20 September 2010 **AIM: PDL**

Petra Diamonds Limited

Preliminary Results Announcement for the year ended 30 June 2010 (unaudited)

Record Profit after Tax of US$70 million

Petra Diamonds Limited ("Petra" or "the Company" or "the Group") announces its preliminary results (unaudited) for the year ended 30 June 2010 ("the Period" or "FY 2010").

Financial Highlights

- Group revenue: US$163.7 million (FY 2009: US$69.3 million)
- Profit from mining activity[2]: US$67.2 million (FY 2009: US$7.8 million)
- Operating cashflow: US$48.8 million (FY 2009: US$4.6 million)
- Group EBITDA[5]: US$70.9 million (FY 2009: US$8.6 million loss)
- Profit after tax: US$70.2 million (FY 2009: US$89.0 million loss)
- EPS: 22.65 cents per share (FY 2009: 49.38 cents per share loss)
- Cash at bank at Period end: US$34.5 million (FY 2009: US$11.1 million)

Operations Highlights

- Gross production up 6% to 1,164,856 carats (FY 2009: 1,099,367)
- 507 carat Cullinan Heritage diamond sold for US$35.3 million
- Expansion plans on target to more than double production by FY 2014 and more than triple production by FY 2019

Corporate Highlights

- Raised US$120 million in equity fund raising
- Increased ownership in Cullinan mine from 37% to 74%
- Fully financed capital expansion plans
  - Agreed new debt facilities of US$78 million with IFC and Rand Merchant Bank
- Completed acquisition of Kimberley Underground mine

Outlook

- Substantially improved prices achieved for first two tenders in FY 2011 vs FY 2010 averages – in line with expectations for higher average prices to be achieved in FY 2011
- Kimberley Underground's first tender (September 2010) achieved US$250 per carat (compared to earlier expectations of US$180 to US$200 per carat)

Johan Dippenaar, CEO, said, "This has been an exceptional year for Petra, in which we have delivered the financial results of our superior growth profile, following the downturn experienced by all commodities groups in 2009. The outlook for the diamond market is positive, with a significant supply gap anticipated in the coming years as demand continues apace in emerging markets. Petra's strategy is to continue to steadily increase rough diamond production and develop our stature as an important supplier to the world market."

SUMMARY OF RESULTS (unaudited)	12 months to 30 June 10 (US$M)	12 months to 30 June 09 (US$M)
Revenue[1]	**163.7**	**69.3**
Mining and processing costs[2]	(98.9)	(64.0)
Other direct income	2.4	2.5
Profit from mining activity[2]	**67.2**	**7.8**
Other income	5.4	3.2
Exploration income/(expense)	1.2	(13.7)
Corporate overhead	(7.5)	(5.9)
Deferred taxation on inventory fair value adjustment	(7.4)	-
Inventory fair value adjustment[3]	(19.0)	-
Cullinan fair value adjustment[4]	31.0	-
EBITDA[5]	**70.9**	**(8.6)**
Impairments	-	(75.3)
Recycling of foreign exchange differences on exploration projects	12.3	-
Depreciation	(11.8)	(11.6)
Amortisation	(1.0)	(3.3)
Share based expense	(1.7)	(2.3)
Net unrealised foreign exchange gain	0.8	13.4
Net finance expense	(0.5)	(6.3)
Profit from discontinued operations	-	1.6
Tax credit	1.2	3.4
Net profit / (loss) after tax – Group	**70.2**	**(89.0)**
Basic profit / (loss) per share attributable to the equity holders of the Company – cents[6]	**22.65**	**(49.38)**
Basic diluted profit / (loss) per share attributable to the equity holders of the Company – cents[6]	**22.20**	**(49.38)**
Cash at bank	**34.5**	**11.1**

Notes:

1. For the Period 1 July to 16 November 2009, Petra accounted for its interest in Cullinan under the gross method of proportional consolidation, recognising 50% of revenue and 13% minority 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 Holdings W.L.L., Petra consolidates 100% of revenue and 26% minority interests in line with IFRS.
2. Stated before depreciation, interest paid, foreign exchange gains and losses, asset impairment charges, inventory fair value adjustment, deferred taxation on inventory fair value adjustment and share based payments.
3. During the Period the Group sold the 168 carat and 507 carat diamonds (from Cullinan) for US$6.3 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.
4. The acquisition of the second 50% of CIHL has been 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%) of the net assets held at the time that the second 50% was acquired. A significant component of this relates to the difference between the production cost of the exceptional Cullinan stones and management's valuation (US$19 million combined) of these stones. In assessing the fair values of the second 50% of net assets acquired, management has allocated the premium of consideration over net assets to mineral rights (US$12 million) and inventories.
5. EBITDA disclosures are "adjusted EBITDA", being stated before recycling of foreign exchange differences on exploration projects, share based expense, foreign exchange gains and losses and asset impairment charges.
6. Stated after minority interests (BEE partners at Cullinan, Kimberley Underground, Koffiefontein, Sedibeng and Star) of US$6.7 million.

Analyst presentation and webcast
A presentation for analysts will be held at 9:30am BST on 20 September 2010 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 link below: http://mediaserve.buchanan.uk.com/2010/petra200710/registration.asp

A recording of this will be available from 11:30am BST on 20 September 2010 on the website and on the same link.

For further information, please contact:

Cathy Roberts Petra Diamonds, London	Telephone: +44 20 7318 0452 cathyr@petradiamonds.com
Bobby Morse / Katharine Sutton Buchanan Communications	Telephone: +44 20 7466 5000 bobbym@buchanan.uk.com katharines@buchanan.uk.com
Ryan Gaffney / Andrew Chubb Canaccord Genuity Limited (NOMAD and Joint Broker)	Telephone: +44 20 7050 6500 rgaffney@canaccordgenuity.com achubb@canaccordgenuity.com
Joshua Critchley / Martin Eales RBC Capital Markets (Joint Broker)	Telephone: +44 20 7653 4000 joshua.critchley@rbccm.com martin.eales@rbccm.com

~ Ends ~

Notes to Editors:

About Petra Diamonds
Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company offers a unique growth profile within the diamond sector, with a core objective to double annual production to around two and a half million carats by FY 2014 and more than treble production to over three million carats by FY 2019. Beyond this target, the Group's major resource base of 261 million carats provides scope for further organic growth going forward.

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). The Petra team has managed producing diamond mines for the last 20 years and has developed an enviable track record in terms of delivering superior results from their asset base.

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).

CEO'S REVIEW

I am delighted to provide a review of a remarkable year in which we recorded a profit after tax of US$70.2 million for the year to June 2010, made history with the sale of the exceptional Cullinan Heritage diamond, continued to deliver rising production volumes, and put financing in place to assure the capital roll-out required to double annual production to over two and a half million carats by FY 2014 and more than treble production to over three million carats by FY2019.

Petra's strong financial results should be viewed in the context of a diamond market which was in recovery mode for the greater part of the Period. For the 2011 financial year, diamond prices are expected to be firmer should the market and global economy remain stable. Even in an environment of lower pricing, the robust quality of our assets is amply demonstrated with a profit from mining activity of US$67.2 million.

Cullinan is our flagship asset and, along with Williamson, a key driver to Petra's production and revenue growth in the coming years. We were pleased that Al Rajhi Holdings W.L.L ("Al Rajhi"), our partner at the time of purchasing Cullinan in 2008, decided to restructure its direct ownership in the mine. Due to its belief in the potential of Petra's other assets, Al Rajhi increased its shareholding in Petra Diamonds Limited, enabling the Company effective November 2009 to double its direct ownership in Cullinan to 74%. We believe that this consolidation and subsequent simplification of the Cullinan ownership structure will be highly value accretive to our shareholders.

Cullinan once again made headlines around the world following the recovery and sale of the 507 carat Cullinan Heritage, one of the most spectacular diamonds ever seen. Given the incredible rarity of the stone, which combined its large size with exceptional colour and clarity, there was a high level of interest from the trade. After taking considerable time to examine all options, we took the strategic decision to sell the diamond as a rough stone and achieved US$35.3 million, the highest price on record for a rough diamond.

Towards the end of the Period, we completed the acquisition of Kimberley Underground and introduced a seventh producing diamond mine to our portfolio. We had been operating Kimberley Underground on a care and maintenance basis (in association with De Beers) since September 2007 and therefore had time to significantly rehabilitate the underground workings and to build the first of two new plants. Production has now commenced and the mine will be a valuable contributor to the Company's growth plans in the 2011 financial year.

Petra significantly strengthened its balance sheet during the Period by way of a US$120 million equity raising. We were delighted with the overwhelming support from existing shareholders, plus we welcomed many new international institutional investors to the register, which has served to substantially improve the liquidity of the Company's shares.

In May 2010, we agreed terms with IFC and Rand Merchant Bank ("RMB") with regards to debt facilities of US$78 million. This debt financing is an important and independent validation by both institutions of the quality of Petra's asset base and our strong management team, following detailed due diligences by both banks. On completion of this debt financing (which is expected shortly), Petra will be fully financed to roll out its planned capital expenditure to raise annual output to over three million carats, and we believe this places the Group in a unique position to capitalise on the positive fundamentals of the diamond market, where all commentators agree that demand is forecast to outpace supply.

THE DIAMOND MARKET

During the Period, the diamond market and rough diamond prices recovered strongly from the downturn, driven by the global economic revival. Crucially, we have witnessed an upturn in the important US market, as evidenced by the steadily increasing volume and value of polished diamond imports in 2010 and improved sales in North America reported by leading diamond retailers. As the diamond market now enters the pre-festive season, expectations are for a continued improvement that should end with robust retail sales in the fourth quarter.

Global diamond production fell 25% in 2009 to 125 million carats worth US$8.6 billion (giving a world average value per carat of US$69), according to Kimberley Process data. Supply is expected to be considerably higher in 2010, due to increased sales from De Beers and Alrosa, however it is not anticipated to reach previous highs (168 million carats production in 2007 worth US$11.9 billion) in the foreseeable future; rather global production is expected to return to around 140 million carats (estimated to be worth just over US$11 billion) by 2011, then remain flat for some years before starting to decline again.

Supply side constraints are mainly due to the fact that the world's largest diamond mines are now past their peak and can no longer be operated at previous higher levels of production. In some cases, open pit operations are having to move underground, which naturally limits the volumes which can be extracted from the orebody.

Whilst there are some new diamond mines coming on stream in the next few years, current estimates do not forecast significant new supply in order to counteract this declining trend. Depending on political developments and Kimberley Process issues being resolved, there is expected to be new supply of lower quality diamonds coming to the market from Zimbabwe. However, at this point in time there is not enough factual data to accurately determine the scale of Zimbabwe's future production. There are reports that suggest the potential for large annual output, but there is considerable debate as to whether the geology of the alluvial deposits there could sustain high production levels over an extended period of time. Some commentators are of the opinion that the potential Zimbabwean production will help to sustain the cutting and polishing capacity that was created, especially in India, to beneficiate the large volumes of lower value diamonds from the Argyle mine. These developments are being monitored.

We are aware that higher levels of supply could emerge from Russia, where the state's Gokhran currently holds diamond stocks purchased from Alrosa during the period of lower diamond prices. However we believe that, in line with public commentary and past actions, the Russian Government and Alrosa will continue to market their diamonds in an orderly manner.

Demand for diamonds is expected to continue to grow and it is anticipated that a significant shortfall to the market will emerge in the next three to five years. The fastest growing new consumer markets for diamonds are China and India, both of which are recording double digit growth year on year. The industry has added importance in both regions in that India is already one of the world's leading diamond centres due to its major cutting and polishing industry, but China is likewise developing as a highly competitive manufacturing centre and the Government has put fiscal incentives in place to assist its expansion.

The outlook for the industry is therefore positive, particularly for the rough diamond producers who will be supplying into an increasingly tight market. As competition for rough intensifies, we are witnessing the continued constriction of the traditional diamond pipeline, with more and more companies opting for vertical integration. From Petra's perspective, this is particularly evident by the number of major manufacturers and retailers now buying rough diamonds directly from the Group's tenders, rather than via traditional diamond traders. We think this trend will continue as rough becomes ever more scarce and our strategy to continue increasing output ensures that we are poised to benefit from this trend.

Petra's diamond tenders in Johannesburg have remained very well attended and prices are holding firm, following substantial increases over the last financial year. Going forward we expect prices to remain stable, but there are expectations of a significantly improved year end as we enter the festive buying season.

Petra has held two tenders since end June 2010, and the Company is pleased to announce that the following results were achieved:

	Carats sold	FY 2011 to date Average value per carat (US$)	FY2010 Average value per carat (US$)
Cullinan	237,356	110	141 (101 excluding Cullinan Heritage)
Koffiefontein	17,007	517	402
Kimberley Underground	6,097	250	n/a
Fissures	17,976	188	185

Note: average value per carat is across run-of-mine and tailings sales as the Company sells production from both sources in mixed parcels, on a mine-by-mine basis. There has been only one sale from Kimberley Underground to date.

The tender results for FY 2011 show, as expected, an increase on the average values achieved for FY 2010, during which prices were still in recovery for the greater part of the Period. Petra considers the results achieved for these first FY 2011 tenders to be a reasonable expectation of what may be achieved going forward in FY 2011. This bodes well for Petra's quality assets, which are expected to continue to deliver strong on-mine results and operating cashflows.

RESULTS & FINANCIAL REVIEW

The full year results comprise results from Cullinan, Koffiefontein, the fissure mines, the bulk sampling programme at Williamson (which stopped on 1 April 2010, followed by the commencement of the capital expansion programme), and the care and maintenance costs of Kimberley Underground until the acquisition officially completed on 19 May 2010.

Revenue

Gross revenue of US$177.7 million was recorded for the Period, an increase of 88% on the US$94.4 million recorded in the 12 months to 30 June 2009. Group revenue was up 136% to US$163.7 million, against the US$69.3 million recorded in the 12 months to 30 June 2009. A direct comparison of Group revenues between the periods is complicated due to the increased interest in Cullinan acquired during the Period. For future reporting periods, Petra will consolidate 100% of the results for the Cullinan mine and this is expected to further significantly increase Group revenue and EBITDA.

With our operations mainly in South Africa, but our diamond sales based in dollars, the volatility and movement in the Rand is a significant factor to the Group. In the Period under review, the Rand traded in a range of R7.17/US$1 and R8.31/US$1, averaging R7.61 for the year (FY 2009: R9.05).

Mining and processing costs

Mining and processing unit costs (before depreciation) for the South African operations increased in ZAR terms by approximately 3%, being largely due to upwards pressure on electricity and labour costs experienced for the Period, offset by increased throughput of both underground and tailings tonnes. In US$ reporting terms, mining and processing costs have increased further due to the strengthening of the Rand during the Period by approximately 15.9%, the consolidation of 100% of the mining and processing costs for Cullinan from 17 November 2009, the inclusion of Williamson for the full Period and the start-up of the Kimberley Underground operations late in the Period.

Mining profit

A profit on mining activity of US$67.2 million was recorded for the Period, against a profit of US$7.8 million for the corresponding period. These strong results reflect the robust nature of Petra's assets, which were net profitable even throughout the downturn. Petra's mines generally operate at healthy margins, which bodes well for the 2011 financial year, when management expects to see higher average diamond prices than FY 2010.

Other income
As at 1 July 2009, the Company had written down to zero the carrying value of the plant and equipment that remained in Angola following its withdrawal from the Alto Cuilo and Luangue projects. These assets were sold during the Period for US$3.8 million cash and a profit on disposal of the assets of US$3.8 million is included within other income.

During the Period, Petra exchanged its interest in the Kono project in Sierra Leone with Stellar Diamonds plc ("Stellar"), the project's joint venture partner, for a total consideration of US$0.9 million, that was settled by the issue to Petra of 4,500,000 new ordinary Stellar shares.

The management consultancy fees of US$0.7 million arose due to Petra's recharge of management internal resources to third parties.

Exploration income
Petra Diamonds is focused primarily on production, but it has retained some exposure to exploration whilst minimising funding commitments. The Group's modest annual exploration budget is now focused in Botswana, which is considered to offer a highly attractive operating environment. The net exploration income for the Period (excluding amortisation charges) is comprised of exploration costs in Botswana of US$0.8 million and a once-off credit of US$2 million. Further to the Company's withdrawal from Angola, provisions for withdrawal and associated costs of US$2 million were no longer required and were therefore credited to the income statement within exploration income.

During the Period, the Company took the last required charge for the amortisation of the licences in Botswana and there will be no further amortisation charges in this respect for future accounting periods.

Corporate overhead
Corporate overheads (before depreciation and share based payments) increased to US$7.5 million for the Period (US$5.9 million in FY 2009). This was largely due to an increase to staff costs, rising from US$2.4 million (FY 2009) to US$3.6 million (FY 2010), in line with Petra's growth for the Period.

Inventory fair value adjustment
During the Period the Group sold the 168 carat and 507 carat stones for US$6.3 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 stones was not material. On acquiring the second 50% of Cullinan Investment Holdings Limited ("CIHL"), management prudently 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 arose on the sale of inventories that had been fair valued as at the acquisition date.

Cullinan fair value adjustment
The Cullinan fair value adjustment of US$31 million arises due to the acquisition of the second 50% of CIHL, which has been treated as a stepped acquisition under IFRS3 (revised). The fair value gain of US$31 million reflects the difference between the book value of the original 50% interest in CIHL and the fair value (as determined by the price paid for the second 50%) of the net assets held at the time that the second 50% was acquired. 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 has allocated the premium of consideration over net assets to mineral rights and inventories.

Recycling of foreign exchange differences on exploration projects
In prior periods, foreign exchange gains relating to Petra's exploration assets in Angola were taken directly to reserves. Following the Group's exit from Angola and disposal of the remaining assets, these gains have been taken to the income statement, in accordance with accounting standards.

Net unrealised foreign exchange gain
During the Period, the Group generated net unrealised foreign exchange gains, the majority of which are due to unrealised foreign exchange movements on the annual restatement of foreign subsidiary intercompany loans.

Net finance expense
The Group incurred net finance costs of US$0.5 million (US$6.3 million in FY 2009), being interest payable on the Al Rajhi loan, the Al Rajhi convertible loan (which was settled in December 2009), the Group's working capital facility and the fair value adjustment on the CIHL / Al Rajhi deferred cash consideration, offset by interest received on cash balance, interest received from the Cullinan BEE partners loans and realised foreign exchange gains of US$4.2 million (primarily on settlement of the Al Rajhi convertible loan).

Tax credit
A tax credit of US$1.2 million (US$3.4 million in FY 2009), being tax payable of US$0.1 million by Premier Rose and Blue Diamond Mines, tax refundable of US$0.2 million to Messina Diamonds and Dancarl Diamonds, deferred tax debit of US$10.4 million for Cullinan, Crown Resources and Messina Diamonds and deferred tax credits of US$3.8 million for Dancarl Diamonds and US$7.4 million in respect of deferred tax liabilities recognised on the step-up acquisition of CIHL.

Group profit
A net profit after tax of US$70.2 million was recorded for the year, in comparison to a loss of US$89.0 million for the prior period (of which US$75.3 million was largely attributed to the write-down of Petra's exploration portfolio). The superior asset and production growth that Petra has recorded in the last few years has now translated into financial results for our shareholders, as diamond prices have now recovered and stabilised from the global economic downturn. The Company recorded a profit of 22.65 cents per share, ahead of analyst expectations.

Cash and debt
As at 30 June 2010, Petra had cash at bank of US$34.5 million (17 September 2010: US$32.1 million). Of this total balance at Period end, US$9.7 million is held by Petra's bankers as security for environmental rehabilitation bonds lodged by the bankers with the South African DMR; the balance of US$24.8 million is unrestricted cash.

The main debt and borrowings are the balance of the Al Rajhi Cullinan loan of US$30.7 million principal (plus accrued interest) and the deferred consideration for the Cullinan step-up (37%) due to Al Rajhi in December 2011 of US$32 million (US$35 million gross). These sums due are split between short and long term debt.

The only other 'cash' obligations within liabilities are US$16.8 million of trade payables. The balance of 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.

Petra substantially simplified and strengthened its balance sheet from the proceeds of the share placing and as the Group will shortly complete the US$78 million debt financing with IFC/RMB, it is intended that (i) the Group will settle the Al Rajhi Cullinan loan shortly thereafter and (ii) the Group will only draw-down on these debt facilities over time, with the funding of the capital expansion programmes to be financed from these facilities at Williamson and Cullinan (and supported by Petra's strong operating cash inflows) stretching over some three years.

Cashflow
Petra's management is focused on cashflow generation from its operations. The Group generated strong operating cashflows for the Period of US$48.8 million (FY 2009: US$4.6 million). Group cash was further augmented by net proceeds from the share placing carried out in November/December 2009 of US$113.4 million. Capital expenditure amounted to US$33.4 million, the cost of the acquisition of Kimberley Underground and associated pre-acquisition capital spend were US$18.1 million, and settlement of Group borrowings (including the Al Rajhi convertible and Cullinan loan) were US$91.9 million, taking Group cash balances to the US$34.5 million at Period end.

Strengthening the balance sheet
The Company took a number of steps during the Period to significantly strengthen its balance sheet, as outlined below:

Placing raised US$120 million
In December 2009, Petra completed a successful placing to raise gross proceeds of US$120 million (£72.7 million) by the issue of 121,200,000 new Ordinary Shares at a price of 60 pence per share. The Company decided to undertake this placing for the following reasons:

- Acquisition of an additional 37% of the Cullinan mine
  Cullinan is Petra's key asset in terms of the potential for earnings growth and cashflow generation yet the Company previously only had a 37% interest in the mine. Furthermore, cashflows from the mine were ring-fenced to paying down the US$80 million Al Rajhi loan provided in respect to the original acquisition and financing of the mine. Effective 17 November 2009, the Company increased its interest in the Cullinan mine to 74%, by acquiring the 37% interest held by Al Rajhi. The consideration was satisfied by the issue to Al Rajhi of 36 million new Petra shares and a deferred cash consideration of US$35 million, payable December 2011.

  As part of the above transaction, Petra also took over responsibility for the loan due to Al Rajhi. This loan was reduced to US$50.7 million in December 2009 by the issue of 11.4 million new Petra shares to Al Rajhi and the payment of US$15 million cash from the raising proceeds. Petra reported in its interim results in February 2010 that the principal loan balance had since been reduced to US$43.2 million. In March 2010 a further US$12.5 million was paid to Al Rajhi from Petra's treasury, further reducing the principal loan balance to US$30.7 million.

- Repayment of US$20 million Al Rajhi Convertible Loan Note
  In order to trigger the acquisition of the additional 37% interest in Cullinan from Al Rajhi, it was a requirement that the Convertible Loan Note, plus accrued interest, be settled. In December 2009, post the raising, Petra paid Al Rajhi US$20.5 million and fully settled the Convertible.

- Strengthen Company treasury
  During the course of 2009 Petra's debt levels had increased as, during a period of very weak diamond prices, the Company had invested out of its own cash resources in the construction of the plant and the care and maintenance of the underground operations at Kimberley Underground, development work at Cullinan and the bulk sampling programme at Williamson. Management considered it important in terms of Petra's corporate development to reduce debt to a more appropriate level.

The US$120 million funds raised were therefore applied to:

- strengthen the Company's balance sheet by paying down existing debt (including the US$20 million convertible bond);
- acquire a further 37% interest in Cullinan; and
- bolster the Company's treasury.

Facilities to fund Williamson and Cullinan expansion
In June 2010, Petra agreed terms with IFC (a member of the World Bank Group) and RMB, a division of FirstRand Bank Limited, with regards to new five and a half year debt facilities of approximately US$78 million (US$40 million to be provided by IFC and approximately US$38.7 million (R300m) to be provided by RMB).

The facilities will be applied to:

- primarily finance the expansions of Williamson and Cullinan (together with contributions from Petra's own treasury); and
- general Petra working capital needs, giving the Group flexibility to settle the outstanding loan due to Al Rajhi and remove this short term debt obligation from Petra's balance sheet.

On completion of this debt transaction (which is expected to occur shortly), the expansion plans for Williamson and Cullinan will be fully financed, assuring the capital roll-out required to take Group annual production to over three million carats.

The strategy behind these new financing facilities is to secure funding for Petra's planned expansion programmes and to potentially fund other organic production growth opportunities currently under consideration. These debt facilities may even allow the Company to further fast-track production. The Group will consider carefully whether it needs to take full advantage of the draw-down of these debt facilities, but to secure the financing at this time provides Petra with the scope and flexibility to bring the stated production and revenue growth opportunities to account.

PRODUCTION

Combined production and sales summary:
Cullinan, Koffiefontein, Kimberley Underground, Williamson, Fissure mines

	Unit	FY 2010	FY 2009	Variance
Sales				
Gross revenue	US$M	177.7	94.4	+88%
Diamonds sold	Carats	1,125,098	1,011,707	+11%
Production				
ROM diamonds	Carats	1,050,874	979,094	+7%
Tailings & alluvial diamonds	Carats	113,983	120,273	-5%
Total diamonds	Carats	1,164,856	1,099,367	+6%

Gross revenue was up 88% for the year due to the strong recovery in rough diamond prices for the Period, increased Group production, and the sale of notable 'specials', which are listed below:

- 507 carat white Cullinan Heritage diamond (Cullinan): US$35.3 million
- 168 carat white diamond (Cullinan): US$6.3 million
- 64 carat white diamond (Cullinan): US$3.7 million
- two 50+ carat white diamonds (Cullinan): US$2.8 million
- 104 carat white diamond (Cullinan): US$2.0 million
- 37 carat white diamond (Cullinan): US$1.1 million
- 70 carat white diamond (Koffiefontein): US$1.1 million
- 34 carat white diamond (Koffiefontein): US$1 million

- Cullinan's rare blue diamonds continue to command very high prices per carat (a 6.7 carat blue sold for US$510,000, and a 6.5 carat blue manufactured to a 2.8 carat polished diamond sold for US$250,000)

Group production for the Period was 1,164,856 carats, up 6% on the 2009 financial year. Production for FY 2011 is expected to record a further modest increase, but then from FY 2012 the expansion programmes at Cullinan and Williamson, plus the tailings programmes at Koffiefontein and Cullinan, will ensure that Group production accelerates from this point onwards.

SOUTH AFRICA

Cost pressures

Certain cost categories in South Africa have increased significantly in excess of South African inflation (South African CPI stood at 3.7% by July 2010). However, Petra's low cost culture, coupled with higher throughput, ensures that the Group is able to partially mitigate the direct effect of these increases on unit costs.

Two key areas where costs are under pressure in South Africa are:

Energy

Inflationary pressures on costs can mainly be ascribed to electricity prices, which rose by 30% in FY 2010. Further significant increases have already been improved by the National Energy Regulator in excess of 25% per year for the next two years. Petra's electricity accounted for approximately 13% of cash on-mine cost for the Period under review. Petra continuously endeavours to manage the escalated use of its electricity consumption (as our production profile increases) by innovative methods and we have recorded many successes in this area.

Labour

Labour currently accounts for approximately 45% of cash on-mine costs at the pipe mines and 65% of the cash on-mine costs at the fissure mines. Going into FY 2011, we anticipate that labour increases will continue to be above inflation.

Cullinan

FY 2010 - gross numbers

	Unit	FY 2010	FY 2009	Variance
Sales				
Revenue	US$M	127.0	51.2	+148%
Diamonds sold	Carats	903,861	780,663	+16%
Average price per carat	US$	141	66	+114%
ROM Production				
Tonnes treated	Tonnes	2,160,907	1,989,599	+9%
Grade	Cpht	38.9	39.5	-2%
Diamonds recovered	Carats	841,293	784,978	+7%

Tailings Production				
Tonnes treated	Tonnes	248,380	176,757	+41%
Grade	Cpht	34.9	58.6	-40%
Diamonds recovered	Carats	86,638	103,617	-16%
Total Production				
Tonnes treated	Tonnes	2,409,287	2,166,356	+11%
Diamonds recovered	Carats	927,931	888,595	+4%
Costs				
On-mine cost per tonne	ZAR	167	169	-1%
Total Capex	US$M	20.4	12.0	n/a

Note**:** Petra has a 74% interest in Cullinan; BEE partners 26%

Cullinan is the flagship of Petra's production portfolio and has been operated by the Company since it was acquired from De Beers in July 2008. Cullinan contains the world's second largest indicated diamond resource of 181.4 million carats, included in a total resource base of 203.3 million carats (including tailings), and the Company is planning to capitalise on this by undertaking an expansion programme at the mine to take annual production from just over 920,000 carats in FY 2010 to 2.4 million carats by FY 2019. This expansion plan will eventually access the first portions of the major C-Cut resource, which is estimated to contain some 133 million carats, and will also involve a large tailings operation.

In its history, Cullinan has produced many of the world's largest and most famous diamonds, including a quarter of all diamonds over 400 carats. In September 2009, Petra recovered the 507 carat Cullinan Heritage diamond, which was soon recognised as one of the largest high quality rough diamonds ever discovered. The diamond was sold on tender by Petra in February 2010 for US$35.3 million, the highest sale price on record ever achieved for a rough diamond. Cullinan has now produced four of the top 20 largest high quality gem diamonds: The Cullinan (3,106 carats rough), The Golden Jubilee (755 carats rough), The Centenary (599 carats rough) and The Cullinan Heritage (507 carats rough).

During the Period, Petra doubled its ownership in Cullinan to 74% by acquiring the 37% interest held by Al Rajhi. This was a very important development for the Company, serving to double Petra's attributable resources and production from its flagship asset. Following consolidation of the Cullinan ownership, 100% of the cashflows now flow directly to Petra (until the BEE partners have repaid their share of the acquisition cost).

Cullinan generated gross revenues of US$127 million in FY 2010. The sale of the Cullinan Heritage served to significantly increase the average value per carat to US$141 for the Period. However even without including this exceptional sale, the average value per carat (including tailings) would have been US$101, still up 53% on the previous year.

The main operational challenge for the year was grade control, as evidenced by a 6% decline in overall grade for the Period. This was due to the following reasons, as outlined in our recent Trading Update:

- an increase of the bottom cut for slimes discard from 0.8mm to 1.3mm (although the effect on total revenue is not significant due to the increased average value per carat achieved);
- higher than average rainfall in South Africa in the months to April 2010 resulting in wet ore having to be pulled from many of the mature drawpoints. This diluted 'muddy' ore affects grade due to the significantly increased moisture content. The increased moisture content accounted

for approximately 4% of hoisted tonnes and resulted in an approximate 1.5 carats per hundred tones (“cpht”) reduction of grade; and

- the depletion of the higher grade OSP tailings, with the lower grade run of mine (“ROM”) tailings now being treated.

Going forward, management expects grade to continue to be a challenge as the majority of tonnes will be drawn from mature areas of the pipe until the expansion plan has progressed sufficiently to give access to the higher grade, western areas of the kimberlite ore body. Once the expansion plan has been implemented and the C-Cut is the primary source of production, Cullinan’s average grade is expected to increase to around 50 cpht, a realistic target based on long term production records at Cullinan. In addition, historically and from sampling programmes, there has been a higher incidence of larger white diamonds and blue diamonds in the western blocks of the Cullinan kimberlite pipe, which bodes well for future recoveries of ‘specials’.

Despite South African cost pressures, unit costs at Cullinan remained flat due to increased volumes. Longer term, once the development plan has significantly progressed in the years to come, costs are expected to go down due to increased efficiencies (such as a simplified ore-handling system underground and further streamlining of the plant).

The expansion plan at Cullinan is progressing as planned and the South decline has already passed the 800 metre level. It is anticipated that rim tunnel development will commence shortly. All other aspects of the development work are on track. Capital expenditure (“Capex) of US$20.4 million was spent at Cullinan for the Period. The bulk of this spend was used for the underground development work and on the continued upgrading of the plant, with the remainder for new underground fleet equipment. The Large Diamond Recovery Plant was commissioned in December 2009 and is functioning well.

As there is a 165 million tonnes tailings resource at Cullinan (estimated to contain 16.5 million carats), Petra is currently implementing a major tailings treatment programme, ramping up to 4 million tonnes per annum (“Mtpa”) by FY 2014. The development of this programme is on track and capacity of 1 Mtpa, producing approximately 100,000 carats, will be delivered for FY 2012.

The remaining Capex for the Cullinan expansion programme is estimated to be R2.6 billion (US$330 million) (2010 money), to be spent over the life of the expansion programme. Approximately US$30 million of Capex funding is required during the period to 2012, which will be funded by the RMB debt facility, whereafter it is expected that the mine will generate sufficient cashflow to fund the remaining expansion programme.

Management has upgraded its revenue forecasts for Cullinan, based on slightly higher anticipated average diamond prices. Once the expansion plan at Cullinan has been implemented by FY 2019, management forecast gross annual revenues of approximately US$235 million (2010 money), based on 2.4 million carats production (from underground and tailings) and an assumed ROM average carat value of US$105. The total carat output has been slightly downgraded due to a revision to the forecast underground average grade from 55 cpht to 50 cpht.

Koffiefontein

FY 2010 - gross numbers

	Unit	FY 2010	FY 2009	Variance
Sales				
Revenue	US$M	22.8	18.3	+25%
Diamonds sold	Carats	56,707	72,809	-22%
Average price per carat	US$	402	252	+60%

ROM Production*				
Tonnes mined	Tonnes	884,058	831,532	+6%
Diamonds produced	Carats	53,026	52,089	+2%
Tonnes treated	Tonnes	884,058	1,149,590*	-23%
Grade	Cpht	6.0	6.6	-9%
Diamonds recovered	Carats	53,026	75,377*	-30%
Tailings / Ebenhaezer Production				
Tonnes treated	Tonnes	243,714	n/a	n/a
Grade	Cpht	3.0	n/a	n/a
Diamonds recovered	Carats	7,234	n/a	n/a
Total Production				
Tonnes treated	Tonnes	1,127,772	1,149,590	-2%
Diamonds recovered	Carats	60,260	75,377*	-20%
Costs				
On-mine cost per tonne	ZAR	123	96	+28%
Total Capex	US$M	4.6	4.7	n/a

Note: Petra has a 70% interest in the Koffiefontein mine; BEE partners 30%

* During FY 2009 the balance of the ROM stockpile (318,058 tonnes), built up during the pre-acquisition care and maintenance period, was treated yielding 23,288 carats. Additional ROM production detail has been given for Koffiefontein due to the stockpile effect.

The Koffiefontein mine is one of the world's top kimberlite mines by average value per carat, achieving US$402 (including tailings) for the 2010 financial year, up 60% on the comparative period, even though there were neither tailings production nor sales in 2009.

Production at Koffiefontein was impacted as a result of new sections of the front cave on the 490 and 520 Levels taking longer than anticipated to induce natural caving. This meant that Petra had reduced production flexibility in terms of which drawpoints could be accessed. The lower grade of 6 cpht for the Period is a direct result of this, due to significant amounts of diluted front cave material being drawn from the main cave on the 480 Level, whilst allowing the East, West and Recovery Level caves to reach maturity by pulling lower tonnages from these areas. Over the coming year it is anticipated that there will be a systematic decrease in reliance on the main cave material and underground production will increase.

Excess capacity created in the plant is being utilised by feeding material from the Eskom tailings dump. This tailings programme is now fully operational and supplying significant ore to the main plant.

Unit costs were under pressure during the Period due to the production constraints coupled with the inflationary issues outlined earlier in this review. In the comparative period the unit cost was lower due to the depletion of the ROM ore stockpile. In FY 2011, tonnages treated will increase, which will serve to improve unit costs for the next reporting period.

Capex of US$4.6 million was mostly spent on underground development, the finalisation of the tailings plant and some underground equipment.

Petra is well advanced in the establishment of an expansion plan at Koffiefontein and has slightly upgraded its production forecasts to a total of 117,000 carats per annum by FY 2017 (comprising 104,000 carats from underground and 13,000 carats from the tailings operation), further to increased plant capacity of 1.7 Mtpa. Management are forecasting a long-term ROM average value per carat of US$480, which would deliver gross annual revenues of approximately US$52 million (2010 money) at these higher production levels.

Kimberley Underground

FY 2010 - gross numbers

	Unit	FY 2010	FY 2009	Variance
Sales				
Revenue	US$M	n/a	n/a	n/a
Diamonds sold	Carats	n/a	n/a	n/a
Average price per carat	US$	n/a	n/a	n/a
Total production (all ROM)				
Tonnes treated	Tonnes	9,141	n/a	n/a
Diamonds recovered	Carats	1,362	n/a	n/a
Grade	Cpht	14.9	n/a	n/a
Costs*				
Total Capex	US$M	10.2	16.7	n/a

Note: Petra has a 74% interest in Kimberley Underground; BEE partners 26%

* Production and plant treatment only commenced shortly before Period-end and therefore a cost per tonne for the Period will not be realistic given the low volumes and short production period.

At the end of May 2010, Petra completed the acquisition of Kimberley Underground and thereby introduced a seventh producing diamond operation to the Group portfolio. Kimberley Underground comprises Wesselton, Dutoitspan and Bultfontein, three mines which were integral to the economic development of South Africa as their output effectively financed development of the nascent gold industry. The Kimberley Underground mines' long history of production is testament to the quality of these assets. The mines are renowned for the historical production of large and fancy yellow diamonds, including the famous yellow Oppenheimer diamond which was 253.7 carats rough.

The mines were closed by De Beers in 2005 and the Company had subsequently been operating Kimberley Underground under care and maintenance since September 2007. Petra was given approval to operate the mines under De Beers' licence, which demonstrates the level of confidence the industry leader has in Petra's overall ability to rehabilitate and operate deep underground diamond mines.

Petra had anticipated the acquisition to complete earlier, but the process was delayed due to the complexity of the New Order Mining Right conversion. However, the care and maintenance period enabled Petra to complete all the rehabilitation work required in order to ready the operation to recommence production.

In FY 2010, Petra constructed and commissioned a new diamond recovery plant (capacity over 600,000 tonnes per annum) at Joint Shaft, which treats production from the Bultfontein and Dutoitspan pipes. This plant was designed and built by Petra's in-house engineering and construction teams, delivering substantial savings over using external consultants or contractors. A similar plant (expected cost approximately R85 million (US$11.2 million)) is now being built for the Wesselton Shaft (which will treat production from the Wesselton pipe) and will be commissioned by June 2011. Capex of US$10.2 million for the Period was spent on a combination of the Joint Shaft plant and the underground refurbishment.

As part of the care and maintenance activity necessary to maintain a block cave mining operation, Petra was able to extract ore from underground and build-up two substantial surface stockpiles of some 250,000 tonnes each (500,000 tonnes in total), estimated to contain a total of 90,000 carats, at Joint Shaft and Wesselton Shaft. Petra expects to treat approximately 600,000 tonnes of ore at Joint Shaft in FY 2011, of which approximately 180,000 tonnes will be drawn from the Joint Shaft stockpile. Treatment of the stockpile at Wesselton Shaft will only commence when the new Wesselton plant is constructed. Petra expects to haul ore at the rate of approximately 750,000 tonnes per annum (both shafts combined) for FY 2011, increasing to 1 Mtpa thereafter.

Further to commissioning of the Joint Shaft plant from end May 2010, Petra experienced plant start-up challenges. These have now been overcome and the plant is expected to be fully operational by October 2010. Petra is pleased to announce that the first parcel of 6,097 carats from Kimberley Underground has been sold on tender in Johannesburg, achieving US$250 per carat. This is substantially higher than the US$180 to US$200 that management used in mine and financial planning and this value, whilst only from a first tender of relatively small size, bodes very well for the future of the mine.

As the mine only came into Petra's control at the end of May 2010, no representative unit costs can be provided for the Period, however the Company is confident that costs should be contained in line with our mine planning (subject to escalations in energy / labour costs, as previously mentioned).

Kimberley Underground is expected to produce 100,000 carats from underground in FY 2011, rising to 180,000 carats per year thereafter, following commissioning of a second production plant by June 2011. Management are now forecasting a higher long-term ROM average value per carat of US$250, which would deliver approximately US$45 million in gross annual revenues (2010 money) at the higher production level.

Fissure Mines (Sedibeng, Star, Helam)

FY 2010 – (gross numbers)

	Unit	FY 2010	FY 2009	Variance
Sales				
Revenue	US$M	13.5	15.3	-12%
Diamonds sold	Carats	72,629	82,126	-12%
Average price per carat	US$	185	186	-1%
ROM Production				
Tonnes treated	Tonnes	168,840	176,538	-4%
Grade	Cpht	42.0	37.7	+11%
Diamonds recovered	Carats	70,950	66,566	+7%

<u>Tailings Production</u>				
Tonnes treated	Tonnes	30,640	72,578	-58%
Grade	Cpht	10.7	6.5	+65%
Diamonds recovered	Carats	3,282	4,708	-30%
<u>Total Production</u>				
Tonnes treated	Tonnes	199,480	249,116	-20%
Diamonds recovered	Carats	74,232	71,274	+4%
<u>Costs</u>				
On-mine cost per tonne	ZAR	669	550	+22%
Total Capex	US$M	2.5	1.9	n/a

Note: Petra has a 100% interest in Helam, a 74% interest in Star; BEE partners 26%, and a 74.5% interest in Sedibeng; BEE partners 25.5%

At the three fissure mines – Helam, Sedibeng and Star – output was significantly affected by a two week strike at Sedibeng and lower production from Star and Helam, further to the retrenchment programmes of the previous financial period. Prior to this, several years of capital investment in both mines had laid the platform for the operations to become less labour intensive, and Petra expects production levels to improve in FY 2011. All planned developments are currently on target.

The average price per carat reduced from the previous year due to a stone from Sedibeng, which sold for US$5.2 million in the year to June 2009. Without this stone, the year-on-year price per carat increase would have been approximately 52%.

Unit costs at the mines suffered due to decreased tonnages, which will be reversed in FY 2011.

During the Period, Petra received a New Order Mining Right for Star. The issue of the New Order Mining Right required that Petra introduce a black economic empowerment ("BEE") partner to the mine. Sedibeng Mining (Pty) Limited ("Sedibeng Mining"), which is a Petra BEE partner in Cullinan, Kimberley Underground and the Sedibeng fissure mine, will from FY 2011 hold a 26% interest in Star. Application is currently underway for Helam's New Order Mining Right and it is expected that Sedibeng Mining will also be Petra's BEE partner in respect of that mine.

TANZANIA

Williamson

FY 2010 - gross numbers

	Unit	FY 2010	FY 2009	Variance
<u>Sales</u>				
Revenue	US$M	14.4	9.4	+53%
Diamonds sold	Carats	91,901	75,045	+22%
Average price per carat	US$	157	126	+25%

ROM Production				
Tonnes treated	Tonnes	1,334,656	1,239,105	+8%
Grade	Cpht	6.3	6.1	+3%
Diamonds recovered	Carats	84,241	75,460	+12%
Alluvial Production				
Tonnes treated	Tonnes	423,665	255,930	+66%
Grade	Cpht	4.0	3.5	+14%
Diamonds recovered	Carats	16,830	9,026	+86%
Total Production				
Tonnes treated	Tonnes	1,758,321	1,495,035	+18%
Diamonds recovered	Carats	101,071	84,486	+20%
Costs				
Cash cost per tonne*	US$M	n/a	n/a	n/a
Total Capex	US$M	11.6	0.5	n/a

Note: Petra has a 75% interest in the Williamson mine, Government of the United Republic of Tanzania 25%

* During FY 2009 and FY 2010 the mine was in a bulk sampling phase, which does not reflect conditions associated with normal production.

Williamson is Petra's first open pit mine and is the most important diamond operation in Tanzania. At 146 hectares, the Mwadui kimberlite (on which the mine is based) is the largest pipe ever to be mined continuously, having been operated as an open pit mine since 1940. The mine regularly produces large, high quality stones and is an important source of rare and valuable fancy pink diamonds.

The Company acquired a 75% interest in the mine in November 2008 and since this time has concluded a major 2.5 million tonne bulk sample to accurately ascertain the operating parameters under Petra management. The bulk sampling production operations were effectively stopped on 1 April 2010 and the last tender of diamonds held in May 2010.

The bulk sampling work supports Petra's strategy to increase throughput at Williamson from an average 2 Mtpa to 10 Mtpa, which at an average grade of 6 cpht would yield an estimated annual production of some 600,000 carats. This expansion programme will capitalise on the economies of scale offered by the vast Mwadui orebody and is expected to considerably enhance the economics of the mine. Once the 10 Mtpa throughput is achieved (expected FY 2014), Williamson is forecast to deliver gross revenues of over US$120 million and run at a margin of approximately 40%.

The expansion plan has now commenced and is estimated to take up to three years to complete. Pit-shaping operations are underway and a stockpile in excess of 500,000 tonnes has been established, estimated to contain in excess of 30,000 carats.

Petra had previously anticipated that there would be no production whilst this expansion plan was underway. However, based on the results achieved during the bulk sampling programme and due to the pit shaping underway, the Company saw an opportunity to refurbish the existing plant at Williamson and expects to bring this online before the end of FY 2011, with a production capacity of 3 Mtpa (180,000 carats per annum). The cost of this refurbishment is anticipated to be US$5.5

million, of which US$1 million was funded in the Period. This production will serve to fast-track revenues from the project.

Capex required for the remainder of the expansion programme is approximately US$50 million, the majority of which will be covered by the US$40 million IFC debt financing, with the balance being contributed from Petra's own treasury.

Petra has been very pleased with the high quality of diamonds recovered at Williamson. Whilst an average sales value of US$157 per carat was achieved for the Period, the Company expects that the new plant and processing techniques to be introduced at the mine will bring about substantial improvements to diamond recoveries and values in the future, and that values of around US$200 per carat will be achievable over the medium term.

Diamond sales were less than production for the Period, due to the previously reported theft at O.R. Tambo International airport in October 2009 of a Williamson diamond parcel of 14,931 carats, valued at approximately US$3 million. The Company had previously reported that it expected the insurance claim to be settled satisfactorily; however, underwriters have rejected Petra's claim on technical grounds and Petra is currently assessing its options with regards to the loss.

EXPLORATION

BOTSWANA

Kalahari Diamonds

Petra remains the largest holder of diamond exploration ground in Botswana. Despite the reduced funding of US$0.8 million directed to our Botswana exploration programme, significant progress has been made. Whilst the first half of the financial year was largely used as a period of consolidation, field operations were ramped up to full capacity during the latter part.

During the period of consolidation, large tracts of well explored ground were relinquished and significant tracts of new ground have been allocated to Petra, resulting in a total current land holding of approximately 44,000 km^2 of highly prospective ground, all on 'craton' (the geological province where all primary diamonds deposits are found).

Geophysical ground follow-up and heavy mineral analysis of 30 high priority targets was completed in the Gope North, Gope East and Kukama East project areas. As part of the target selection criteria, Petra is only choosing to further investigate magnetic anomalies for which the causative bodies are geophysically interpreted to be larger than eight hectares. Several such targets have been identified and selected for drilling during a 1,200 metre exploration drilling campaign planned for the first half of FY 2011.

During the Period, a 4,500 line kilometre Xcalibur HiRes Airborne Magnetic Gradiometer survey was successfully commissioned and conducted over historical kimberlite indicator minerals 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 in the Lebu project area is planned for the latter half of the next financial year.

Significant progress has also been made with both the geophysical and geological 3D modelling of the portion of kimberlite BK1 South discovered on Petra ground in mid 2008. Results will be used for the calculation of material volumes for the portion of the kimberlite body BK1 (20-25%) that falls outside the Debswana Mining Lease and within Petra's Prospecting Licence, and will form part of a feasibility study to be undertaken for the application of a retention licence for part of the Prospecting Licence later this year.

Petra's considerable expertise and years of local knowledge, together with the advantage of our extensive geophysical and mineral chemistry databases, ensure that we remain at the forefront of diamond exploration in Botswana.

SIERRA LEONE

Kono Project

During the Period, Petra divested of its interest in the Kono kimberlite fissure project in Sierra Leone, which was no longer considered core to the Company's portfolio given its relatively small scale in comparison with Petra's major producing kimberlite mines.

Petra exchanged its interest in Kono for shares in Stellar Diamonds plc ("Stellar"), the project's joint venture partner. As consideration, Stellar issued Petra with 4,500,000 new ordinary Stellar shares, making the Company a 4% shareholder in Stellar. Petra thereby retains an interest in Kono's future upside.

In addition, Petra formed a 'cooperation agreement' with Stellar, giving Petra first option to discuss the joint venture of any current or future project in Stellar's portfolio. Stellar is developing a number of other exciting diamond projects in West Africa.

SAFETY

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 that working places are safe and to encourage a healthy lifestyle for our workforce. Health and Safety awareness is encouraged amongst all levels of employees and they are equipped to adhere to the relevant legislation in all of the countries in which we operate.

Petra's Lost Time Injury Frequency Rate (LTIFR) in FY 2010 was 1.03 (2009: 0.71). Analyses of incidents have indicated that these increases are ascribed to Health and Safety procedures not being adhered to, rather than due to unsafe working conditions. The Company has therefore identified the areas of concern and has appropriate strategies in place to improve performance for FY 2011.

It is with deep regret that we report that one employee lost his life in an equipment-related incident on 3 January 2010 in an underground workshop at the Koffiefontein mine. No other employees were injured or endangered in the incident. Prior to this tragic event, there had not been a fatality at a Petra mining operation since 2004.

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 will be available on the Petra website by end October 2010 at www.petradiamonds.com.

RESERVES & RESOURCES

The Petra Group controls one of the world's largest diamond resources. The careful management of such a large resource will ensure sustainable, long-life mining operations for the Petra group for many years to come. It also provides flexibility in terms of organic growth and the Company has plans in place to substantially increase output, most notably at the Cullinan and Williamson mines.

Gross Resources

As at 30 June 2010, the Group's total carat base had reduced by roughly one million carats to 261 million carats (FY 2009: 262 million carats), mainly due to depletion by production at the mining operations over the year.

Attributable Resources

The Group's attributable resources increased significantly in the Period by approximately 75 million carats to 194 million carats (FY 2010: 119 million carats). This major increase is due to the doubling of Petra's interest in the Cullinan mine, which accounts for some 77% of the overall Group resources.

The following table summarises the resource and reserve status of the combined Petra Group operations as at 30 June 2010. The full 2010 Resource Statement has today been published on the Petra website – www.petradiamonds.com.

	Gross			**Net attributable**		
Category	Tonnes (millions)	Grade (cpht)	Contained Diamonds (Mcts)	Tonnes (millions)	Grade (cpht)	Contained Diamonds (Mcts)
Ore/Diamond reserves per asset						
Proven	17.898	7.13	1.276	12.837	8.38	1.076
Probable	37.441	22.85	8.555	27.418	23.99	6.576
Sub-total	**55.339**	**17.76**	**9.831**	**40.254**	**19.01**	**7.652**
Diamond resources per asset						
Measured						
Indicated	354.709	52.83	187.400	263.217	52.70	138.711
Inferred	1226.551	5.21	63.895	912.924	5.27	48.148
Sub-total	**1581.260**	**15.89**	**251.295**	**1176.140**	**15.89**	**186.859**
Total			**261.126**			**194.511**

"cpht" – carats per hundred tonnes; "mcts " – millions of carats

OUTLOOK

We have recorded a further period of superior growth and I would like to extend my thanks to our Board, management team and all of our employees for the hard work and dedication which continues to propel Petra forward. For those looking to gain exposure to the diamond market, we believe Petra offers a unique investment vehicle, combining strong management, proven mines, sensible capital spending and a transparent growth profile.

Johan Dippenaar
CEO
20 September 2010

PETRA DIAMONDS LIMITED – PRELIMINARY RESULTS
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010
(UNAUDITED)

US$ MILLION	Notes	2010	Audited 2009
Revenue		**163.7**	69.3
Other income	5	**5.4**	3.2
Total operating income		**169.1**	72.5
Fair value uplift on acquisition of Cullinan Investment Holdings Limited	6(a)	**31.0**	-
Recycling of foreign exchange differences on exploration projects		**12.3**	-
Total income		**212.4**	72.5
Mining and processing costs		**(137.7)**	(72.9)
Other direct income		**2.4**	2.6
Exploration expenditure		**0.2**	(19.7)
Corporate expenditure	7	**(8.6)**	(8.3)
Impairment charges		**-**	(75.3)
Total costs		**(143.7)**	(173.6)
Financial income		**27.6**	20.7
Financial expense		**(27.3)**	(13.5)
Net financing income	8	**0.3**	7.2
Profit / (loss) before tax		**69.0**	(93.9)
Income tax credit		**1.2**	3.4
Profit / (loss) for the year from continuing operations		**70.2**	(90.5)
Profit on discontinued operations (net of tax)		**-**	1.5
Profit / (loss) for the year		**70.2**	(89.0)
Profit for the year attributable to:			
Equity holders of the parent company		**63.5**	(90.9)
Non-controlling interest		**6.7**	1.9
		70.2	(89.0)
Profit / (loss) per share attributable to the equity holders of the parent during the year:			
From continuing operations			
Basic profit / (loss) – US cents	13	**22.65**	(50.23)
Diluted profit / (loss) – US cents	13	**22.20**	(50.23)
From continuing and discontinued operations			
Basic profit / (loss) – US cents	13	**22.65**	(49.38)
Diluted profit / (loss) – US cents	13	**22.20**	(49.38)

PETRA DIAMONDS LIMITED – PRELIMINARY RESULTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010
(UNAUDITED)

US$ MILLION	2010	Audited 2009
Profit / (loss) for the period	**70.2**	(89.0)
Profit on hedges transferred directly to reserves	**-**	0.1
Exchange differences recognised on translation of the share based payment reserve	**(0.5)**	(0.5)
Exchange differences on translation of foreign operations	**(19.2)**	(16.9)
Valuation loss on available for sale financial asset	**(0.1)**	-
Total comprehensive income / (expense) for the year	**50.4**	(106.3)
Total comprehensive income / (expense) for the year attributable to:		
Equity holders of the parent company	**43.7**	(107.7)
Non-controlling interest	**6.7**	1.4
	50.4	(106.3)

PETRA DIAMONDS LIMITED – PRELIMINARY RESULTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010
(UNAUDITED)

US$ MILLION	Share capital	Share premium account	Foreign currency translation reserve	Hedging reserve	Share-based payment reserve	Other reserves	Retained losses	Sub total	Non-controlling interest	Total
At 1 July 2008	33.5	212.9	9.5	(0.1)	3.1	4.0	(109.7)	153.2	9.2	162.4
Total comprehensive income	-	-	(16.4)	0.1	(0.5)	-	(90.9)	(107.7)	1.4	(106.3)
Non-controlling interest share of dividend paid by subsidiary	-	-	-	-	-	-	-	-	(1.1)	(1.1)
Equity settled share based payments transferred between reserves	-	-	-	-	(3.1)	-	3.1	-	-	-
Equity settled share based payments	-	-	-	-	2.3	-	-	2.3	-	2.3
At 30 June 2009	33.5	212.9	(6.9)	-	1.8	4.0	(197.5)	47.8	9.5	57.3

PETRA DIAMONDS LIMITED – PRELIMINARY RESULTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010
(UNAUDITED)

	Share capital	Share premium account	Foreign currency translation reserve	Hedging reserve	Share-based payment reserve	Other reserves	Retained losses	Sub total	Non-controlling interest	Total
US$ MILLION										
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 year:										
- 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 - Note 6(a)	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

*****The fair value of warrants granted to brokers during the issue of new shares during the year are charged against the share premium account as a direct cost of issuing shares and credited to the share-based payment reserve.

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010
(UNAUDITED)

US$ MILLION	Note	2010	Audited 2009
ASSETS			
Non-current assets			
Property, plant and equipment	9	**371.0**	176.7
Intangible assets		**-**	1.0
Available for sale financial assets		**0.8**	-
Loans and other receivables		**32.2**	19.7
Total non-current assets		**404.0**	197.4
Current assets			
Inventories		**29.4**	14.8
Trade and other receivables		**23.5**	18.9
Cash and cash equivalents – unrestricted		**24.8**	6.7
Cash and cash equivalents – restricted	11	**9.7**	4.4
Total current assets		**87.4**	44.8
Total assets		**491.4**	242.2
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**61.4**	33.5
Share premium account	10	**347.5**	212.9
Foreign currency translation reserve		**(26.1)**	(6.9)
Share-based payment reserve		**4.6**	1.8
Other reserves		**(0.1)**	4.0
Accumulated loss		**(130.0)**	(197.5)
Attributable to equity holders of the parent company		**257.3**	47.8
Non-controlling interest		**33.6**	9.5
Total equity		**290.9**	57.3
Liabilities			
Non-current liabilities			
Loans and borrowings		**47.1**	44.3
Trade and other payables		**23.2**	19.1
Provisions		**50.0**	28.0
Deferred tax liabilities	11	**30.3**	7.4
Total non-current liabilities		**150.6**	98.8
Current liabilities			
Loans and borrowings		**17.4**	57.4
Trade and other payables		**29.2**	23.7
Current tax payable		**1.1**	2.8
Provisions		**2.2**	2.2
Total current liabilities		**49.9**	86.1
Total liabilities		**200.5**	184.9
Total equity and liabilities		**491.4**	242.2

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 3O JUNE 2010
(UNAUDITED)

		Audited
US$ MILLION	**2010**	2009
Profit / (loss) before taxation for the period from continuing and discontinued operations	**69.0**	(92.3)
Depreciation of property plant and equipment - exploration	**0.1**	2.7
Depreciation of property plant and equipment - mining	**11.6**	8.9
Depreciation of property plant and equipment - other	**0.2**	0.1
Amortisation of intangible assets	**1.0**	3.3
Impairment charge on assets	**-**	75.2
Profit on sale of Kono project	**(0.8)**	-
(Profit) / loss on sale of property plant and equipment	**(3.7)**	0.2
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 Cullinan Investment Holdings Limited	**(31.0)**	-
(Decrease) / increase in provisions	**(2.1)**	8.8
Finance income	**(7.8)**	(3.2)
Finance expense	**12.6**	9.2
Present value adjustment on rehabilitation provision – change in assumptions	**-**	(4.6)
Share based payment	**0.9**	2.3
Foreign exchange gain	**(5.1)**	(13.4)
Operating profit / (loss) before working capital changes	**59.0**	(2.8)
(Increase) / decrease in trade and other receivables	**(0.3)**	25.2
Increase / (decrease) in trade and other payables	**4.6**	(10.6)
(Increase) / decrease in inventories	**(11.2)**	0.8
Cash (utilised in) / generated from operations	**52.1**	12.6
Finance expense	**(1.6)**	(6.6)
Taxation paid	**(1.7)**	(1.4)
Net cash generated from operating activities	**48.8**	4.6
Cashflows from investing activities		
Proceeds from sale of property, plant and equipment	**3.9**	0.3
Disposal of subsidiary net of cash disposed	**-**	1.4
Cash acquired with acquisition of subsidiary	**0.4**	(8.7)
Acquisition of assets at Cullinan net of cash	**-**	(62.5)
Acquisition of assets at Kimberley Underground net of cash	**(2.0)**	-
Acquisition of assets at Kimberley Underground pre acquisition	**(16.6)**	-
Finance income	**0.4**	3.5
Increase in long term receivables	**-**	(19.5)
Acquisition of property, plant and equipment	**(33.4)**	(38.8)
Development expenditure	**-**	(2.1)
Transfer (to) / from restricted cash deposits	**(5.3)**	13.3
Net cash utilised in investing activities	**(52.6)**	(113.1)
Cashflows from financing activities		
Proceeds from the issuance of share capital	**120.1**	-
Payment of share placing costs	**(6.6)**	-
(Repayment) / increase of non-current borrowings	**(43.8)**	58.0
(Repayment) / increase of current borrowings	**(48.0)**	37.5
Net cash generated from financing activities	**21.7**	95.5

Net increase/ (decrease) in cash and cash equivalents	**17.9**	(13.0)
Cash and cash equivalents at beginning of the year	**6.7**	19.8
Effect of exchange rate fluctuations on cash held	**0.2**	(0.1)
Cash and cash equivalents at end of the year	**24.8**	6.7

The figures for cash and cash equivalents at the beginning and end of the year for the year to 30 June 2009 do not correspond to those presented in the previous financial statements. Cash and cash equivalents have been reclassified into restricted and unrestricted cash balances on the consolidated statement of financial position in the current year and the comparative has therefore been reclassified to aid comparability. The consolidated statement of cashflows has been amended to present movements in unrestricted cash balances.

1. GENERAL INFORMATION

Petra Diamonds Limited (the "Company") is a company domiciled in Bermuda. The consolidated preliminary financial statements of the Company for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

2. ACCOUNTING POLICIES

The preliminary results, which are unaudited, do not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed report is to be read in conjunction with the Annual Report for the year ended 30 June 2009, which was prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and any public announcements made by the Group during the interim reporting period. The accounting policies adopted in the year ending 30 June 2010 are consistent with those applied in the year ending 30 June 2009 except for the application of the following new standards, or amendments to standards:

IAS 1 Presentation of Financial Statements (Revised) includes the requirement to present a Statement of Changes in Equity as a primary statement and introduces the possibility of either a single Statement of Comprehensive Income (combining the Income Statement and a Statement of Comprehensive Income) or to retain the Income Statement with a supplementary Statement of Comprehensive Income. The second option has been adopted by the Group. As this standard is concerned with presentation only it does not have any impact on the results or net assets of the Group.

IFRS 8, Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM"). By contrast IAS 14, "Segmental Reporting" required business and geographical segments to be identified on a risks and rewards approach. The business segmental reporting bases used by the Company in previous years are those which are reported to the CODM, so the changes to the segmental reporting for 2010 are in respect of the additional disclosure only. Comparatives have been restated.

The Group has complied with the requirement to adopt IFRS 3 (revised) for accounting periods commencing after 1 July 2009. The basic approach of the existing IFRS 3 to apply acquisition accounting in all cases and identify an acquirer is retained in this revised version. However, in some respects the revised standard has resulted in very significant changes. The main changes that have affected Petra in the period are summarised below:

- Where a controlling interest in another entity is acquired, and the acquirer previously held a non-controlling interest in that entity (whether as an investment, associate or joint venture), the previously held investment is re-measured to fair value on the date on which the controlling interest is acquired, with any gain or loss being recorded in the income statement. The fair value of that previously held interest is then treated as being part of the fair value of total consideration paid for the (controlling) interest in the new subsidiary. A description of the acquisition of a controlling shareholding in Cullinan Investment Holdings Limited ("CIHL") is included in Note 6a.
- The revised standard includes a requirement to write-off all acquisition costs to profit or loss instead of including them in the cost of investment. This did not have a significant impact for the CIHL acquisition because there were not significant external costs of acquisition.

As a result of the amendments to IAS27, the Group now recognises non-controlling interests in respect of subsidiaries which have net liabilities. The standard is applied prospectively with the non-controlling interest in gains and losses recognised as they occur. Previously, non-controlling interests could not be recorded for subsidiaries with net liabilities unless a binding obligation to reimburse the losses existed and the non-controlling interest had the capability to do so.

Basis of preparation

After 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 preliminary financial statements.

While the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company will publish a full annual report that complies with IFRS in October 2010.

The financial information for the year ended 30 June 2009 has been extracted from the statutory accounts for that period. The auditors' report for the year ended 30 June 2009 was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

3. DIVIDENDS

No dividends were proposed or paid during the year.

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 and South Africa. The Group exited from exploration activities in Sierra Leone in May 2010 as a result of its disposal of its interest in Basama Diamonds Ltd. In the prior year, the Group exited from exploration activities in Angola.
Beneficiation – The Group exited from beneficiation activities in the prior year.

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 (Angolan and Sierra Leonean exploration activities have now been wound down) 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.

Operating segments	South Africa mining activities				Tanzania mining activities	Angola Botswana Sierra Leone		South Africa		
	Cullinan mine	Koffiefontein mine	Kimberley Underground mine	Fissure mines	Williamson mine	Exploration	Corporate administration	Beneficiation	Inter-segment	Consolidated
US$ MILLION	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
Revenue	25.6	18.3	-	15.3	9.5	0.3	0.3	1.0	(1.0)	69.3
Segment result	0.6	1.5	-	(6.1)	(2.4)	(13.9)	(8.3)	(1.0)	(0.1)	(29.7)
Other income / (expense)	0.7	4.2	(2.1)	(0.9)	0.2	-	0.7	-	-	2.8
Operating profit / (loss)	1.3	5.7	(2.1)	(7.0)	(2.2)	(13.9)	(7.6)	(1.0)	-	(26.9)
Impairments										(75.3)
Profit on sale of assets										2.6
Financial income										20.7
Financial expense										(13.5)
Income tax credit										3.4
Non-controlling interest										(1.9)
Loss attributable to equity holders of the parent company										(90.9)
Segment assets	117.1	72.9	25.6	87.7	29.1	2.8	372.6	-	(465.6)	242.2
Segment liabilities	75.6	50.9	7.5	146.9	18.4	2.9	146.6	-	(264.0)	184.8
Share-based payments	-	-	-	-	-	-	2.3	-	-	2.3
Capital expenditure	4.2	3.7	8.7	8.6	11.4	4.2	0.1	-	-	40.9

Operating segments	South Africa mining activities				Tanzania mining activities	Angola Botswana Sierra Leone			
	Cullinan mine	Koffiefontein mine	Kimberley Underground mine	Fissure mines	Williamson mine	Exploration	Corporate administration	Inter-segment	Consolidated
US$ MILLION	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 / (expense)	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 Cullinan Investment Holdings 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
Share-based payments	0.3	0.2	-	0.2	0.1	-	0.9	-	1.7
Capital expenditure	17.3	4.6	19.6	2.5	11.6	-	0.1	(5.9)	49.8

Capital expenditure at Kimberley 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 inter-company receivables and payables which are eliminated on consolidation.

US$ MILLION	**2010**	2009
5. OTHER INCOME		
Profit on sale of Petra Diamonds Angola assets	**3.8**	-
Profit on sale of Kono Project	**0.9**	-
Management and consulting fees	**0.7**	3.2
	5.4	3.2

6. ACQUISITIONS AND DISPOSALS

6 (a) Investment in Cullinan Diamond Mine

On 15 July 2008 Petra Diamonds Limited, as a member of the Petra Diamonds Cullinan Consortium ("PDCC"), acquired the Cullinan Diamond Mine ("Cullinan"). Petra held a 50% interest in, and jointly controlled, Cullinan Investment Holdings Limited ("CIHL"). CIHL has a 74% interest in, and controls, the Cullinan Diamond Mine; CIHL consolidates the Cullinan operations and recognises a 26% non-controlling interest. In the prior period, the Group used the proportionate method of consolidation and therefore reflected 50% of the Cullinan operating results, assets and liabilities, and a 13% non-controlling interest.

On 18 December 2009, the Company acquired Al Rajhi Holdings W.L.L.'s 50% interest in CIHL, which in turn increased Petra's ownership in the mine to 74%. On acquisition of Al Rajhi's 50% interest in CIHL, the Company assumed responsibility for the US$80.0 million Cullinan loan (plus accrued interest of approximately US$9.6 million) that was due to Al Rajhi. The consideration was satisfied by the issue of 36 million Petra shares (fair value of US$39.8 million based on the prevailing share price at the transaction date) and a deferred consideration of US$35.0 million payable by December 2011. The deferred consideration has been discounted over a period of 24 months using a discount factor of 6% to US$31.0 million. The discounted deferred consideration balance will be accreted over the period of 24 months to the full settlement value of US$35.0 million.

There are two elements to the accounting for this transaction. Under IFRS 3 (revised), the transaction has been accounted for as a step acquisition. Petra's original equity interest in CIHL has been revalued to fair value (based upon the fair value of the purchase consideration of the second 50%) of US$71.0 million, as at the date of the acquisition of the second 50%, resulting in an income statement gain of US$31.0 million, as reflected on the income statement as fair value uplift on acquisition of CIHL.

The second 50% of CIHL acquired is recognised at fair value on the acquisition date. The fair value of the consideration paid was used as the best estimate of the fair value of the net assets acquired; this gave rise to a fair value adjustment of US$61.8 million to the mining property, plant and equipment, mineral properties, and inventory (deferred taxation has been provided on the fair value adjustment). The Group now has a 100% interest in CIHL, which has a 74% interest in and controls the Cullinan operations; CIHL consolidates the Cullinan operations and reflects a 26% non-controlling interest. The Group therefore now also consolidates the Cullinan mine as a subsidiary with a 26% non-controlling interest. Full consolidation commenced on the acquisition date of 17 November 2009, being the date on which control passed. The passing of control occurred prior to the formal completion of the transaction. Prior to this date, the Group used the gross method of proportional consolidation.

In the 12 months to 30 June 2010, the CIHL group recorded a net profit before taxation of US$57.5 million. If the acquisition had occurred on 1 July 2009, the Group's profit from the CIHL group for the period ending 30 June 2010 would have increased by US$1.4 million. The underlying Cullinan mine generated revenue for the 12 months to 30 June 2010 of R966.9 million (US$127.0 million) and revenue of R748.6 million (US$98.3 million) since the date of the acquisition of the second 50% of CIHL. Costs associated with the acquisition have been expensed in full in the income statement.

Effect of the acquisition

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

CIHL net assets at acquisition date: **US$ MILLION**	Book values	Fair value adjustments	Fair values
Mining property, plant & equipment, mineral properties and inventories	166.8	85.9	252.7
Trade and other receivables	87.2		87.2
Cash and cash equivalents	0.8		0.8
Deferred tax	5.2	(24.1)	(18.9)
Environmental liabilities	(15.0)		(15.0)
Long term payables	(131.0)		(131.0)
Employee related payables	(11.1)		(11.1)
Trade and other payables	(11.3)		(11.3)
Net assets acquired	91.6	61.8	153.4
Non-controlling interest			(11.6)
Fair value of assets attributable to the parent company			141.8
Satisfied as follows:			
Consideration satisfied in shares			39.8
Present value of deferred loan consideration			31.0
Fair value of initial 37% equity stake			71.0
Fair value cost of business combination			141.8

6 (b) Acquisition of Kimberley Underground Mines assets

On 19 May 2010, the Company announced the completion of its previously announced transaction with De Beers Consolidated Mines Limited ("De Beers") to acquire the mining and associated assets ("Assets") previously used by De Beers in the operation of the Kimberley Underground diamond mines ("Kimberley Underground") in Kimberley, South Africa. The Company and De Beers entered into the agreement for the sale of the Kimberley Underground Assets in September 2007, however the transaction took longer than originally anticipated to complete due to complexities related to the New Order Mining Right.

The consideration of R78.5 million (US$10.4 million) has been settled by Petra assuming De Beers' rehabilitation obligations with regards to Kimberley Underground of R63.5 million (US$8.4 million), and the payment in cash to De Beers of R15 million (US$2.0 million).

During the period from September 2007 to date of acquisition, certain pre-acquisition expenditure was capitalised on the basis that the future economic benefits of the mining assets were expected to flow to the Group as disclosed in note 1.4 of the financial statements for the year ending 30 June 2009. All other costs were expensed as care and maintenance costs. Care and maintenance costs of R53.9 million (US$7.1 million) have been expensed. Costs related to ore stockpiles of R37.6 million (US$4.9 million) and fixed assets costs of R204.6 million (US$27.0 million) have been included in inventory and fixed assets respectively and treated as part of the consolidation paid, as set out in the table below.

As set out above, the Group incurred care and maintenance costs in respect of Kimberley Underground in the pre-acquisition period; these care and maintenance costs would have given rise to a loss before taxation of the same amount. In the 12 months to 30 June 2010, Kimberley Underground incurred care and maintenance costs of US$2.1 million, which were recorded in the books of the Group. Therefore if the acquisition had occurred on 1 July 2009 there would have been no change to the losses recorded in respect of Kimberley Underground. Kimberley Underground recorded no revenues in the pre or post-acquisition period.

Effect of the acquisition

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

Kimberley Underground net assets at acquisition date: US$ MILLION	Book values at acquisition date	Pre-acquisition expenditure capitalised	Total acquired book values	Fair values adjustments	Fair values
Mining property, plant & equipment, mineral properties and inventories	10.0	31.9	41.9	0.5	42.4
Trade and other receivables	-	1.8	1.8	-	1.8
Cash and cash equivalents	-	0.1	0.1	-	0.1
Deferred tax	-	-	-	(0.1)	(0.1)
Environmental liabilities	(8.4)	-	(8.4)	-	(8.4)
Trade and other payables	-	(11.8)	(11.8)	-	(11.8)
Net assets acquired	1.6	22.0	23.6	0.4	24.0
Non-controlling interest					(6.2)
Fair value of assets attributable to the parent company				17.8	17.8
Satisfied as follows:					
Consideration satisfied in cash					2.0
Expenditure capitalised					22.0
Contribution from non-controlling interests					(6.2)
Fair value cost of business combination					17.8

Judgement was applied by management in determining whether pre-acquisition expenditure should be capitalised or expensed. Management exercised judgement based on: whether the Group exercised control over the asset, a consideration of guidance from IAS 11, and an assessment of the nature of the expenditure which was incurred to bring the mining asset back into a condition in which it can be utilised for mining and production. Based on management's judgements, expenditure was considered to be capital in nature and is capitalised on the basis that the future economic benefits of the mining assets are expected to flow to the Group. All other costs were expensed as care and maintenance costs. The Group has capitalised and expensed pre-acquisition costs during the year as set out above.

US$ MILLION	2010	2009
7. CORPORATE EXPENDITURE		
Auditors' remuneration		
- audit services	**0.4**	0.4
Depreciation of property, plant and equipment	**0.2**	0.1
Operating lease rentals - buildings	**0.4**	0.2
Staff costs	**3.6**	2.4
Other charges	**3.1**	2.9
Share-based payments		
- Directors	**0.2**	1.8
- senior management	**0.7**	0.5
	8.6	8.3

US$ MILLION	2010	2009
8. NET FINANCING INCOME/(COSTS)		
Interest expense on bank loans and overdrafts	**(1.6)**	(0.7)
Other debt finance costs	**(8.4)**	(7.5)
Unwinding of present value adjustment for rehabilitation costs	**(2.6)**	(1.0)
Realised foreign exchange losses on the settlement of forward exchange contracts	**(0.1)**	(0.4)
Other foreign exchange losses realised	**(0.1)**	-
Unrealised foreign exchange losses	**(14.5)**	(3.9)
Financial expense	**(27.3)**	(13.5)
Realised foreign exchange gains	**4.5**	0.1
Gain on partial settlement of long term liability	**4.2**	-
Other unrealised foreign exchange gains	**15.3**	17.4
Interest received on loans and other receivables	**3.2**	2.1
Interest received bank deposits	**0.4**	1.1
Financial income	**27.6**	20.7
	0.3	7.2

9. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment in the period is US$194.3 million. This is primarily as a result of increases in property, plant and equipment from:

- Capital expenditure of US$25.6 million, fair value uplifts in respect of assets purchased on the acquisition of Cullinan of US$67.6 million, and the additional assets of Cullinan acquired through accounting for Cullinan as a subsidiary of US$79.7 million.
- Capitalisation of pre-feasibility expenditure at Williamson of US$7.8 million, which is off-set by depreciation of US$11.7 million and assets with a net book value of US$0.8 million disposed of during the period.
- Capital expenditure at Kimberley Underground of US$16.5 million and US$10 million related to the acquisition of Kimberley Underground.

10. EQUITY ISSUED

During the year under review, the Company issued 121,200,000 new Ordinary Shares at a price of 60 pence per share (the "Placing Shares") raising gross proceeds of US$120.0 million as part of a capital fund raising exercise.

The proceeds from the issue of the new ordinary shares were used to settle the Convertible Note (US$20.5 million), a portion (inclusive of interest) of the Cullinan loan (US$24.5 million) and working capital loans (US$9.2 million).

Petra issued an additional 47,363,636 new Ordinary Shares to Al Rajhi. 36 million shares were issued in respect of the part consideration for the 50% interest in CIHL and were fair valued at $39.8 million as set out in Note 6(a). 11,363,636 shares were issued to pay down US$15.0 million (based on a value agreed between Petra and Al Rajhi of 80 pence per Ordinary Share) of the Cullinan loan assumed by Petra on the exercise of the option to acquire Al Rajhi's 50% interest in CIHL; the fair value of these shares was calculated to be $10.9 million based on the share price on the date of issue.

11. CASH AND CASH EQUIVALENTS

As security for the Group's rehabilitation obligations at Helam Mining (Pty) Ltd, Star Diamond Mine (Pty) Ltd, Sedibeng Mine JV and Kimberley Underground Mines JV, the Company has ceded US$9.7 million (30 June 2009: US$4.4 million) in a fixed deposit; this is presented on the face of the balance sheet as cash and cash equivalents – restricted.

12. DEFERRED TAXATION

Deferred taxation has increased from US$7.4 million as at 30 June 2009 to US$30.3 million as at 30 June 2010, primarily as a result of the deferred taxation on the fair value uplifts on the acquisition of the second 50% of CIHL (see Note 6(a)), which has resulted in a net increase of US$16.7 million in the year. US$24.1 million was recorded in respect of the acquisition and US$7.4 million has subsequently been released on the sale of inventories that had been fair valued as at the acquisition date. The remaining increase is in respect of the underlying South African operations.

13. EARNINGS PER SHARE

	Continuing operations 2010 US$	Discontinued operations 2010 US$	Total 2010 US$	Continuing operations 2009 US$	Discontinued operations 2009 US$	Total 2009 US$
Numerator						
Profit / (loss) for the year	**63,485,409**	**-**	**63,485,409**	(92,423,981)	1,557,974	(90,866,007)
Denominator						
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS						
As at 1 July	**184,005,523**	**-**	**184,005,523**	184,005,523	184,005,523	184,005,523
Effect of shares issued during the period	**96,241,934**	**-**	**96,241,934**	-	-	-
As at 30 June	**280,247,457**	**-**	**280,247,457**	184,005,523	184,005,523	184,005,523
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	**5,717,632**	**-**	**5,717,632**	-	-	-
Weighted average number of ordinary shares in issue used in diluted EPS	**285,965,089**	**-**	**285,965,089**	184,005,523	184,005,523	184,005,523
	US cents	**US cents**	**US cents**	US cents	US cents	US cents
Basic Profit / (loss) per share – cents	**22.65**	**-**	**22.65**	(50.23)	0.85	(49.38)
Diluted Profit / (loss) per share - cents	**22.20**	**-**	**22.20**	(50.23)	0.86	(49.38)

In the current year, the number of potentially dilutive ordinary shares, in respect of employee share options and warrants is 5,717,632. These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share. In the prior year the number of potentially dilutive ordinary shares, in respect of employee share options, warrants and convertible bonds was 24,452,000. These potentially dilutive ordinary shares may have had a dilutive effect on future earnings per share but were not included in the calculation of diluted earnings per share as they were anti-dilutive.