(3,297)	-	(866)
Impairment of intangible assets	-	-	73,710
Impairment of goodwill	-	-	4,832,025
Interest received	(142,769)	(4,555)	(19,636)
Interest paid	157,527	62,998	216,585
Foreign exchange (gain)/loss	(2,322,394)	556,407	497,083
Share based payment provision	136,855	72,869	209,725
Rehabilitation unwinding provision	37,652	-	-
<b>Operating loss before working capital changes</b>	<b>(791,670)</b>	(3,289,806)	(5,109,985)
(Increase) in trade and other receivables	(98,455)	(65,132)	(563,539)
(Decrease) / increase in trade and other payables	(1,442,368)	(48,331)	1,088,439
(Increase) in inventories	(677,856)	-	(28,860)
<b>Cash utilised in operations</b>	<b>(3,010,349)</b>	(3,403,269)	(4,613,945)
Interest paid	(157,527)	(62,998)	(216,585)
<b>Net cash utilised by operating activities</b>	<b>(3,167,876)</b>	(3,466,267)	(4,830,530)
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	31,843	-	866
Acquisition of subsidiary net of cash acquired	4 3,154,338	-	57,688
Interest received	142,769	4,555	19,636
Acquisition of property, plant and equipment	(2,292,718)	(893,993)	(1,516,876)
Acquisition of listed investment	(700,000)	-	-
<b>Net cash from investing activities</b>	<b>336,232</b>	(889,438)	(1,438,686)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	-	1,054,939	18,106,789
Decrease in long term borrowings	(5,169,851)	(13,620)	(218,837)
Payment of transaction costs	(363,584)	-	-
<b>Net cash from financing activities</b>	<b>(5,533,435)</b>	1,041,319	17,887,952
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(8,365,079)</b>	(3,314,386)	11,618,736
Cash and cash equivalents at beginning of the period	15,374,678	3,766,852	3,766,852
Effect of exchange rate fluctuations on cash held	60,709	-	(10,910)
<b>Cash and cash equivalents at end of the period</b>	<b>7,070,308</b>	452,466	15,374,678

**PETRA DIAMONDS LIMITED**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2005**

**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). 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 2005 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 2005 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 2005.

The financial information for the year ended 30 June 2005 has been extracted from the statutory accounts for that period, after the adjustment for the adoption of IFRS 2. The auditors report for the year ended 30 June 2005 was unqualified.

The results for the year to 30 June 2005 reflect the results for the Company (pre the acquisition of Crown Diamonds NL) for the eleven months to 31 May 2005 and for the enlarged group, including one month's contribution from the Crown operations acquired, to 30 June 2005. The effective date of control of Crown Diamonds was 1 June 2005.

The financial information for the 6 months ended 31 December 2004 has been extracted from the interim results released to 31 December 2004 after the adjustment for the adoption of IFRS 2. Whilst the Company has previously produced an interim report, that report has not previously been subject to an interim review by KPMG. As a consequence, the review procedures performed by KPMG have not been performed in respect of the comparative period for the six months ended 31 December 2005.

**2. DIVIDENDS**

No dividends were proposed or paid during the period.

**3. SEGMENTAL INFORMATION**

The Group comprises the following business segments:

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

Exploration – exploration operations carried out in Angola, Sierra Leone, Botswana and South Africa.

<b>Business segments</b>	<b>Mining</b>	<b>Exploration</b>	<b>Consolidated</b>
	1 July 2005 - 31 December 2005	1 July 2005 - 31 December 2005	1 July 2005 - 31 December 2005
	£	£	£
Revenue from external customers	5,497,276	-	5,497,276
Gross loss	(501,107)	-	(501,107)
Segment result	(839,352)	(2,812,623)	(3,651,975)
Net financing income	1,024,432	1,283,204	2,307,636
Income tax	241,876	-	241,876
<b>Profit/(loss) for the period</b>	<b>426,956</b>	<b>(1,529,419)</b>	<b>(1,102,463)</b>

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<b>Business segments</b>	<b>Mining</b>	<b>Exploration</b>	<b>Consolidated</b>
	1 July 2004 - 31 December 2004	1 July 2004 - 31 December 2004	1 July 2004 - 31 December 2004
	£	£	£
Revenue from external customers	-	-	-
Gross loss	-	-	-
Segment result	-	(3,718,900)	(3,718,900)
Net financing income/(cost)	-	(551,019)	(551,019)
Income tax	-	-	-
Loss for the period	-	(4,269,919)	(4,269,919)

<b>Business segments</b>	<b>Mining</b>	<b>Exploration</b>	<b>Consolidated</b>
	1 July 2004 - 30 June 2005	1 July 2004 - 30 June 2005	1 July 2004 - 30 June 2005
	£	£	£
Revenue from external customers	1,225,292	-	1,225,292
Gross profit/(loss)	164,338	-	164,338
Segment result	37,406	(11,217,436)	(11,180,030)
Net financing income/(cost)	72,058	(385,528)	(313,470)
Income tax	(35,508)	-	(35,508)
Profit/(loss) for the year	73,956	(11,602,964)	(11,529,008)

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**4. ACQUISITION OF SUBSIDIARY**

On 30 September 2005, the Company acquired all the shares in Kalahari Diamonds Limited (“Kalahari”), for £12,479,005, satisfied by the issue of 16,166,529 shares. Kalahari, through its wholly-owned Botswana subsidiary, Sekaka Diamonds (Pty) Limited, is the holder of approximately 80,000 km<sup>2</sup> of diamond prospecting licences in Botswana. In the three months to 31 December 2005, Kalahari made an exploration loss, before depreciation and amortisation, of £421,700.

**Effect of the acquisition**

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

	Book Values	Fair value Adjustments	Carrying Values
Kalahari’s net assets at acquisition date:	£	£	£
<b>Consolidated fair value of net assets of entity acquired:-</b>			
Plant and equipment	100,059	-	100,059
Prospecting licences	728,086	9,267,522	9,995,608
Cash assets	3,154,338	-	3,154,338
Receivables	54,113	-	54,113
Accruals and payables	(825,113)	-	(825,113)
Consideration settled satisfied in shares	3,211,483	9,267,522	12,479,005

**5. INTANGIBLE ASSETS**

	Goodwill	Pre production expenditure	Mineral rights	Prospecting licences	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 July 2005	-	187,199	-	-	187,199
Transfer to property plant and equipment	-	(187,199)	-	-	(187,199)
Exchange differences	-	-	-	13,797	13,797
Acquisition by business combination	-	-	-	9,995,608	9,995,608
<b>At 31 December 2005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,009,405</b>	<b>10,009,405</b>
<b>Amortisation</b>					
At 1 July 2005	-	-	-	-	-
Exchange differences	-	-	-	-	-
Provided in the year	-	-	-	(579,220)	(579,220)
<b>At 31 December 2005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(579,220)</b>	<b>(579,220)</b>
Net book amount 30 June 2005	-	187,199	-	-	187,199
Net book amount 31 December 2005	-	-	-	9,430,185	9,430,185

**PETRA DIAMONDS LIMITED**  
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**5. INTANGIBLES (continued)**

The amortisation of intangible assets has arisen due to the Board taking the view that Kalahari Diamonds Limited's prospecting licences have an average remaining life of four years. Therefore the intangible asset recorded on the acquisition effective 30 September 2005 of Kalahari Diamonds Limited of £9,267,522 (note 4), has been amortised for the three month period from 1 October to 31 December 2005.

	<b>1 July 2005 - 31 December 2005 £</b>	1 July 2004 - 31 December 2004 £	1 July 2004 - 30 June 2005 £
<b>6. NET FINANCING INCOME/(COSTS)</b>			
On bank loans and overdrafts	<b>(108,006)</b>	<b>(946)</b>	(29,395)
Other debt finance costs	<b>(49,521)</b>	<b>(62,052)</b>	(187,190)
Foreign exchange losses	-	<b>(492,576)</b>	(116,521)
Financial expense	<b>(157,527)</b>	<b>(555,574)</b>	(333,106)
Interest received	<b>142,769</b>	<b>4,555</b>	19,636
Foreign exchange gains	<b>2,322,394</b>	-	-
Financial income	<b>2,465,163</b>	<b>4,555</b>	19,636
	<b>2,307,636</b>	<b>(551,019)</b>	(313,470)

	<b>1 July 2005 - 31 December 2005 £</b>	1 July 2004 - 31 December 2004 £	1 July 2004 - 30 June 2005 £
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**7. LOSS PER SHARE**

The calculation of loss per share is based on the loss for the six month period ended 31 December 2005 of £1,102,463 (six month period ended 31 December 2004: £4,269,919) and on a weighted average, during the six month period ended 31 December 2005, of 139,565,621 (six month period ended 31 December 2004: 68,010,371) ordinary shares of 10p each in issue during the period.

Loss for the period	<b>(1,102,463)</b>	(4,269,919)	(11,529,008)
	<b>Shares</b>	Shares	Shares
Basic weighted average number of ordinary shares in issue	<b>139,565,621</b>	68,010,371	73,937,847
	<b>Pence</b>	Pence	Pence
Basic loss per share – pence	<b>(0.79)</b>	(6.28)	(15.59)

Due to the Group's loss for the period, the diluted loss per share is the same as the basic loss per share

**PETRA DIAMONDS LIMITED**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2005**

**8. CONVERTIBLE NOTE**

A controlled entity, Crown Diamonds NL, had 16,078,191 (£1,229,621) convertible notes on issue at the beginning of the period. During the period, 6,660,430 Crown Diamonds NL convertible notes were converted into 1,011,993 ordinary shares of the Company. The notes were convertible into ordinary shares of the Company, at the option of the note holder or repayable on 30 November 2005.

	<b>1 July 2005 - 31 December 2005</b>	1 July 2004 - 31 December 2004	<b>1 July 2005 - 31 December 2005</b>	1 July 2004 - 31 December 2004
Movements in secured convertible notes	<b>Number</b>	Number	<b>£</b>	£
Balance at beginning of period	<b>16,078,191</b>	-	<b>1,229,621</b>	-
Exchange differences	-	-	<b>(2,123)</b>	-
Redeemed during the period	<b>(9,417,761)</b>	-	<b>(720,248)</b>	-
Converted to ordinary Shares	<b>(6,660,430)</b>	-	<b>(507,250)</b>	-
Balance at the end of period	-	-	-	-

**9. ISSUED CAPITAL**

	<b>Number of shares</b>	<b>1 July 2005 - 31 December 2005 £</b>	Number of shares	1 July 2004 - 31 December 2004 £
Authorised – ordinary shares of 10p each				
As at 31 December 2004 and 31 December 2005	<b>200,000,000</b>	<b>20,000,000</b>	120,000,000	12,000,000
Issued and fully paid	<b>130,949,456</b>	<b>13,094,946</b>	67,849,975	6,784,998
At 1 July 2005				
Allotments during the year	<b>16,365,939</b>	<b>1,636,594</b>	1,419,560	141,956
Conversion of convertible notes	<b>1,011,993</b>	<b>101,199</b>	-	-
At 31 December 2005	<b>148,327,388</b>	<b>14,832,739</b>	69,269,535	6,926,954

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**10. RESERVES**

	Share premium account	Foreign currency translation reserve	Share based payment reserve	Accumulated loss
	£	£	£	£
6 Month period ending 31 December 2004:				
At 1 July 2004	18,834,587	1,639,078	-	(23,578,125)
Implementation of IFRS 2 (refer note 11)	-	-	111,102	(111,102)
Restated balance at 1 July 2004	18,834,587	1,639,078	111,102	(23,689,227)
Loss for the period	-	-	-	(4,269,919)
Equity based share options	-	-	72,869	-
Exchange differences	-	475,979	-	-
Premium allotments during the year	912,028	-	-	-
<b>At 31 December 2004</b>	<b>19,746,615</b>	<b>2,115,057</b>	<b>183,971</b>	<b>(27,959,146)</b>
6 Month period ending 31 December 2005:				
At 1 July 2005	56,711,873	2,286,161	-	(34,767,466)
Implementation of IFRS 2 (refer note 11)	-	-	320,827	(320,827)
Restated balance at 1 July 2005	56,711,873	2,286,161	320,827	(35,088,293)
Loss for the period	-	-	-	(1,102,463)
Equity based share options	-	-	136,855	-
Exchange differences	-	1,013,677	-	-
Premium allotments during the year	10,522,887	-	-	-
Share issue costs	(31,816)	-	-	-
Convertible notes issued	406,050	-	-	-
<b>At 31 December 2005</b>	<b>67,608,994</b>	<b>3,299,838</b>	<b>457,682</b>	<b>(36,190,756)</b>

**11. ADOPTION OF IFRS 2 (SHARE BASED EMPLOYEE OPTIONS)**

During the period, the Company adopted IFRS 2 with respect to the treatment of share-based employee share options. In order to comply with IFRS 2, the Company now expenses the fair value of share-based employee options with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The comparative numbers have been appropriately restated. The effect of the change is as follows:

	Gross	Taxation	Net
Increase in net loss due to increase in personnel costs:			
- 30 June 2004	(111,102)	-	(111,102)
- 30 June 2005	(209,725)	-	(209,725)
Restatement of opening accumulated losses in respect of			
prior year adjustment	(320,827)	-	(320,827)

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**12. SHARE BASED OPTIONS**

The Company has an established share option programme that entitles the Remuneration Committee, at its discretion, to grant share options to directors and senior management. The terms and conditions of the share options granted during the year ended 30 June 2005 are disclosed in the Annual Report. Share options made prior to 7 November 2002 have, in accordance with the transitional provisions and recognition and measurement principles in IFRS 2, not been taken into account. The share-based option expense has been calculated using the Black-Scholes-Merton formula.

Fair value of share options and assumptions for the 6 months ended 31 December 2005:

	Directors	Senior management
Fair value at measurement date	26.9p - 40.9p	9.2p - 25.4p
Exercise price	44p - 85p	44p - 67.75p
Share price 31 December 2005	63p	63p
Expected volatility	50%	50%
Option life	10 years	1 - 10 years
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	4.2% - 5%	3.5% - 4.9%

The expected volatility is based on historic volatility, adjusted for any extreme changes in the share price during the historic period. No options had been exercised during the period. During the six months ended 31 December 2005, the Company recognised expenses of £136,855 related to the fair value of employee share options (refer to note 11 for prior period adjustments).

**13. POST-BALANCE SHEET EVENTS**

**Sierra Leone**

The Company and Mano River Resources Inc ("Mano") are engaged in a joint venture relating to the production of diamonds in the Kono diamond district in Sierra Leone. On 27 February the Group announced that it had incurred \$3 million of expenditure on the Kono Project and had earned 51% interest in the joint venture and in Basama Diamonds Limited, which holds the Kono Project licences.

**14. CONTINGENT LIABILITIES**

There were no material changes to the contingent liabilities during the interim period, as compared with those set out in the accounts for the year ended 30 June 2005.

## **Independent review report to Petra Diamonds Limited**

### **Introduction**

We have been engaged by the company to review the interim financial information set out on pages 5 to 14 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Australian Stock Exchange Listing Rules. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors have elected to prepare the annual financial statements in accordance with International Financial Reporting Standards. In accordance with the Australian Stock Exchange Listing Rules, the directors are responsible for preparing the interim financial information under IAS 34. This requires an entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Whilst the company has previously produced an interim report, that report has not previously been subject to an interim review. As a consequence, the review procedures set out above have not been performed in respect of the comparative period for the six months ended 31 December 2005.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2005.

KPMG Audit Plc  
Chartered Accountants  
15 March 2006

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Petra Diamonds Limited, we state that in the opinion of the directors:

- a) the financial statements and notes of the consolidated entity:
  - i) give a true and fair view of the financial position at 31 December 2005 and the performance for the half-year ended on that date of the consolidated entity; and
  - ii) comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB); and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Johan Dippenaar  
Chief Executive Officer

David Abery  
Finance Director

15 March 2006