21 February 2011 **AIM: PDL**

Petra Diamonds Limited

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

Interim results for the six months to 31 December 2010

Petra Diamonds Limited announces its interim results (unaudited) for the six months to 31 December 2010 ("the Period"), following the publication of the Company's Trading Update on 12 January 2011.

Financial Highlights

- Group mine revenue up 86% to US$90.0 million (H1 FY 2010: US$48.4 million)
- Profit from mining activity[2]: US$24.5 million (H1 FY 2010: US$8.0 million)
- Operating cashflow: US$11.9 million (H1 FY 2010: US$4.8 million outflow)
- Group EBITDA[5]: US$20.2 million (FY 2010: US$38.1 million which included Cullinan fair value adjustment[4] of US$31.0 million)
- Profit after tax: US$24.5 million (H1 FY 2010: US$37.9 million including Cullinan adjustment)
- EPS: 6.79 cents (H1 FY 2010: 17.77 cents) - weighted average shares in issue increased from 208.6 million (31 December 2009) to 353.3 million (31 December 2010)
- Cash position (at 31 December 2010): US$20.8 million (H1 FY 2010: US$65.0 million)

Operations Highlights

- Gross production of 582,102 carats (H1 FY 2010: 614,594 carats) decreased due to planned cessation of production at Williamson (whilst expansion plan underway) and depletion of higher grade optical sorting plant ("OSP") tailings at Cullinan
- Unit costs remained flat despite inflationary pressures
- Total capital expenditure ("Capex") of US$47.7 million (H1 FY2010 US$15.6 million) reflecting increased pace of major capital expansion programmes at Cullinan and Williamson

Corporate Highlights

- ca. US$83 million debt facilities secured from IFC and Rand Merchant Bank ("RMB")
- Repayment in full of Al Rajhi Holdings W. L. L. ("Al Rajhi") loan (US$30.7 million) and accrued interest
- Effective interest in Koffiefontein mine increased from 70% to 74%
- Black Economic Empowerment ("BEE") partner introduced at Helam mine; all South African operations now fully BEE compliant

Post Period Highlights

- Acquisition of Finsch mine in South Africa agreed with De Beers Consolidated Mines ("De Beers") for R1.425 billion (ca. US$210 million)
- Fundraising of £205 million (ca. US$325 million) completed January 2011
- Diamond market continues to strengthen with excellent prices recorded for first tender of 2011

Johan Dippenaar, CEO of Petra, commented:
"Petra's production portfolio has recorded positive trading results for the Period, set against the backdrop of a healthy diamond market, which has continued to strengthen into 2011 as evidenced by the excellent prices we have achieved in our first tender of the year. In addition, the acquisition of the Finsch mine in due course will serve to immediately trigger a further step-change in Group production and revenues."

Analyst presentation and webcast
A presentation for analysts will be held at 9:30 a.m. (London, UK time) on 21 February 2011 at the offices of Buchanan Communications, 45 Moorfields, London, EC2Y 9AE. A live webcast of the analyst presentation will be available on Petra's website at www.petradiamonds.com and on the following link: http://mediaserve.buchanan.uk.com/2011/petra210211/registration.asp. A recording of this will be available from 11:30 a.m. (London, UK time) on 21 February 2011 on the website and on the same link.

SUMMARY OF RESULTS (unaudited)

	6 months to 31 December 2010 US$ million	6 months to 31 December 2009 US$ million	Year ended 30 June 2010 US$ million
Revenue[1]	**90.0**	**48.4**	**163.7**
Mining and processing costs	(66.8)	(40.5)	(98.9)
Other direct income	1.3	0.1	2.4
Profit from mining activity[2]	**24.5**	**8.0**	**67.2**
Other operating income	-	6.7	5.4
Exploration expense	(0.4)	(0.3)	1.2
Corporate overhead	(3.9)	(3.3)	(7.5)
Deferred taxation on inventory fair value adjustment	-	-	(7.4)
Inventory fair value adjustment[3]	-	(4.0)	(19.0)
Cullinan fair value adjustment[4]	-	31.0	31.0
Adjusted EBITDA[5]	**20.2**	**38.1**	**70.9**
Recycling of foreign exchange differences on exploration projects[6]	-	-	12.3
Depreciation	(10.1)	(5.7)	(11.8)
Amortisation	-	(1.0)	(1.0)
Share based payment expense	(1.0)	(0.5)	(1.7)
Net unrealised foreign exchange gain	20.9	5.3	0.8
Net finance expense	(3.2)	(2.2)	(0.5)
Tax (expense) / credit	(2.3)	3.9	1.2
Net profit after tax – Group	**24.5**	**37.9**	**70.2**
Basic earnings per share attributable to the equity holders of the Company – US$ cents[7]	**6.79**	**17.77**	**22.65**
Weighted average shares in issue (millions)	353.3	208.6	280.2
Diluted earnings per share attributable to the equity holders of the Company – US$ cents[7]	**6.48**	**17.44**	**22.20**
Weighted average diluted shares (millions)	370.3	212.6	285.9
Cash at bank[8]	**20.8**	**65.0**	**34.5**

Notes:

1. For the Period 1 July 2009 to 16 November 2009, Petra accounted for its interest in Cullinan under the gross method of proportional consolidation, recognising 50% of revenue and 13% non-controlling interests. With effect from 17 November 2009 (the effective date of control for accounting purposes that Petra acquired the remaining 50% interest in Cullinan Investment Holdings Limited ("CIHL") from Al Rajhi) Petra consolidated 100% of revenue and 26% non-controlling interests in line with IFRS; had the basis of consolidation not been changed from 50% to 100% from 17 November 2009, the revenue for the period ending 31 December 2009 would have been US$42.3 million.
2. Stated before depreciation, amortisation of intangibles, interest paid, foreign exchange gains and losses, inventory fair value adjustment, deferred taxation on inventory fair value adjustment and share based payments.
3. During the period 1 July 2009 to 30 June 2010 the Group sold the 168 carat and 507 carat diamonds (from Cullinan) for US$6.28 million and US$35.3 million respectively. At mine level this realised a profit of US$41.6 million, as the production cost for the diamonds was not material. On acquiring the second 50% of CIHL (before the diamonds were sold), management conservatively estimated the value of the stones for accounting purposes at US$4 million and US$15 million respectively, and this became the cost to the Group for IFRS reporting purposes. The deferred taxation on the inventory fair value adjustment of US$7.4 million was realised on the sale of the stones.
4. The acquisition of the second 50% of CIHL on 17 November 2009 was treated as a stepped acquisition under IFRS3 (revised). The total fair value gain of US$31 million reflects the difference between the book value of the original 50% interest and the fair value (as determined by the price paid for the second 50%). A significant component of this relates to the difference between the production cost of the exceptional Cullinan stones and management's valuation of these stones. In assessing the fair values of the second 50% of net assets acquired, management allocated the premium of consideration over net assets to mineral rights and inventories.
5. EBITDA disclosures are "adjusted EBITDA", being stated before share based payment expense, foreign exchange gains and losses and recycling of foreign exchange differences on exploration projects.
6. In prior periods, foreign exchange gains relating to the Group's exploration assets in Angola were taken directly to reserves. Following the Group's exit from Angola and the disposal of the remaining assets, these gains were released to the income statement, in accordance with IFRS.
7. Stated after non-controlling interests (representing BEE partners' interests within the Group) of US$0.6 million.
8. Cash at bank comprises unrestricted cash and restricted cash balances of US$9.7 million and US$11.1 million respectively (30 June 2010: US$24.8 million and US$9.7 million, and 31 December 2009: US$63.1 million and US$1.9 million). In January 2011 the Company completed a placing that raised £205 million (ca. US$325 million).

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About Petra Diamonds Limited

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market.

The Company offers an exceptional growth profile within the diamond sector, with a core objective to increase annual production to around 4 million carats by FY 2014 (including Finsch) and further increase output to over 5 million carats by FY 2019 (including Finsch). The Group has a major resource base of 309 million carats (including Finsch).

Petra has a well-diversified portfolio, with interests in seven producing mines: six in South Africa (Cullinan, Koffiefontein, Kimberley Underground, Helam, Sedibeng and Star) and one in Tanzania (Williamson). Post completion of the Finsch acquisition, the Company will have eight producing mines in Africa.

Petra conducts all its operations according to the highest ethical standards and will only work in countries which are members of the Kimberley Process. The Company is quoted on the AIM market of the London Stock Exchange (AIM: PDL). For more information, visit www.petradiamonds.com.

CEO'S REVIEW

Petra recorded strong growth in revenue for the Period, reflecting the robust health of the rough diamond market and a solid operational performance by the Group. As always, we remain highly focused upon maintaining Petra's culture of continuously driving efficiencies and our operations generated a profit from mining activity of US$24.5 million, despite the cost inflationary pressures and the strength of the Rand experienced for the Period.

Cullinan shone once again, contributing US$57.8 million or 64% of Group revenue for the Period. Cullinan well deserves its reputation as one of the world's most celebrated diamond mines, given its regular production of exceptional stones, including highly prized type II white, brown and blue diamonds. We are already generating healthy margins at the Cullinan mine, but in the medium term we expect the revenue per tonne to increase significantly once we have propagated a new block cave in the western side of the orebody where we will be able to access fresh, undiluted ore. This approach will be replicated at our other underground 'cave' operations, the objective of our development plans being to create access to new mining areas.

Petra had previously planned to take Group production to over 3 million carats by the 2019 financial year ("FY"), however the Company is now in a position to achieve this target by FY 2012 following the agreement entered into post Period end to acquire the Finsch diamond mine in South Africa from De Beers. This acquisition is a landmark development for Petra, given that Finsch is a long-life, major diamond producer which will increase the Company's gross resource base to over 300 million carats and add an eighth producing diamond mine to the Group's portfolio. Including Finsch, Petra now plans to raise production to around 4 million carats by FY 2014 and further increase output to over 5 million carats by FY 2019.

In order to fund the Finsch acquisition price of R1.425 billion (approximately US$210 million), Petra carried out a successful equity placing in January 2011, raising gross proceeds of £205 million (approximately US$325 million). The Company received overwhelming support from existing and new shareholders in what was a significantly oversubscribed issue, reflecting the increasing interest in Petra as a unique investment vehicle for those wishing to gain exposure to diamonds.

Petra's core objective is the successful implementation of its Capex programmes in order to increase production at each of the Group's major mining operations. Access to capital is key to the delivery of these programmes and Petra was therefore pleased to agree debt facilities in November 2010 of some US$83 million with IFC (a member of the World Bank Group) and RMB (a division of FirstRand Bank Limited).

In December 2010, Petra concluded a transaction which enabled the Company to increase its effective interest in the Koffiefontein mine from 70% to 74%. The additional 4% interest was acquired through the acquisition of a shareholding in Re-Teng Diamonds (Pty) Limited, Petra's BEE partner at Koffiefontein. The interests in Koffiefontein are now Petra 74%, BEE partners 26%. During the year, Petra also introduced Sedibeng Mining (Pty) Limited as the BEE partner at both the Helam and Star mines. All of Petra's South African mining operations are now fully empowered with regards to South Africa's BEE legislation.

In short, it has been a period of progression for the Company as we continue to develop our stature as a leading diamond producer. Furthermore, the acquisition of Finsch and the associated placing together consolidate Petra's position as the world's largest quoted diamond mining company and provide a strong platform for the Company's intended move to the Main Market of the London Stock Exchange (Petra will update the market on the timing of this move in due course).

DIAMOND MARKET

Further to the strong recovery in the rough diamond market following the global economic downturn, rough diamond prices continued to strengthen during the Period and the Petra tender held in February 2011 illustrates that the market remains strong (see 'Tender Prices Update' below). The strength in the market is based upon firm fundamentals and is driven by retail off-take as well as inventory demand from polishers and manufacturers.

As recently reported in De Beers' results for 2010, retail diamond jewellery demand grew by approximately 8% globally and by 7% in the US, both better than expected. However it is the exciting emerging markets that continue to fuel demand, notably China and India which recorded exceptional double-digit growth of 25% and 31% respectively. Going forward, industry growth is expected to be in line with global economic growth, though we consider that there is potential for the diamond market to outperform if the growth in China and India maintains its rapid pace.

Our outlook for the year remains positive as we expect demand for rough to remain strong. Longer term fundamentals for the diamond market are compelling, characterised by supply constraints and rising demand in both mature and emerging markets. Petra's focus as a growing rough diamond producer places the Company in a good position to benefit from this positive outlook.

Tender Prices Update
Petra's February 2011 tender confirmed the continued strength of the rough diamond market with a rise in prices of between 6% and 8% as measured against the average prices achieved during the Period.

The February tender included a 113 carat Type IIa white diamond from Cullinan that sold for US$4,700,777 (US$41,585 per carat). The proceeds of this special stone were not included in the percentage comparison as noted above.

FINANCIAL RESULTS

Revenue
Gross revenue of US$90.0 million was recorded for the Period, an increase of 44% on the US$62.4 million recorded for H1 FY 2010, mainly attributable to the healthy diamond price environment, combined with increased sales volumes from the South African mines.

Group revenue was up 86% to US$90.0 million, against the US$48.4 million recorded for H1 FY 2010. A direct comparison of Group revenues between the periods is complicated due to the fact that Petra acquired an additional 37% interest in the Cullinan mine in November 2009 and now consolidates 100% of all mine revenue, whereas up to 16 November 2009 the Company accounted for its interest in Cullinan under the gross method of proportional consolidation, recognising 50% of revenue (and 13% non-controlling interests).

With our operations (and associated costs) mainly in South Africa, but our diamond sales denominated in dollars, the continued strength of the Rand during the Period had a significant effect on revenues. In the Period under review, the Rand traded in a range of R6.60/US$1 and R7.72/US$1, averaging R7.09 (H1 2010: R7.24/US$1 to R8.22/US$1, averaging R7.62/US$1).

Mining and processing costs
Gross mining and processing costs (before depreciation) for the South African operations increased in ZAR terms by approximately 25% due to:

- upwards pressure on electricity and labour costs (accounting for 11% of the increase);
- costs associated with the treatment of additional tonnages across the operations (accounting for 8% of the increase); and
- the ramp-up of production at the Kimberley Underground mine (accounting for the remaining 6% of the increase).

Despite the high inflationary pressures experienced during the Period, unit costs across the South African operations were well contained with unit costs (Rand per tonne) decreases recorded at all the mines compared to the corresponding period.

In US$ reporting terms, consolidated mining and processing costs have increased further due to the strengthening of the Rand during the Period by approximately 7% and the consolidation of 100% of the mining and processing costs for Cullinan from 17 November 2009.

Mining profit
A profit on mining activity of US$24.5 million was recorded for the Period, against a profit of US$8.0 million for H1 FY 2010, reflecting higher diamond prices achieved and the continuing improvement of our mines' performance under Petra management.

Other operating income
There was no other operating income for the Period, in comparison to US$6.7 million recorded in H1 FY 2010 which related to the Company's withdrawal from Angola, including the sale of plant and equipment.

Exploration and corporate expenses
Petra maintains a highly focused and cost-effective exploration programme in Botswana and exploration expenditure (excluding amortisation charges) remained relatively flat for the Period at US$0.4 million.

Corporate overheads increased only slightly to US$3.9 million for the Period (H1 FY 2010: US$3.3 million), appropriately reflecting the increasing size of the Group. Tight control of such costs is of key importance to management.

Net unrealised foreign exchange gain
During the Period, the Group generated net unrealised foreign exchange gains of US$20.9 million (US$5.3 million in H1 FY 2010), the majority of which are due to unrealised foreign exchange movements on the retranslation of foreign subsidiary intercompany loans to US$.

Net finance expense
The Group incurred net finance costs of US$3.2 million (US$2.2 million in H1 FY 2010), being interest payable on the Al Rajhi loan (which was settled in November 2010), interest on the IFC / RMB debt facilities and the Group's working capital facility, and the unwinding of the present value adjustment for rehabilitation costs. This was offset by interest received on cash balances, interest receivable from the BEE partners' loans and foreign exchange gains.

Group profit
A net profit after tax of US$24.5 million was recorded for the year, in comparison to a profit of US$37.9 million for H1 FY 2010 (of which US$31.0 million related to the Cullinan fair value adjustment – see Note 4 to the 'Summary of Results' included in the 'Highlights' section of this press release). Over the last year, the Company has substantially simplified its asset ownership structure and now consolidates 100% of the revenue from all its assets, including Cullinan. The Company recorded earnings of 6.79 cents per share.

Cash and debt
As at 31 December 2010, Petra had cash in hand of US$20.8 million and diamond inventories of approximately US$20.2 million; loans, borrowings, trade creditors and the deferred Cullinan consideration totalled US$99.5 million. Subsequent to the Period end, Petra completed an equity placing to raise gross proceeds of approximately US$325 million, of which approximately US$210 million will be used to satisfy the acquisition cost of the Finsch mine and approximately US$40 million to cover both the environmental guarantee to the South African Department of Mineral Resources ("DMR") and the initial working capital requirements for the mine.

Of this cash balance at Period end, US$11.1 million is held by Petra's bankers as security for environmental rehabilitation bonds lodged by the bankers with the DMR; the balance of US$9.7 million is unrestricted cash.

Loans and borrowings at the Period end was US$84.1 million, being US$48.2 million drawn-down on the IFC / RMB facilities (net of a US$5.9 million adjustment in accordance with IAS32 and IAS39 for the accounting treatment of facility fees and warrant costs associated with the IFC / RMB facilities), US$32.9 million (US$35 million gross) due to Al Rajhi in December 2011 (the deferred Cullinan consideration) and US$3.0 million drawn-down on the FNB working capital facility. The gross balance of the IFC / RMB debt facilities of US$28.9 million is available for draw-down by the Company until November 2012. Repayment of capital is by way of eight semi annual payments commencing in November 2012. The interest rates on the facilities are IFC US$ loan - six month US$ LIBOR plus 4.5% margin; RMB ZAR loan - three month JIBAR plus 4.5% margin. The deferred consideration owed to Al Rajhi is interest free.

Other than trade payables of US$21.7 million, the remaining liabilities on the balance sheet (which are of a 'non-cash' nature) comprise provisions for various rehabilitation liabilities, accounting for amounts owing due to the financing of the minorities in Cullinan, leave and medical aid provisions and deferred tax.

Cashflow

The Group generated operating cashflow for the Period of US$11.9 million (H1 FY 2010: US$4.8 million outflow). The Company expects operating cashflow to strengthen significantly further in H2 FY 2011, in line with the strong anticipated diamond prices and production for the second half.

OPERATIONS

Petra provided an operational update in its Trading Update announced on 12 January 2011. A summary of this review is included below and new information is included where appropriate.

Combined operations:
(Cullinan, Koffiefontein, Kimberley Underground, Fissures, Williamson)

	Unit	6 months ended 31 December 2010	6 months ended 30 June 2010	6 months ended 31 December 2009
Sales				
Revenue	US$M	90.0	115.3[1]	62.4[2]
Diamonds sold	Carats	584,234	552,871	572,227
Production				
ROM[3] diamonds	Carats	533,912	503,819	547,054
Tailings & alluvial diamonds	Carats	48,190	46,443	67,540
Total diamonds	Carats	582,102	550,262	614,594

Notes:
1. The revenue for H2 FY 2010 included the sale of the 507 carat Cullinan Heritage diamond for US$35.3 million
2. Further to the acquisition of an additional 37% interest in the Cullinan mine in November 2009, Petra now consolidates 100% of all mine revenue. Up until 16 November 2009, Petra accounted for its interest in Cullinan under the gross method of proportional consolidation, recognising 50% of revenue (and 13% non-controlling interests)
3. ROM = run-of-mine

Gross sales for the Period were up 44% on H1 FY 2010, due to the sustained recovery in the rough diamond market and correspondingly stronger prices achieved for the Period, combined with additional diamond sales from the South African operations.

Group production was down slightly by 5% on H1 FY 2010 further to the planned temporary suspension of production from the main pit at the Williamson mine, whilst the existing plant is being refurbished, coupled with the planned depletion of the high-grade OSP tailings resource at Cullinan, where the tailings operation is now focusing on the lower-grade ROM tailings.

Petra continues to be focused on maximising revenues and, in this regard, is implementing an initiative to raise the bottom-cuts in the treatment plants of the Cullinan, Koffiefontein and Kimberley Underground mines. Raising the bottom-cuts will mean that the smaller, lower-value goods will not be recovered but that plant-throughput and recovery of larger, higher-value diamonds will be optimised. The Company will continue to monitor the prices of the smaller goods to ensure flexibility by adapting its recovery processes should an increase in the price of smaller goods warrant their re-inclusion in the production profile.

Capex for the Period was US$47.7 million, reflecting the acceleration of the Company's development programmes. This spend includes US$6.6 million incurred at the projects division which will be allocated to specific projects on completion.

OPERATIONS – SOUTH AFRICA

Cullinan – South Africa

	Unit	6 months ended 31 December 2010	6 months ended 30 June 2010	6 months ended 31 December 2009
Sales				
Revenue	US$M	57.8	86.8[2]	40.2
Diamonds sold	Carats	481,049	442,496	461,365
Average price per carat	US$	120	197[2]	87
ROM Production				
Tonnes treated	Tonnes	1,187,058	1,158,446	1,002,461
Diamonds produced	Carats	439,989	421,813	419,480
Grade	Cpht[3]	37.1	36.4	41.8
Tailings Production				
Tonnes treated	Tonnes	263,092	124,962	123,418
Diamonds produced	Carats	28,067	32,712	53,926
Grade	Cpht	10.7	26.2	43.7
Total Production				
Tonnes treated	Tonnes	1,450,150	1,283,408	1,125,879
Diamonds produced	Carats	468,056	454,525	473,406
Grade	Cpht	32.3	35.4	42.1
Costs				
On-mine cost per tonne	ZAR	162	159	174
Total Capex	US$M	12.9	12.2	8.7

Notes:
1. Petra has a 74% interest in Cullinan (BEE partners 26%)
2. The revenue for H2 FY 2010 included the sale of the 507 carat Cullinan Heritage diamond for US$35.3 million
3. 'Cpht' = 'carats per hundred tonnes'
4. Further to the acquisition of an additional 37% interest in the Cullinan mine in November 2009, Petra now consolidates 100% of all mine revenue. Up until 16 November 2009, Petra accounted for its interest in Cullinan under the gross method of proportional consolidation, recognising 50% of revenue (and 13% non-controlling interests)

The Cullinan mine generated sales of US$57.8 million for the Period, up 43% on H1 FY 2010. The average value per carat achieved for the Period was US$120 for ROM production and was only slightly influenced by 'special' diamond sales.

ROM production from underground mining operations increased by 18% to 1,187,058 tonnes, whereas diamond recoveries increased by 5% to 439,989 carats (compared to H1 FY 2010). This was caused by an 11% drop in grade due to the maturity levels of the block cave where the mining operations are currently taking place.

Petra's development plan at Cullinan involves the establishment of a new block cave on the western side of the orebody. Once this has been achieved, the Company will be drawing fresh, undiluted ore and the overall mining grade is expected to increase from approximately 37 cpht to 50 cpht (in line with achieved historical grades).

Petra continues to ramp up a major tailings operation at Cullinan to exploit the vast 165 million tonnes tailings deposit at surface (estimated to contain 16.5 million carats). Although tailings throughput was doubled to 263,092 tonnes during the Period, diamond recoveries from tailings dropped by 48% to 28,067 carats as the Company is now processing the lower grade ROM tailings material. This follows the planned depletion of the higher-grade OSP tailings dump in the preceding period.

Due to the increase in tonnes treated, on-mine costs per tonne were well below that of the comparable period despite above-inflation increases in both electricity and labour costs. Capex amounted to US$12.9 million for the Period which was mainly spent on underground development and related machinery and equipment.

Koffiefontein – South Africa

	Unit	6 months ended 31 December 2010	6 months ended 30 June 2010	6 months ended 31 December 2009
Sales				
Revenue	US$M	17.2	13.4	9.4
Diamonds sold	Carats	36,669	28,699	28,008
Average price per carat	US$	470	467	337
ROM Production				
Tonnes treated	Tonnes	463,852	423,796	460,262
Diamonds produced	Carats	27,390	24,270	28,756
Grade	Cpht	5.9	5.7	6.2
Tailings Production				
Tonnes treated	Tonnes	338,594	187,842	55,872
Diamonds produced	Carats	7,110	4,975	2,259
Grade	Cpht	2.1	2.6	4.0
Total Production				
Tonnes treated	Tonnes	802,446	611,638	516,134
Diamonds produced	Carats	34,500	29,245	31,015
Grade	Cpht	4.3	4.8	6.0
Costs				
On-mine cost per tonne	ZAR	103	107	147
Total Capex	US$M	4.2	2.7	1.7

Note:

1. Petra has a 70% interest in Koffiefontein (BEE partners 30%); Petra has a further 4% interest in the Koffiefontein Mine Unincorporated JV via its 13.33% shareholding in Re Teng Diamonds (Pty) Ltd (held by Petra's wholly owned subsidiary Blue Diamond Mines (Pty) Ltd), taking its total interest in the Koffiefontein Mine Unincorporated JV to 74%

At Koffiefontein, revenue increased by 83% in comparison to H1 FY 2010 and. the average value per carat increased by 40% to US$470 from the US$337 achieved in the comparable period; a significant achievement given the fact that increased tailings production for the Period (producing lower value goods) diluted overall unit prices.

ROM production increased to 463,852 tonnes when measured against H1 FY 2010, and although the number of ROM carats recovered decreased over the same period due to the mining of lower grade, diluted material, the overall mining grade has improved in line with expectations when measured against the six months to June 2010.

As at Cullinan, the development plan at Koffiefontein will eventually establish new production levels where the Company will have access to fresh, undiluted ore. Once this has been achieved, Petra expects the overall grade at Koffiefontein to improve to around 8.7 cpht.

The plant capacity of 1.7 million tonnes per annum ("mtpa") is now being fully utilised, with an additional 338,594 tonnes of tailings from the Eskom dump yielding 7,110 carats at a grade of 2.1 cpht for the Period. These additional tonnages treated during the Period more than offset the lower grades achieved and overall diamond production increased 11% in comparison to H1 FY 2010.

An increase in tonnes treated resulted in improved unit cost performance at the mine, despite an overall increase in operating expenses related to labour and power increases, as well as additional variable costs associated with the increased throughput. Capex for the Period was largely focused on the underground development work and the acquisition of mining equipment and machinery.

Kimberley Underground – South Africa

	Unit	6 months ended 31 December 2010	6 months ended 30 June 2010	6 months ended 31 December 2009
Sales				
Revenue	US$M	4.9	n/a	n/a
Diamonds sold	Carats	17,271	n/a	n/a
Average price per carat	US$	285	n/a	n/a
Total Production (all ROM)				
Tonnes treated	Tonnes	176,527	9,141	n/a
Diamonds produced	Carats	24,988	1,362	n/a
Grade	Cpht	14.2	14.9	n/a
Costs				
On-mine cost per tonne	ZAR	223	n/a	n/a
Total Capex	US$M	2.1	9.2	0.9

Notes:

1. Petra has a 74% interest in Kimberley Underground (BEE partners 26%)
2. The acquisition of Kimberley Underground completed in May 2010 and therefore there were no results prior to this date
3. Unit costs were adversely affected by lower throughput at Joint Shaft coupled with the overhead costs associated with the Wesselton Shaft while the plant is being constructed

At Kimberley Underground, the average price per carat of US$285 achieved for the Period was very encouraging and exceeded Petra's original projections for the mine in the region of US$180 to US$200.

Commissioning difficulties with the new plant at Joint Shaft, mainly associated with tailings and slimes disposal (due to the large percentage of fine material extracted from the mature Bultfontein caves), resulted in lower than expected diamond recoveries, but these issues were largely overcome during the Period and the Company is now looking forward to increased production in the second half of FY 2011. As a temporary measure, some of the coarser material has been scalped and stockpiled for later treatment, thus depressing the grades achieved during the Period.

Although unit costs were adversely affected by lower than planned throughput, management expects to see improvements as production at Joint Shaft is set to increase in the second half of the financial year. The bulk of the Capex for the Period was spent on the commissioning and related infrastructure at the Joint Shaft plant, whilst components for the new Wesselton Plant are being constructed by Petra's in-house construction unit (based at the Helam mine).

Fissure mines – South Africa

	Unit	6 months ended 31 December 2010	6 months ended 30 June 2010	6 months ended 31 December 2009
Sales				
Revenue	US$M	7.9	7.7	5.8
Diamonds sold	Carats	41,522	38,658	33,971
Average price per carat	US$	192	198	172
ROM Production				
Tonnes treated	Tonnes	91,480	79,901	88,939
Diamonds produced	Carats	41,545	31,183	39,767
Grade	Cpht	45.4	39.0	44.7
Tailings Production				
Tonnes treated	Tonnes	29,886	28,374	2,266
Diamonds produced	Carats	2,166	1,234	2,048
Grade	Cpht	7.2	4.3	90.4
Total Production				
Tonnes treated	Tonnes	121,366	108,275	91,205
Diamonds produced	Carats	43,710	32,417	41,815
Grade	Cpht	36.0	29.9	45.8
Costs				
On-mine cost per tonne	ZAR	619	653	751
Total Capex	US$M	4.6	1.9	0.6

Note:

1. Petra has a 74% interest in Helam (BEE partners 26%), a 74% interest in Star (BEE partners 26%) and a 74.5% interest in Sedibeng (BEE partners 25.5%)

At the fissure mines (Helam, Sedibeng and Star), the average value per carat was not greatly affected, despite the strength of the diamond market, due to the mix in production from the three mines, with a higher contribution from the lower value per carat Helam mine.

The development and mechanisation work at the fissure mines is on track and average total production increased by 5% to 43,710 carats. The Company expects further improvements to be seen in the second half of FY 2011.

Following the increase in tonnes treated across the fissure mines, unit costs show an improvement and we expect this trend to continue. Capex was related to the ongoing underground development at the mines.

Williamson – Tanzania

	Unit	6 months ended 31 December 2010	6 months ended 30 June 2010	6 months ended 31 December 2009
Sales				
Revenue	US$M	2.0	7.5	6.9
Diamonds sold	Carats	7,722	43,018	48,883
Average price per carat	US$	264	174	141
ROM Production				
Tonnes treated	Tonnes	n/a	404,525	930,131
Diamonds produced	Carats	n/a	25,191	59,050
Grade	Cpht	n/a	6.2	6.3
Alluvial Production				
Tonnes treated	Tonnes	254,648	211,404	212,261
Diamonds produced	Carats	10,847	7,522	9,308
Grade	Cpht	4.3	3.6	4.4
Total Production				
Tonnes treated	Tonnes	254,648	615,929	1,142,392
Diamonds produced	Carats	10,847	32,713	68,358
Grade	Cpht	4.3	5.3	6.0
Costs				
On-mine cost per tonne	ZAR	n/a	n/a	n/a
Total Capex	US$M	16.4	7.9	3.7

Note:

1. Petra has a 75% interest in Williamson (Government of the United Republic of Tanzania 25%)

As previously announced, the expansion plan to establish a 10 mtpa operation at Williamson has now commenced and therefore production from the main pit has stopped whilst the re-shaping operations are underway. Sales and production during the Period were therefore limited to contracted alluvial mining, producing 10,847 diamonds for the Period. There is currently no ore processing facility at Williamson whilst the refurbishment work on the old main plant is undertaken. However this work is progressing well and the commissioning of the refurbished plant is expected to commence during the fourth quarter of FY 2011.

Capex at Williamson during the Period was primarily focused on the 10 mtpa project with the main activities undertaken during the Period being engineering design, site preparation and earth works, and pit shaping. In addition, the refurbishment work of the old plant continued throughout the Period.

EXPLORATION

Botswana – Kalahari Diamonds

Petra's exploration programme is focused on Botswana, which is considered to be one of the best addresses in the world for diamond exploration, given its stability, its attractive fiscal regime and its superb geological prospectivity.

For the Period, Petra's desktop work continued to rationalise the Group's landholding, with large tracts of well-explored ground being relinquished and significant tracts of new ground being picked up, resulting in a total current landholding of some 35,000km^2, which remains the largest gemstone exploration holding in the country.

Geophysical ground follow-up and Heavy Mineral Analysis of 30 high priority targets selected from High Resolution Airborne Magnetic data were completed across Petra's various project areas. At the end of the Period, four targets were drilled as part of an exploration drilling campaign which is to continue during 2011.

In addition, a 4,500 line kilometre Xcalibur HiRes Airborne Magnetic Gradiometer survey was successfully commissioned and conducted over historical kimberlite indicator mineral recoveries in the Kukama East project area. The application of Xcalibur Airborne Geophysics' horizontal gradient magnetic acquisition system remains Petra's primary exploration tool to be utilised in clearly defined areas of interest and a 22,000 line kilometre survey covering newly acquired ground is now planned.

Significant progress has also been made with both the geophysical and geological 3D modelling of the portion of kimberlite BK1S discovered on Petra ground mid 2008. Results will be used for the calculation of material volumes for the portion of the kimberlite body BK1 (15 - 20%) that falls outside the Debswana Mining Lease and within Petra's prospecting license.

Delineation drilling is being undertaken on the diamondiferous KX36 kimberlite discovered last year. Geophysical interpretation indicates a size of approximately five hectares. Material from the delineation drilling will be used for micro-diamond analyses.

SAFETY

It is with deep regret that we report a fatality at the Koffiefontein mine on 31 January 2011, when an employee received an electrical shock from the locomotive overhead power line on the ore transport level. The Company and its management team express their sincere condolences to the family of the deceased. The mine was closed following the incident and production recommenced on Wednesday 9 February. An investigation is currently being carried out by mine management in conjunction with the DMR.

The health and safety of employees is the highest priority for Petra Diamonds. In addition to appropriate risk management processes, Petra has various strategies, systems and training in place to ensure a safe working environment and the Company remains highly focused upon this area.

Petra's Lost Time Injury Frequency Rate ("LTIFR") for the Period was 0.64 (FY 2010: 1.03). Although it shows an improvement over the previous year, Petra's ongoing initiatives will endeavour to lower the LTIFR in line with our policy of zero harm.

Petra produces an in-depth report annually on its sustainable development policies and practices, covering areas such as Health and Safety, Environment, Community and Employment. The 2010 Sustainable Development Report is available on the Petra website at www.petradiamonds.com.

POST PERIOD HIGHLIGHTS

Finsch Acquisition

In late January 2011, Petra announced that it, together with its empowerment consortium, had entered into an agreement to acquire the Finsch diamond mine in South Africa from De Beers for R1.425 billion (approximately US$210 million).

This transaction is a major milestone for Petra given that Finsch is one of the world's major diamond mines and South Africa's second largest diamond mine by production. The acquisition will further diversify Petra and will balance the importance of the Cullinan mine, which was previously the dominant asset in the Group's portfolio. It will also serve to immediately more than double Petra's current production, significantly enhance cashflows and earnings and will bring a major diamond resource of 48.1 million carats, including 26.6 million carats in the reserve category. With the addition of Finsch, Petra's gross resource base increases to 309 million carats, with a gross attributable in-situ value of approximately US$38 billion (based on current diamond prices).

Petra's current mine plan forecasts initial diamond production of approximately 1.5 million carats per annum ("Mctpa") (comprising approximately 900,000 carats from underground and 600,000 carats from tailings) in its first full year of ownership (expected to be FY 2012), increasing with the commencement of the new Block 5 cave to a steady state production of nearly 2 Mctpa by FY 2018. The Capex over the next six years for the underground and infrastructure development programme is estimated to be approximately US$320 million (in 2010 money terms, assuming a constant exchange rate of R7.0/US$) and is expected to be financed from the Group's operational cashflows.

Management is excited about the potential for the diamond quality at Finsch, particularly as the occurrence of 'special' diamonds could provide significant upside. Finsch has produced a number of large, special diamonds in its history and mine records reflect the recovery of an average of 27 stones of more than 50 carats per annum over the last four years.

Placing to raise US$325 million

In order to finance the acquisition of Finsch and further strengthen the Company's balance sheet, Petra completed a placing in late January 2011 of 136,698,212 new ordinary Petra Diamonds shares of 10 pence each in the capital of the Company at a price of 150 pence per share with institutional and other investors, raising gross proceeds of £205 million (approximately US$325 million).

The placing proceeds will be used primarily to satisfy the acquisition cost of Finsch, with the balance to fund the DMR's environmental guarantee and working capital at Finsch, to settle some of the Group's outstanding debt owed to Al Rajhi, to accelerate Capex and provide working capital across the Group's other core operations and to cover transaction and fundraising costs.

CURRENT TRADING AND OUTLOOK

Petra continues to move from strength to strength, as our expansion plans are now starting to manifest themselves against the backdrop of a rising diamond market. Petra's strategy is to deliver on our capital rollout, with a core objective to increase annual production to around 4 million carats by FY 2014 and further increase output to over 5 million carats by FY 2019 (including Finsch). We believe this exceptional growth profile will place the Group in a unique position to capitalise on what we anticipate to be an exciting future for our market.

Johan Dippenaar
CEO
21 February 2011

PETRA DIAMONDS LIMITED
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2010

US$ million	Notes	**(Unaudited) 1 July 2010- 31 December 2010**	(Unaudited) 1 July 2009- 31 December 2009	(Audited) Year ended 30 June 2010
Revenue		**90.0**	48.4	163.7
Other income	6	**-**	4.4	5.4
Total operating income		**90.0**	52.8	169.1
Fair value uplift on acquisition of Cullinan Investment Holdings Limited		**-**	31.0	31.0
Recycling of foreign exchange differences on exploration projects		**-**	-	12.3
Total income		**90.0**	83.8	212.4
Mining and processing costs		**(77.0)**	(50.0)	(137.7)
Other direct income		**1.3**	2.2	2.4
Exploration expenditure		**(0.5)**	(1.3)	0.2
Corporate expenditure	7	**(4.7)**	(3.8)	(8.6)
Total costs		**(80.9)**	(52.9)	(143.7)
Financial income		**31.2**	14.2	27.6
Financial expense		**(13.5)**	(11.1)	(27.3)
Net financing income	8	**17.7**	3.1	0.3
Profit before tax		**26.8**	34.0	69.0
Income tax (expense) / credit		**(2.3)**	3.9	1.2
Profit for the period		**24.5**	37.9	70.2
Attributable to:				
Equity holders of the parent company		**23.9**	37.0	63.5
Non-controlling interest		**0.6**	0.9	6.7
		24.5	37.9	70.2
Earnings per share attributable to the equity holders of the parent during the period:				
Basic earnings per share – US$ cents	14	**6.79**	17.77	22.65
Diluted earnings per share – US$ cents	14	**6.48**	17.44	22.20

PETRA DIAMONDS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2010

US$ million	**(Unaudited) 1 July 2010- 31 December 2010**	(Unaudited) 1 July 2009- 31 December 2009	(Audited) Year ended 30 June 2010
Profit for the period	**24.5**	37.9	70.2
Exchange differences recognised on translation of share-based payment reserve	**0.1**	-	(0.5)
Recycling of foreign exchange differences on exploration projects	**-**	-	(12.3)
Exchange differences on translation of foreign operations	**15.8**	-	(6.9)
Valuation loss on available for sale financial assets	**(0.1)**	-	(0.1)
Total comprehensive income and expense for the period	**40.3**	37.9	50.4

Total comprehensive income attributable to:			
Equity holders of the parent company	**34.7**	37.0	43.7
Non-controlling interest	**5.6**	0.9	6.7
	40.3	37.9	50.4

PETRA DIAMONDS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2010

(Unaudited) US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Other reserves	Retained losses	Total	Non-controlling interest	Total
6 month period ending 31 December 2010:									
At 1 July 2010	61.4	347.5	(26.1)	4.6	(0.1)	(130.0)	257.3	33.6	290.9
Total comprehensive income	-	-	10.8	0.1	(0.1)	23.9	34.7	5.6	40.3
4% non-controlling interest purchased – Koffiefontein (Note 5)	-	-	-	-	-	0.9	0.9	(1.7)	(0.8)
26% disposal of Helam	-	-	-	-	-	6.0	6.0	(6.0)	-
26% –disposal of Star	-	-	-	-	-	3.9	3.9	(3.9)	-
Transfer between reserves for exercise of employee options and third party warrants	-	0.5	-	(0.5)	-	-	-	-	-
Equity settled share based payments	-	-	-	1.0	-	-	1.0	-	1.0
Equity warrants issued[1]	-	-	-	7.7	-	-	7.7	-	7.7
Allotments during the period:									
- Warrants exercised	0.2	1.7	-	-	-	-	1.9	-	1.9
- Share options exercised	0.1	0.3	-	-	-	-	0.4	-	0.4
At 31 December 2010	61.7	350.0	(15.3)	12.9	(0.2)	(95.3)	313.8	27.6	341.4

[1] The fair value of warrants granted during the period are disclosed in Note 10.

PETRA DIAMONDS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2010

(Unaudited) US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Other reserves	Retained losses	Total	Non-controlling interest	Total
6 month period ending 31 December 2009:									
At 1 July 2009	33.5	212.9	(6.9)	1.8	4.0	(197.5)	47.8	9.5	57.3
Total comprehensive income	-	-	-	-	-	37.0	37.0	0.9	37.9
Non-controlling interest acquired	-	-	-	-	-	-	-	1.0	1.0
Equity settled share based payments	-	-	-	2.5	-	-	2.5	-	2.5
Transfer of equity portion of convertible bond	-	-	-	-	(4.0)	4.0	-	-	-
Allotments during the period:									
- Fund raising	20.0	99.9	-	-	-	-	119.9	-	119.9
- Settlement of loans and borrowings	1.9	9.0	-	-	-	-	10.9	-	10.9
- Acquisition of second 50% of CIHL	6.0	33.8	-	-	-	-	39.8	-	39.8
- Share options exercised	-	-	-	-	-	-	-	-	-
Share issue costs	-	(9.4)	-	-	-	-	(9.4)	-	(9.4)
At 31 December 2009	61.4	346.2	(6.9)	4.3	-	(156.5)	248.5	11.4	259.9

PETRA DIAMONDS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2010

(Audited) US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Other reserves	Retained losses	Total	Non-controlling interest	Total
12 month period ending 30 June 2010:									
At 1 July 2009	33.5	212.9	(6.9)	1.8	4.0	(197.5)	47.8	9.5	57.3
Total comprehensive income	-	-	(19.2)	(0.5)	(0.1)	63.5	43.7	6.7	50.4
Non-controlling interest acquired	-	-	-	-	-	-	-	17.4	17.4
Equity settled share based payments	-	-	-	1.7	-	-	1.7	-	1.7
Transfer of equity portion of convertible bond	-	-	-	-	(4.0)	4.0	-	-	-
Allotments during the period:									
- Fund raising	20.0	99.9	-	-	-	-	119.9	-	119.9
- Settlement of loans and borrowings	1.9	9.0	-	-	-	-	10.9	-	10.9
- Acquisition of second 50% of CIHL	6.0	33.8	-	-	-	-	39.8	-	39.8
- Share options exercised	-	0.1	-	-	-	-	0.1	-	0.1
Share issue costs	-	(8.2)	-	1.6	-	-	(6.6)	-	(6.6)
At 30 June 2010	61.4	347.5	(26.1)	4.6	(0.1)	(130.0)	257.3	33.6	290.9

PETRA DIAMONDS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2010

US$ million		**(Unaudited) 31 December 2010**	(Unaudited) 31 December 2009	(Audited) 30 June 2010
ASSETS				
Non-current assets				
Property, plant and equipment	11	**449.0**	332.2	371.0
Available for sale financial assets		**0.8**	-	0.8
Loans and other receivables		**45.5**	43.4	32.2
Total non-current assets		**495.3**	375.6	404.0
Current assets				
Inventories		**38.9**	39.8	29.4
Trade and other receivables		**26.2**	26.5	23.5
Cash and cash equivalents – unrestricted		**9.7**	63.1	24.8
Cash - restricted		**11.1**	1.9	9.7
Total current assets		**85.9**	131.3	87.4
Total assets		**581.2**	506.9	491.4
EQUITY AND LIABILITIES				
Equity				
Share capital		**61.7**	61.4	61.4
Share premium account		**350.0**	346.2	347.5
Foreign currency translation reserve		**(15.3)**	(6.9)	(26.1)
Share-based payment reserve		**12.9**	4.3	4.6
Other reserves		**(0.2)**	-	(0.1)
Accumulated loss		**(95.3)**	(156.5)	(130.0)
Attributable to equity holders of the parent company		**313.8**	248.5	257.3
Non-controlling interest		**27.6**	11.4	33.6
Total equity		**341.4**	259.9	290.9
Liabilities				
Non-current liabilities				
Loans and borrowings	9	**48.2**	81.0	47.1
Trade and other payables		**27.9**	42.8	23.2
Provisions		**57.3**	35.3	50.0
Deferred tax liabilities		**33.7**	16.5	30.3
Total non-current liabilities		**167.1**	175.6	150.6
Current liabilities				
Loans and borrowings		**35.9**	32.5	17.4
Trade and other payables		**33.4**	14.8	29.2
Current tax payable		**1.2**	2.9	1.1
Provisions		**2.2**	21.2	2.2
Total current liabilities		**72.7**	71.4	49.9
Total liabilities		**239.8**	247.0	200.5
Total equity and liabilities		**581.2**	506.9	491.4

PETRA DIAMONDS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2010

US$ million	**(Unaudited) 1 July 2010- 31 December 2010**	(Unaudited) 1 July 2009- 31 December 2009	(Audited) 1 July 2009- 30 June 2010
Profit before taxation for the period	**26.8**	33.9	69.0
Depreciation of property plant and equipment - exploration	**-**	0.1	0.1
Depreciation of property plant and equipment - mining	**10.0**	5.5	11.6
Depreciation of property plant and equipment - other	**0.1**	0.1	0.2
Amortisation of intangible assets	**-**	1.0	1.0
Profit on sale of Kono project	**-**	-	(0.8)
Profit on sale of property plant and equipment	**-**	(3.4)	(3.7)
Recycling of foreign exchange differences on exploration projects	**-**	-	(12.3)
Release of fair value uplift on sales of inventory acquired through second 50% acquisition of CIHL	**-**	-	26.4
Fair value uplift on acquisition of additional 50% of CIHL	**-**	(31.0)	(31.0)
Increase / (decrease) in provisions	**-**	1.8	(2.1)
Finance income	**(2.5)**	(6.8)	(7.8)
Finance expense	**6.4**	8.9	12.6
Share based payment provision	**1.0**	0.5	0.9
Unrealised foreign exchange gain	**(20.9)**	(5.2)	(5.1)
Operating profit before working capital changes	**20.9**	5.4	59.0
(Increase) / decrease in trade and other receivables	**(2.7)**	(3.2)	(0.3)
Increase / (decrease) in trade and other payables	**4.1**	(0.1)	4.6
(Increase) / decrease in inventories	**(9.5)**	(2.6)	(11.2)
Cash generated from / (utilised in) operations	**12.8**	(0.5)	52.1
Finance expense	**(0.5)**	(4.3)	(1.6)
Taxation paid	**(0.4)**	-	(1.7)
Net cash generated from / (utilised in) operating activities	**11.9**	(4.8)	48.8
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**0.1**	6.7	3.9
Acquisition of subsidiary net of cash	**-**	0.4	0.4
Acquisition of assets at Kimberley Underground net of cash	**-**	-	(2.0)
Acquisition of assets at Kimberley Underground pre-acquisition	**-**	-	(16.6)
Acquisition of 4% interest in Koffiefontein (Note 5)	**(0.8)**	-	-
Long term advances to BEE partners	**(5.5)**	-	-
Finance income	**0.4**	2.4	0.4
Acquisition of property, plant and equipment	**(47.7)**	(15.6)	(33.4)
Transfer from / (to) restricted cash deposits	**-**	2.4	(5.3)
Net cash (utilised in) / from investing activities	**(53.5)**	(3.7)	(52.6)
Cash flows from financing activities			
Proceeds from the issuance of share capital	**2.4**	119.9	120.1
Payment of share placing costs	**-**	(6.6)	(6.6)
Increase in non-current borrowings	**51.4**	-	-
Repayment of non-current borrowings	**-**	(20.5)	(43.8)
Increase in current borrowings	**3.0**	-	-
Repayment of current borrowings	**(33.3)**	(28.3)	(48.0)
Net cash generated from / (utilised in) financing activities	**23.5**	64.5	21.7

Net (decrease) / increase in cash and cash equivalents	**(18.1)**	56.0	17.9
Cash and cash equivalents at beginning of the period	**24.8**	6.7	6.7
Effect of exchange rate fluctuations on cash held	**3.0**	0.4	0.2
Cash and cash equivalents at end of the period	**9.7**	63.1	24.8

The figures for cash and cash equivalents at the beginning and end of the six months to 31 December 2009 do not correspond to those presented in the previous interim financial statements. Cash and cash equivalents have been reclassified in to restricted and unrestricted cash balances on the consolidated statement of financial position at the end of 30 June 2010 and 31 December 2010 and the comparative has therefore been reclassified to aid comparability. The consolidated statement of cash flows has been amended to present the movements in unrestricted cash balances; the movements to and from restricted cash balances are therefore now shown within investing activities. This reclassification has had no impact on profit for the six month period ending 31 December 2009 or on the net assets of the Group as at that date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2010

1. GENERAL INFORMATION

Petra Diamonds Limited (the "Company") is registered in Bermuda. The condensed consolidated interim financial statements of the Company for the six month period ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

2. 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. This condensed report is to be read in conjunction with the Annual Report for the year ended 30 June 2010, and any public announcements made by the Group during the interim reporting period. The annual financial report for the year ended 30 June 2010 was prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Basis of preparation

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

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2010 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 2011, 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 2010.

The financial information for the year ended 30 June 2010 has been extracted from the statutory accounts for that period. The auditors' report for the year ended 30 June 2010 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 2009 has been extracted from the unaudited interim results released to 31 December 2009.

Changes in accounting policies:
In the current financial period, the Group has adopted the new standards, amendments to standards and interpretations applicable from 1 July 2010 but none have had a material impact on the Group's reporting. Those that apply to the Group from 1 July 2010 are as follows:

IAS 32	Amendment – Classification of Rights Issues	1 February 2010
IFRS 1	Amendment – first-time adopters of IFRS	1 July 2010
IFRS 1	Additional exemptions for first-time adopters	1 January 2010
IFRS 2	Amendment – Group cash-settled share-based payment transactions	1 January 2010
General	Improvements to IFRSs (2009)	1 January 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 April 2010

Critical assumptions and judgements:

The preparation of the condensed consolidated interim financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, reported revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the interim financial statements. Estimates and judgements are continually evaluated and based on management's historical experience and other factors, including future expectations and events that are believed to be reasonable. The estimates and assumptions and judgements that have a significant risk of causing a material adjustment to the financial results of the Group in future reporting periods are listed below and are discussed in detail in the annual report for the year ended 30 June 2010:

- provision for rehabilitation,
- valuation of share options,
- accounting for financial instruments
- exploration and evaluation costs,
- life of mine and ore reserves,
- impairment reviews,
- taxation judgement: and
- capitalisation of prefeasibility costs

3. DIVIDENDS

No dividends were proposed or paid during the period.

4. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's operating and geographical segments:

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

Exploration – exploration activities in Botswana. The Group exited from exploration activities in Sierra Leone in May 2010. The Group exited from exploration activities in Angola in December 2008.

Beneficiation – The Group exited from beneficiation activities in 2009.

Segments are based on the Group's management and internal reporting structure. Management reviews the Group's performance by reviewing the results of the mining activities in South Africa and Tanzania, reviewing the total exploration results of operations in Botswana and reviewing the corporate administration results in Jersey.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment results are calculated after charging direct mining costs, depreciation and other income and expenses. Unallocated items comprise mainly interest-earning assets and revenue, interest-bearing borrowings and expenses and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the 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. Revenues are generated from tenders held in South Africa and Antwerp for external customers from various countries, the ultimate customers of which are not known to the Group.

4. **SEGMENTAL INFORMATION (continued)**

Operating segments US$ million	**South Africa – Mining activities** Cullinan mine	Koffiefontein mine	Kimberley Underground mine	Fissure mines	**Tanzania Mining activities** Williamson mine	**Botswana** Exploration	**Jersey** Corporate administration	**Inter-segment**	**Consolidated**
(6 month period ended 31 December 2010)	1 July 2010 - 31 December 2010	1 July 2010 - 31 December 2010	1 July 2010 - 31 December 2010	1 July 2010 - 31 December 2010	1 July 2010 - 31 December 2010	1 July 2010 - 31 December 2010	1 July 2010 - 31 December 2010	1 July 2010 - 31 December 2010	1 July 2010 - 31 December 2010
Revenue	57.6	17.2	4.8	7.9	2.0	-	-	0.5	90.0
Segment result	13.0	1.7	(0.7)	(4.2)	(1.5)	(0.5)	(0.7)	0.7	7.8
Other income	1.0	0.1	-	0.1	0.1	-	-	-	1.3
Operating profit / (loss)	14.0	1.8	(0.7)	(4.1)	(1.4)	(0.5)	(0.7)	0.7	9.1
Financial income									31.2
Financial expense									(13.5)
Income tax (expense) / credit									(2.3)
Non-controlling interest									(0.6)
Profit attributable to equity holders of the parent company									23.9
Segment assets	370.7	81.0	63.3	105.3	65.2	7.6	642.3	(754.2)	581.2
Segment liabilities	191.7	50.3	72.2	143.9	166.0	25.8	269.3	(679.4)	239.8
Capital expenditure	12.9	4.2	2.1	4.6	16.4	-	0.1	-	40.3

4. SEGMENTAL INFORMATION (continued)

Operating segments	**South Africa – Mining activities**				**Tanzania Mining activities**	**Angola, Botswana, Sierra Leone**	**Jersey**		
US$ million	**Cullinan mine**	**Koffiefontein mine**	**Kimberley Underground mine**	**Fissure mines**	**Williamson mine**	**Exploration**	**Corporate administration**	**Inter-segment**	**Consolidated**
(6 month period ended 31 December 2009)	1 July 2009 - 31 December 2009	1 July 2009 - 31 December 2009	1 July 2009 - 31 December 2009	1 July 2009 - 31 December 2009	1 July 2009 - 31 December 2009	1 July 2009 - 31 December 2009	1 July 2009 - 31 December 2009	1 July 2009 - 31 December 2009	1 July 2009 - 31 December 2009
Revenue	26.0	9.4	-	5.9	6.9	-	0.3	-	48.5
Segment result	5.9	0.5	-	(3.2)	(0.9)	(1.3)	1.6	(8.5)	(6.0)
Other income / (expense)	0.4	-	(0.9)	0.4	0.2	2.5	3.3	-	5.9
Operating profit / (loss)	6.3	0.5	(0.9)	(2.8)	(0.7)	1.2	4.9	(8.5)	(0.1)
Fair value uplift on CIHL acquisition									31.0
Financial income									14.2
Financial expense									(11.1)
Income tax credit									3.9
Non-controlling interest									(0.9)
Profit attributable to equity holders of the parent company									37.0
Segment assets	172.4	79.8	20.5	108.7	35.2	16.1	734.6	(660.4)	506.9
Segment liabilities	155.4	56.5	26.6	143.2	135.4	42.8	235.8	(548.7)	247.0
Capital expenditure	8.7	1.7	0.9	0.6	3.7	-	-	-	15.6

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities				Tanzania Mining activities	Angola, Botswana, Sierra Leone	Jersey		
US$ million	Cullinan mine	Koffiefontein mine	Kimberley Underground mine	Fissure mines	Williamson mine	Exploration	Corporate administration	Inter-segment	Consolidated
(full year ended 30 June 2010)	2010	2010	2010	2010	2010	2010	2010	2010	2010
Revenue	112.7	22.8	-	13.5	14.4	-	0.3	-	163.7
Segment result	24.2	0.2	(4.9)	(5.4)	(6.0)	(1.9)	11.3	-	17.5
Other income	1.2	0.6	0.2	0.1	0.3	0.5	4.2	0.8	7.9
Operating profit / (loss)	25.4	0.8	(4.7)	(5.3)	(5.7)	(1.4)	15.5	0.8	25.4
Fair value uplift on CIHL acquisition									31.0
Recycling of foreign exchange differences on exploration projects									12.3
Financial income									27.6
Financial expense									(27.3)
Income tax credit									1.2
Non-controlling interest									(6.7)
Profit attributable to equity holders of the parent company									63.5
Segment assets	320.4	65.6	47.5	83.6	48.9	7.2	601.4	(683.2)	491.4
Segment liabilities	177.4	40.9	54.4	112.4	144.3	37.9	213.6	(580.4)	200.5
Capital expenditure	17.3	4.6	19.6	2.5	11.6	-	0.1	(5.9)	49.8

Capital expenditure at Kimberley Underground includes US$16.4 million of capital expenditure incurred prior to acquisition. Capital expenditure at Williamson includes US$7.8 million of pre-feasibility costs capitalised. Other income in respect of the Fissure mines includes US$15.8 million of revenue and US$15.1 million of costs in respect of the manufacture of plant and equipment, primarily for other mines within the Group. Segment assets and liabilities include intercompany receivables and payables which are eliminated on consolidation.

5. INCREASE IN EFFECTIVE INTEREST IN KOFFIEFONTEIN MINE TO 74%

On 10 December 2010 Petra Diamonds Limited ("PDL"), increased its effective interest in the Koffiefontein mine in South Africa ("Koffiefontein") from 70% to 74% for a cash consideration of R6.0 million (US$0.8 million).

The additional 4% interest in Koffiefontein was purchased by Blue Diamond Mines (Pty) Ltd, a wholly owned subsidiary of PDL, through the acquisition of a shareholding in Re-Teng Diamonds (Pty) Ltd, Petra's black economic empowerment partner ("BEE partner") at Koffiefontein; the interests in Koffiefontein are now Petra 74%, BEE partners 26%.

In the 6 months to 31 December 2010, Koffiefontein recorded a net profit before taxation of R14.2 million (US$1.9 million). If the acquisition had occurred on 1 July 2010, the Group's share of the profit from the Koffiefontein mine for the period ending 31 December 2010 would have increased by R0.6 million (US$0.1 million) and the non-controlling interests share would have reduced accordingly.

Effect of the acquisition

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

Koffiefontein net assets at acquisition date:	US$ million
Book value of net assets at 4 November 2010	43.8
Book value of 4% interest acquired	1.7
Fair value of consideration paid:	
- Settled in cash	0.8
Excess of carrying value of 4% interest purchased over fair value consideration paid	0.9

In accordance with IAS 27, as the purchase represents a transaction with existing shareholders which has not resulted in the gain or loss of control, the carrying value of the 4% interest acquired of US$1.7 million as at 4 November 2010 has been deducted from the Group's non-controlling interest balance relating to Koffiefontein. The US$0.9 million excess of the carrying value of the 4% acquired in Koffiefontein over the fair value consideration of US$0.8 million has been recognised directly in equity and attributed to the Group.

US$ million	**1 July 2010 - 31 December 2010**	1 July 2009 - 31 December 2009	1 July 2009 - 30 June 2010
6. OTHER INCOME			
Profit on sale of residual Angolan assets	**-**	3.8	3.7
Profit on sale of interest in the Kono project	**-**	-	0.9
Management and consulting fees	**-**	0.6	0.8
	-	4.4	5.4

US$ million	**1 July 2010 - 31 December 2010**	1 July 2009 - 31 December 2009	1 July 2009 - 30 June 2010
7. CORPORATE EXPENDITURE			
Auditors' remuneration			
- audit services	**0.4**	0.4	0.4
Depreciation of property, plant and equipment	**0.1**	0.1	0.2
Operating lease rentals - buildings	**0.2**	0.1	0.4
Staff costs	**2.0**	1.3	3.6
Other charges	**1.3**	1.4	3.1
Share-based payments			
- directors	**0.3**	0.2	0.7
- senior management	**0.4**	0.3	0.2
	4.7	3.8	8.6

US$ million	**1 July 2010 - 31 December 2010**	1 July 2009 - 31 December 2009	1 July 2009 - 30 June 2010
8. FINANCING INCOME / (EXPENSE)			
Interest expense on bank loans and overdrafts	**(0.5)**	(1.1)	(1.6)
Other debt finance costs	**(4.1)**	(6.9)	(8.4)
Unwinding of present value adjustment for rehabilitation costs	**(1.8)**	(0.7)	(2.6)
Realised foreign exchange losses on the settlement of forward exchange contracts	**-**	-	(0.1)
Other foreign exchange losses realised	**(0.4)**	(0.3)	(0.1)
Unrealised foreign exchange losses	**(4.0)**	(2.1)	(14.5)
Financial expense	**(10.8)**	(11.1)	(27.3)
Realised foreign exchange gains	**1.1**	-	4.5
Gain on partial settlement of long term liability	**-**	4.4	4.2
Other unrealised foreign exchange gains	**24.9**	7.4	15.3
Interest received on loans and other receivables	**2.1**	2.2	3.2
Interest received bank deposits	**0.4**	0.2	0.4
Financial income	**28.5**	14.2	27.6
	17.7	3.1	0.3

9. LOANS AND BORROWINGS

Completion of IFC/RMB debt facilities

On 4 November 2010, the Company announced the financial close and completion of US$83.5 million debt facilities with IFC (a member of the World Bank Group) and Rand Merchant Bank ("RMB") (a division of FirstRand Bank Limited). The debt facilities provide the Company with a US$40 million loan from IFC and a US$43.5 million (R300 million) loan from RMB, as well as the extension of the Company's existing US$14.5 million (R100 million) FirstRand Bank Limited group overdraft facility. The facilities will primarily finance the expansions of the Williamson mine in Tanzania and the Cullinan mine in South Africa.

Details of the debt facility

- The debt facilities are available for Company's drawdown for up to 24 months from the date of the financial close of the transaction and carry a capital repayment holiday period of 24 months to 4 November 2012,
- Interest rates: IFC US$ loan - six month US$ LIBOR plus 4.5% margin; RMB ZAR loan - three month JIBAR plus 4.5% margin,
- Capital repayments: eight semi-annual payments commencing after a 24 month capital repayment holiday period,
- Final repayment date: five and a half years from the date of financial close and
- As a term of the debt facilities, each of the Lenders was granted 6.3 million warrants over Petra shares from the date of the financial close. The warrants vest on grant and the warrant expiry dates will be in equal tranches at the end of years two, three and four from the warrant grant date. The warrant exercise prices for each tranche are 90p, 95p and 100p respectively.

The Group has drawn-down US$54.1 million on the facilities. The facility fees and warrant costs of US$5.9 million associated with the facilities have been debited against the US$54.1 million, in accordance with IAS32 and IAS39 to reflect a net interest bearing liability of US$48.2 million.

Repayment of Al Rajhi loan

During the Period the Company settled its loan (capital of US$30.7 million; accrued interest of US$2.2 million) with Al Rajhi.

10. SHARES AND WARRANTS ISSUED

Allotments during the Period were in respect of the exercise of warrants over 1,592,777 ordinary shares by Canaccord Genuity and the exercise of share options over 471,666 ordinary shares by employees.

As part of the debt facilities referred to in note 9, 12.6 million warrants over Petra shares were granted to the IFC and RMB. The fair value of the 12.6 million warrants has been calculated using the Black-Scholes model and debited against pre-payments until such time as the loan is drawn-down. When the loan is drawn-down, the fair value is debited against the interest bearing non-current borrowings and the effective interest rate and associated accretion charges adjusted accordingly.

The fair value of warrants and assumptions used:

Fair value at measurement date	36.2p – 41.7p
Exercise price	90p, 95p and 100p
Share price at date of grant	102p
Expected volatility	43% - 63%
Warrant life	2 – 4 years
Expected dividend	-
Risk-free interest rate (based on notional government bonds)	0.65% - 1.16%
Fair value amount	US$7.7m

11. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment in the Period is US$78 million (30 June 2010: US$194.3 million and 31 December 2009: US$155.4 million). This is primarily as a result of increases in property, plant and equipment from capital expenditure of US$47.7 million (30 June 2010: US$206.4 million and 31 December 2009: US$155.3 million), the movement in the US$/ZAR foreign exchange rate resulting in a foreign exchange increase on ZAR based assets of US$40.5 million (30 June 2010: US$2.1 million and 31 December 2009: US$8.8 million), which are off-set by depreciation of US$10.1 million (30 June 2010: US$11.7 million and 31 December 2009: US$5.5 million) and assets of US$0.1 million (30 June 2010: US$2.5 million and 31 December 2009: US$3.2 million) disposed of during the period.

12. CAPITAL COMMITMENTS

As at 31 December 2010, the Company has committed to future capital commitments totalling US$13.9 million (30 June 2010: US$nil and 31 December 2009: US$nil). The refurbishments at Cullinan and Williamson account for US$10.0 million of the future capital commitments, Koffiefontein US$3.4 million, Kimberley Underground and the fissure mines US$0.5 million.

13. POST BALANCE SHEET EVENTS

Acquisition of Finsch Diamond Mine & Placing to raise £205 million (approximately US$325 million)

On 21 January 2011, the Company announced that it had, together with its BEE partners, entered into an agreement to acquire the Finsch diamond mine in South Africa ("Finsch") from De Beers Consolidated Mines Limited ("DBCM") (the "Acquisition") for R1.425 billion (approximately US$210 million). In addition, the Company announced that it had completed a placing of 136,698,212 new ordinary Petra Diamonds shares of 10 pence each ("Ordinary Shares") in the capital of the Company (the "Placing Shares") at a price of 150 pence per share (the "Placing") with institutional and other investors, raising gross proceeds of £205 million (ca. US$325 million) (the "Placing Proceeds").

The Acquisition

The Company will hold the 74% interest in Finsch via its subsidiary Afropean Diamonds (Pty) Limited ("Afropean"), with a 26% interest held by its Finsch BEE partners. Petra's BEE partners at Finsch will include Sedibeng Mining (Pty) Limited and Namoise Mining (Pty) Limited (commercial BEE partners) and the Petra Diamonds Employee Share Trust, a broad-based trust established for all Petra's South African employees, the majority of which are historically disadvantaged South Africans.

Finsch will be acquired as a going concern (the mining and associated assets and employee related liabilities) from DBCM and Petra will assume the DMR rehabilitation obligations and environmental liabilities.

Completion of the Acquisition is conditional upon a number of conditions, including:

- Ministerial consent to the cession of the new order mining right in respect of Finsch;
- approval by the South African Competition Authority;
- the DMR consenting to the cession, transfer and delegation of the rehabilitation obligations and liabilities in respect of Finsch;
- the waiver of certain rights of first refusal over certain land packages used by the Finsch mine held by local parties; and
- the approval of the Acquisition by DBCM's BEE partner.

The Placing Proceeds, net of the placing agents, advisory and other fees related to the Acquisition, are expected to be utilised as follows:

- US$210 million for the acquisition of Finsch;
- US$40 million for the DMR environmental guarantee and working capital requirements at Finsch; and
- US$57 million applied to:
  - address opportunities within the Group to accelerate capital expenditure;
  - to settle some of the deferred Cullinan consideration owing to Al Rajhi; and
  - general Group working capital purposes.

Exercise of warrants (RMB)

On 3 February 2011, RMB exercised warrants over 2.1 million ordinary shares in the Company.

14. EARNINGS PER SHARE

	6 months ended 31 December 2010	6 months ended 31 December 2009	12 months ended 30 June 2010
	US$	US$	US$
Numerator			
Profit for the period	**23,980,279**	37,079,681	63,485,409
Denominator			
	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS			
As at 1 July	**352,803,021**	184,005,523	184,005,523
Effect of shares issued during the period	**461,770**	24,630,204	96,241,934
As at 31 December	**353,264,791**	208,635,727	280,247,457
	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	**17,019,215**	3,916,469	5,717,632
Weighted average number of ordinary shares in issue used in diluted EPS	**370,284,006**	212,552,196	285,965,089
	US cents	US cents	US cents
Basic earnings per share – US$ cents	**6.79**	17.77	22.65
Diluted earnings per share – US$ cents	**6.48**	17.44	22.20

The total number of potentially dilutive ordinary shares in respect of employee share options and warrants is 37,636,929 (30 June 2010: 27,255,037 and 31 December 2009: 23,345,036). These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share.