



19 September 2011

AIM: PDL

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

**Preliminary Results Announcement for the Year ended 30 June 2011 (unaudited)**

**Strong Revenue Growth; Profit after Tax US\$59.2 million**

Petra Diamonds Limited announces its preliminary results (unaudited) for the year ended 30 June 2011 ("the Period" or "FY 2011").

**Financial Highlights**

- Revenue: US\$220.6 million (FY 2010<sup>5</sup>: US\$163.7 million)
- Profit from mining activity<sup>1</sup>: US\$76.4 million (FY 2010: US\$67.2 million)
- Operating cashflow: US\$50.6 million (FY 2010: US\$48.8 million)
- EBITDA<sup>2</sup>: US\$67.1 million (FY 2010: US\$70.9 million); FY 2010 included a profit of ca. US\$35 million due to the sale of the 507 carat Cullinan Heritage diamond
- Profit after tax: US\$59.2 million (FY 2010: US\$70.2 million)
- EPS<sup>3</sup>: 12.83 cents per share, post the issue of 136,698,212 new shares in January 2011 (FY 2010: 22.65 cents per share)
- Cash at bank at 30 June 2011<sup>4</sup>: US\$324.9 million (FY 2010: US\$34.5 million)

**Operations Highlights**

- Production of 1,117,795 carats relatively flat for the Period (FY 2010: 1,164,856) due to Petra's strategic focus on 'value production' (by raising bottom-cuts at certain operations), the planned cessation of main pit production at Williamson, the planned depletion of Optical Sort Plant tailings material at Cullinan, initial commissioning difficulties at Kimberley Underground and unseasonably heavy rainfall in South Africa
- Expansion plans on target to increase production to ca. 4 million carats ("Mcts") by FY 2014 and to over 5 Mcts by FY 2019
- Sound cost control despite inflationary pressures
- Diamond prices rose steadily from October 2010 to highs in June 2011

**Corporate Highlights**

- Acquisition of world-class Finsch mine for R1.425 billion (ca. US\$192 million) completed post Period-end on 14 September 2011
- Equity fundraising of US\$325 million to fund Finsch acquisition and strengthen the Company's balance sheet
- US\$83 million debt facilities in place with IFC and Rand Merchant Bank ("RMB")

**Outlook**

- After an initial three month bedding down period, Finsch is expected to add ca. 125,000 carats per month to Petra's output, adding at least 1 Mcts for FY 2012
- The Group reserves and resources base (including Finsch) has increased to over 300 Mcts valued at ca. US\$56 billion<sup>6</sup>

- London Stock Exchange Main Market step-up expected by end December 2011; appointment of independent Non-Executive Directors expected to be announced shortly
- Although recent economic uncertainty has led to an adjustment in rough diamond prices since Period-end, the long-term outlook remains positive due to strong supply and demand fundamentals

**Johan Dippenaar, CEO, said,** “Over the last year, Petra further consolidated its position as one of the world’s largest quoted diamond mining groups. We have a high quality portfolio of production assets and expansion plans underway which will drive our exceptional growth profile. The fundamentals of our industry are strong; whilst the global supply of diamonds remains constrained, demand continues to rise in both established and new markets. With the completion of Finsch and the proposed move up to the Main Market of the London Stock Exchange, I am very positive about the future for Petra in the 2012 financial year and beyond.”

<b>SUMMARY OF RESULTS (unaudited)</b>	<b>12 months to 30 June 11</b>	<b>12 months to 30 June 10</b>
	<b>(US\$ million)</b>	<b>(US\$ million)</b>
Revenue <sup>5</sup>	<b>220.6</b>	<b>163.7</b>
Mining and processing costs	(146.9)	(98.9)
Other direct income	2.7	2.4
<b>Profit from mining activity<sup>1</sup></b>	<b>76.4</b>	<b>67.2</b>
Other income	-	5.4
Exploration (expense) / income	(1.3)	1.2
Corporate overhead	(8.0)	(7.5)
Deferred taxation on inventory fair value adjustment	-	(7.4)
Inventory fair value adjustment	-	(19.0)
Cullinan fair value adjustment	-	31.0
<b>Adjusted EBITDA<sup>2</sup></b>	<b>67.1</b>	<b>70.9</b>
Net impairment charges and reversals	6.5	-
Recycling of foreign exchange differences on exploration projects	-	12.3
Depreciation	(22.4)	(11.9)
Amortisation	-	(1.0)
Share based expense	(1.9)	(1.7)
Net unrealised foreign exchange gain <sup>7</sup>	18.6	0.9
Net finance expense <sup>7</sup>	(3.5)	(0.5)
Tax (expense) / credit	(5.2)	1.2
<b>Net profit after tax – Group</b>	<b>59.2</b>	<b>70.2</b>
<b>Basic earnings per share attributable to the equity holders of the Company – US\$ cents<sup>3</sup></b>	<b>12.83</b>	<b>22.65</b>
Weighted average shares in issue (millions)	414.7	280.2
<b>Diluted earnings per share attributable to the equity holders of the Company – US\$ cents<sup>3</sup></b>	<b>12.35</b>	<b>22.20</b>
Weighted average shares in issue (millions)	430.7	285.9
<b>Cash at bank<sup>4</sup></b>	<b>324.9</b>	<b>34.5</b>

**Notes:**

1. Stated before impairments, depreciation, amortisation, share based expense, foreign exchange gains, interest paid, inventory fair value adjustment and deferred taxation on inventory fair value adjustment.
2. EBITDA disclosures are "adjusted EBITDA", being stated before impairments, share based expense, foreign exchange gains and recycling of foreign exchange differences on exploration projects.
3. Stated after non-controlling interests (representing black economic empowerment ("BEE") partners' interests in the Group) of US\$6.0 million (FY 2010: US\$6.7 million).
4. Cash at bank comprises unrestricted cash and restricted cash balances of US\$96.9 million and US\$228 million respectively (30 June 2010: US\$24.8 million and US\$9.7 million). The restricted balance of US\$228 million as at 30 June 2011 included the consideration held in escrow for the acquisition of Finsch, which completed post Period end.
5. FY 2010:  
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. ("Al Rajhi"), Petra consolidates 100% of revenue and 26% minority interests in line with IFRS.  
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.  
The acquisition of the second 50% of CIHL was treated as a stepped acquisition under IFRS3 (revised). The total fair value gain of US\$31 million reflects the difference between the book value of the original 50% interest and the fair value (as determined by the price paid for the second 50%) 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 allocated the premium of consideration over net assets to mineral rights (US\$12 million) and inventories.
6. Internal estimate calculated by reference to the average tender prices achieved during the second half of FY 2011 and management's forecast per carat value for Finsch.
7. Net unrealised foreign exchange gain comprises unrealised foreign exchange gains of US\$34.1 million (FY 2010: US\$15.3 million) and unrealised foreign exchange losses of US\$15.5 million (FY 2010: US\$14.5 million) per note 8 to the financial statements. Net finance expense of US\$3.5 million (FY 2010: US\$0.5 million) is comprised of the remaining income and expenses as disclosed in note 8.

**Analyst presentation and webcast**

A presentation for analysts will be held at 9:30am BST on 19 September 2011 at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN. A live webcast of the analyst presentation will be available on Petra's website at [www.petradiamonds.com](http://www.petradiamonds.com) and on the link below:  
<http://mediaserve.buchanan.uk.com/2011/petra190911/registration.asp>

A recording of this will be available from 11:30am BST on 19 September 2011 on the Petra website and on the same link.

**Change of Adviser name**

The Company's Joint Broker, which trades as RBC Capital Markets, has changed its registered name to RBC Europe Limited.

**For further information, please contact:**

**Petra Diamonds, London**  
Cathy Malins

Telephone: +44 20 7318 0452  
[cathym@petradiamonds.com](mailto:cathym@petradiamonds.com)

**Buchanan**  
(PR Adviser)  
Bobby Morse  
James Strong

Telephone: +44 20 7466 5000  
[bobbym@buchanan.uk.com](mailto:bobbym@buchanan.uk.com)  
[james@buchanan.uk.com](mailto:james@buchanan.uk.com)

**Canaccord Genuity Limited**  
(NOMAD and Joint Broker)  
Robert Finlay  
Andrew Chubb

Telephone: +44 20 7050 6500

[rfinlay@canaccordgenuity.com](mailto:rfinlay@canaccordgenuity.com)  
[achubb@canaccordgenuity.com](mailto:achubb@canaccordgenuity.com)

**RBC Capital Markets**  
(Joint Broker)  
Joshua Critchley  
Martin Eales

Telephone: +44 20 7653 4000

[joshua.critchley@rbccm.com](mailto:joshua.critchley@rbccm.com)  
[martin.eales@rbccm.com](mailto:martin.eales@rbccm.com)

### **About Petra Diamonds Limited**

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company has a well-diversified portfolio, with interests in eight producing mines: seven in South Africa (Finsch, Cullinan, Koffiefontein, Kimberley Underground, Helam, Sedibeng and Star) and one in Tanzania (Williamson).

Petra offers an exceptional growth profile, with a core objective to steadily increase annual production to circa 4 million carats by FY 2014 and over 5 million carats by FY 2019. The Group has a major reserves and resources base in excess of 300 million carats, worth approximately US\$56 billion (value based upon average tender prices achieved during the second half of FY 2011 and management's forecast per carat value for Finsch).

Petra conducts all its operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process. The Company is quoted on the AIM market of the London Stock Exchange (AIM: PDL), and has announced its plans to step up to the Main Market. For more information, visit [www.petradiamonds.com](http://www.petradiamonds.com).

## **CEO's Review**

The 2011 financial year has seen a further remarkable period of progression for Petra: the Company recorded significant revenue growth and a net profit after tax of US\$59.2 million; agreed to acquire the major Finsch mine in South Africa from De Beers; and significantly strengthened its balance sheet, all set against the backdrop of a healthy rough diamond market.

The acquisition of Finsch completed post Period-end on 14 September 2011 and is a landmark development for Petra. Finsch is a long-life, major diamond producer which introduces another flagship asset to complement and balance the Cullinan mine in Petra's portfolio. The acquisition increases the Company's gross reserves and resources base to over 300 million carats valued at circa US\$56 billion (internal estimate calculated by reference to the average tender prices achieved during the second half of FY 2011 and management's forecast per carat value for Finsch) and is the world's third largest carat base outside of De Beers and Alrosa.

Petra is now following an accelerated growth path. Whereas previously we targeted annual production of 3 million carats by FY 2019, the Group is now on track, due to the inclusion of Finsch, to reach circa 4 million carats by FY 2014 and over 5 million carats by FY 2019. Our core objective is to deliver on our expansion plans and we are strengthening our mine management teams and internal skills-set appropriately.

With regards to financing the roll-out of the expansion plans, Petra completed debt facilities with IFC and RMB of approximately US\$83 million in November 2010. Both banks carried out detailed due diligence on Petra; the IFC's involvement is particularly notable as it reflects the important socio-economic benefits Petra can bring to the Mwadui area of Tanzania by providing a long-term, sustainable future for the Williamson mine.

In order to satisfy the Finsch acquisition consideration of R1.425 billion (US\$192 million as at 14 September 2011, when the acquisition consideration was settled), Petra completed an equity fundraising with new and existing investors, raising £205 million (approximately US\$325 million as at 21 January 2011, when the raising was completed). The Company enjoyed a positive response to the fundraising, which was significantly oversubscribed, and the high quality names on our share register show that Petra is supported by some of the UK's most reputable institutional investors.

Petra is now London's largest quoted diamond mining group. We have used the AIM market well to facilitate our ambitious growth plans, and we are now preparing to develop the Company's stature further by stepping-up to the Main Market of the London Stock Exchange. In line with the Company's continued corporate development, we expect to strengthen the Petra Board with the appointment of independent Non-Executive Directors in the near future.

Though the world's economic outlook is uncertain in the short term, which may cause some volatility in rough diamond prices, the fundamentals of our industry remain intact. Whilst supply is forecast to remain flat or start to decline, demand for diamonds continues to rise in both established and new markets as wealth and consumer spending increase.

## **THE DIAMOND MARKET**

Petra anticipated a positive outlook for the diamond industry in FY 2011 and the market did indeed perform strongly, with rough prices in all categories increasing throughout the Period. The robust market was underscored by firm retail demand, particularly from China, India and, to a lesser degree, the US.

In calendar 2010, some 133 million carats of rough diamonds were produced globally, worth just under US\$12 billion (according to the Kimberley Process Certification Scheme). This is up around 6% from 2009's total of 125 million carats, worth US\$8.6 billion, with much of the rise in value being attributable to a strong increase in rough diamond prices from year to year and an increase in production caused by producers ramping up operations following strategic shut-downs during

the global economic downturn of late 2008 / early 2009. The average value per carat mined in 2010 globally was US\$90 per carat (US\$69 per carat in 2009).

The 2010 production level of 133 million carats remains below the previous highs of 176 million carats in 2005 and 2006 (Kimberley Process Certification Scheme statistics), and it is forecast to remain flat or start to decline in the coming years as the new sources of production cannot make up for the decrease in supply from the world's ageing major diamond mines. It is possible that the world has already seen peak diamond production.

Whilst supply to the market is forecast to remain constrained, demand for diamonds continues to rise in both established and new markets as global wealth and consumer spending increase. De Beers calculates that the global diamond jewellery market grew by over 8% in 2010, whilst the US, which remains the largest single consumer market for diamonds with around 38% of global demand, grew by over 7% in 2010. Demand in emerging markets grew at substantially higher rates. The fastest growing new consumer markets for diamonds are China and India, both of which recorded double digit growth in 2010, up over 25% and 31% in local currency respectively. These markets are predicted to continue their rapid expansion, accounting for more than 50% of incremental growth over the next five years, and the Far East (China, Hong Kong, Taiwan, India & the Gulf) is expected to eventually account for around 40% of global demand by 2015 (source: De Beers).

As far as Petra's tender results are concerned, prices rose steadily from October 2010 to the end of the Period. Although our post Period tender saw prices off the June 2011 highs, Petra (along with many other industry participants) is confident that prices will continue to remain strong. Positive results from industry bellwethers Tiffany's and Signet demonstrate that consumer demand remains robust. In China and India, many new diamond jewellery stores need inventory and this is driving a large portion of the wholesale demand. Investment demand for diamonds is also rising, given their appeal as a hard asset investment class, and several new physical diamond investment funds launched during the Period. Recent economic uncertainty may however cause some volatility in rough pricing in the short term.

As reported in our Trading Update on 19 July 2011, Petra's tenders went from strength to strength in FY 2011; many of the world's foremost manufacturers are now regular Petra clients and interest is expected to increase further now that the Finsch production is incorporated into the Group. Petra manages all of its sales internally and has recently expanded its marketing team to manage the level of activity further to the completion of the Finsch acquisition, which is expected to add circa 125,000 carats per month to Petra's output after an initial three month bedding down period.

The table below sets out the tender prices per carat achieved during the Period:

Mine	Average price for H2 FY 2011 (US\$)	Average price for H1 FY 2011 (US\$)	Average price for FY 2011 (US\$)	Average price for FY 2010 (US\$)
Cullinan	178	120	148	141 (101 excluding the Cullinan Heritage)
Koffiefontein	756	470	564	402
Kimberley Underground	355	285	333	n/a
Fissures	289	192	244	185
Williamson	314	264	302	157

Note: the prices above, as in the mine by mine tables below, are the average of the mix of run-of-mine ("ROM") and tailings production, as Petra tenders production from each mine on a mixed ROM / tailings parcel basis.

Management is using the following per carat prices in calculating the Group reserves and resources value of US\$56 billion and for FY 2012 business plan pricing assumptions. These are the same forecast prices as disclosed in the Company's July 2011 Trading Update and although

prices were lower in Petra's most recent tender (August 2011) versus those achieved in June 2011, management has not revised this price guidance as it was prudent compared to the June 2011 tender prices.

<b>Mine</b>	<b>Weighted Average (US\$)</b>	<b>ROM (US\$)</b>	<b>Tailings / Other (US\$)</b>
Cullinan	163	170	100
Koffiefontein	549	600	480 - Ebenhaezer 200 – Tailings
Kimberley Underground	325	325	150
Fissures	271	180 – 450	n/a
Williamson – Main Pit	230	230	n/a
Finsch	155	180	95

## **RESULTS & FINANCIAL REVIEW**

### *Revenue*

Gross revenue of US\$220.6 million was recorded for the Period, an increase of 24% on the US\$177.7 million gross revenue recorded in the 12 months to 30 June 2010 (Group revenue for FY 2010 was US\$163.7 million due to partial consolidation of Cullinan during FY 2010; for FY 2011, gross revenue and group revenue are the same).

The increase in gross revenue was mainly due to the steady rise in rough diamond prices from October 2010, as evidenced by revenue of US\$90.0 million in H1 FY 2011, rising to US\$130.6 million in H2 FY 2011. Adjusting for the exceptional sale of the US\$35 million Cullinan Heritage diamond in FY 2010, revenue would have been up by 55% year-on-year.

### *Mining and processing costs*

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

- upwards pressure on electricity and labour costs (accounting for 11% of the increase);
- treatment of higher tonnages across the operations in FY 2011 versus the previous year (accounting for 8% of the increase); and
- the ramp-up of production at the Kimberley Underground mine (accounting for the remaining 6% of the increase).

The volatility in the Rand is a significant factor in reporting the Group's costs on a US\$ basis. In US\$ reporting terms, consolidated mining and processing costs increased due to the strengthening of the Rand during the Period (by approximately 8%).

Certain cost categories in South Africa have increased significantly in excess of South African inflation (South African CPI stood at 5.0% by 30 June 2011). However, Petra's low cost culture, coupled with higher tonnage throughput, enabled the Group to partially mitigate the direct effect of the high inflationary pressures experienced during the Period. Costs on a unit basis across the South African operations were therefore well contained, as demonstrated by the on-mine cost per tonne figures reported in the Production section below.

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 25% in FY 2011. A further increase has been approved by the National Energy Regulator in excess of 25% for FY 2012. Petra's electricity usage accounted for approximately 13% of cash on-mine costs

for the Period. Petra continuously endeavours to manage its electricity consumption as the Group's production profile increases and the Company has achieved good success in this area.

#### *Labour*

Labour currently accounts for approximately 47% of cash on-mine costs at the pipe mines and 63% of cash on-mine costs at the fissure mines. Going into FY 2012, we anticipate that labour cost increases will continue to be above inflation.

#### *Mining profit*

A profit on mining activity of US\$76.4 million was recorded for the Period, against a profit of US\$67.2 million for the corresponding period (the profit for FY 2010 included the profit on the sale of the 507 carat Cullinan Heritage). This mining profit reflects the strengthening in diamond prices throughout the Period, combined with Petra's stringent cost control.

#### *Exploration*

Petra maintains a focused and cost-effective exploration programme in Botswana and exploration expenditure (before depreciation of US\$0.1 million (FY 2010: US\$0.1 million)) remained relatively flat for the Period at US\$1.3 million (FY 2010: US\$1.2 million income due to Angolan withdrawal). Please refer to the Botswana operations section in this report for comment on exploration activities.

#### *Corporate overhead*

Corporate overhead increased slightly to US\$8.0 million for the Period (FY 2010: US\$7.5 million), reflecting the increasing size of the Group. Tight control of corporate overhead remains of key importance to management.

#### *Net impairment charge and reversal*

In FY 2009, as required in accordance with IAS 36 "Impairment of Assets", the Company impaired the carrying value of the Helam mine and the Star mine by US\$12.9 million and US\$10.8 million respectively. These impairments arose due to the significant downward adjustment in diamond prices that was experienced in the global economic downturn at the time.

Rough diamond prices have recovered significantly since the FY 2009 impairment, and therefore in accordance with IAS 36, the Directors have reviewed the carrying value of both mines.

The impairment recorded in FY 2009 for Helam of US\$12.9 million has been reversed in the Period with an impairment reversal of US\$11.7 million being recognised (the difference of US\$1.2 million is due to depreciation adjustment on the impairment from FY 2009 to FY 2011). With regards to Star, where operations continue to be challenging, the Directors have further impaired the carrying value by US\$5.2 million. The net effect of the reversal at Helam and the further impairment at Star is a net impairment reversal of US\$6.5 million.

#### *Depreciation*

Depreciation for the Period was US\$22.4 million (FY 2010: US\$11.9 million). The increase is mainly attributable to:

- Cullinan (US\$5.7 million) due to additions to fixed assets and the consolidation of 100% of expenses following the acquisition of a further 37% interest in Cullinan in November 2009; and
- Kimberley Underground (US\$2.6 million) due to significantly increased production during the Period, as compared to FY 2010; depreciation is applied on a units of production basis.

#### *Net unrealised foreign exchange gain*

During the Period, the Group reported net unrealised foreign exchange gains of US\$18.6 million (FY 2010: US\$0.8 million) which arose on the annual retranslation of foreign subsidiary intercompany loans.

#### *Net finance expense*

The Group incurred net finance expense of US\$3.5 million (FY 2010: US\$0.5 million). This is comprised of:

- interest payable on the Group's IFC / RMB debt facility of US\$0.7 million (stated after the capitalisation of interest of US\$3.5m in accordance with IAS32 and IAS39); interest on the Al Rajhi loan (which was settled in November 2010) of US\$0.9 million; interest on the Group's working capital facility of US\$0.3 million;
- interest accretion on the Al Rajhi / Cullinan deferred cash consideration of US\$1.8 million; and
- the charge for the unwinding of the present value adjustment for Group rehabilitation costs of US\$3.8 million.

These interest charges are offset by:

- interest received on the Group's cash balances of US\$2.2 million;
- net interest receivable from BEE partners' loans of US\$1.5 million; and
- realised foreign exchange gains of US\$0.3 million.

#### *Tax charge*

A tax charge of US\$5.2 million (FY 2010: credit of US\$1.2 million) is comprised of a deferred tax charge (net of charges and credits) of US\$6.4 million and a South African income tax credit of US\$1.2 million resulting from a reversal of a prior period provision.

#### *Group profit*

A net profit after tax of US\$59.2 million was recorded for the year (FY 2010: US\$70.2 million). The Company recorded a profit of 12.83 cents per share, post the issue of 136,698,212 new shares in January 2011 (FY 2010: 22.65 cents per share).

#### *Cash*

As at 30 June 2011, Petra had cash at bank of US\$324.9 million (30 June 2010: US\$34.5 million). In January 2011, Petra completed a successful placing of 136,698,212 shares at 150 pence per share with institutional and other investors, raising gross proceeds of £205 million (approximately US\$325 million).

The Placing Proceeds were utilised as follows:

- US\$192 million for the acquisition of Finsch (completed on 14 September);
- US\$30 million for working capital requirements at Finsch;
- US\$15 million to settle part of the deferred Al Rajhi / Cullinan consideration (remaining balance of US\$20 million due December 2011); and
- the remainder being applied to accelerate Capex and for general Group working capital purposes.

After settling the Finsch consideration and trading to 16 September 2011, Petra had cash at bank of approximately US\$78.6 million.

As at 30 June 2011, cash at bank comprised unrestricted cash and restricted cash balances of US\$96.9 million and US\$228 million respectively (30 June 2010: US\$24.8 million and US\$9.7 million). The restricted balance of US\$228 million was high as US\$213.2 million was defined as restricted whilst the Finsch consideration remained in escrow. An additional US\$14.8 million of the 30 June 2011 balance is held by Petra's bankers as security for environmental rehabilitation bonds lodged by the bankers with the South African Department of Mineral Resources.

#### *Diamond Inventories*

As at 30 June 2011, Petra also had diamond inventories of approximately US\$13.3 million (FY 2010: US\$15.0 million), being production post the cut-off date for the Company's tender in June 2011.

#### *Debt*

In November 2010, Petra agreed terms with IFC (a member of the World Bank Group) and RMB, a division of FirstRand Bank Limited, with regards to a new five and a half year debt facility of approximately US\$83.5 million (US\$40 million to be provided by IFC and approximately US\$43.5 million (R300m) to be provided by RMB).

Debt of US\$90.1 million (FY 2010: US\$64.5 million) is mainly comprised of:

- US\$69.6 million drawn-down on the IFC / RMB facilities (net of a US\$8.6 million adjustment in accordance with IAS32 and IAS39 for the accounting treatment of facility fees and warrant costs associated with the IFC / RMB facilities, and US\$2.7 million in interest accretion on the facilities); the gross cash drawn-down on the facilities is US\$75.5 million; and
- US\$18.7 million (US\$20 million gross) due to Al Rajhi in December 2011 (the deferred Cullinan consideration).

With regards to the IFC / RMB debt facilities, US\$8.0 million remains available for draw-down by the Company before November 2012. Repayment of capital is by way of eight semi-annual payments commencing in November 2012. The interest rates on the facilities are IFC US\$ loan - six month US\$ LIBOR plus 4.5% margin; RMB ZAR loan - three month JIBAR plus 4.5% margin. The deferred consideration owed to Al Rajhi is interest free.

The BEE loans due to Petra arise from:

- Petra having financed the BEE partners' share of the acquisition costs of Cullinan, Koffiefontein and Kimberley Underground; and
- Petra having financed working and development capital that has been required for certain of the mines.

All BEE loans are repayable out of free cashflow from the operations, with Petra having the first call on such cash until the BEE loans are repaid.

#### *Operating cashflow*

Petra's management is focused on cashflow generation from its operations. Operating cashflows of US\$50.6 million were generated for the Period (FY 2010: US\$48.8 million).

#### *Capital Expenditure*

Total Capex for the Period was US\$110.9 million (FY 2010: US\$33.4 million), being cash Capex of US\$105.2 million (please refer to the Production section below for break-down of this spend by operation) and capitalisation of Capex related borrowing costs of US\$5.7 million. This increased Capex spend reflects the acceleration of the Company's development programmes, most notably at Cullinan, Williamson and additional assets of US\$3.5 million at Kimberley Underground assumed in exchange for the environmental rehabilitation liability specific to these assets.

## **PRODUCTION**

### **Combined operations:**

	<b>Unit</b>	<b>Year ended 30 June 2011</b>	<b>Year ended 30 June 2010</b>	<b>Variance</b>
<b>Sales</b>				
Gross revenue	US\$M	220.6	177.7 <sup>1,2</sup>	+24%
Diamonds sold	Carats	1,174,825	1,125,098	+4% <sup>3</sup>
<b>Production</b>				
ROM diamonds	Carats	1,027,609	1,050,874	-2%
Tailings & alluvial diamonds	Carats	90,186	113,982	-21%
Total diamonds	Carats	1,117,795	1,164,856	-4%

Notes:

1. The revenue for FY 2010 included the sale of the 507 carat Cullinan Heritage diamond for US\$35.3 million

2. Gross revenue for FY 2010 was US\$177.7 million; Group revenue for FY 2010 was US\$163.7 million due to the partial consolidation of Cullinan during FY 2010
3. Although overall production fell by 4%, carats sold increased by 4% due to the movement in opening and closing stock levels

Production remained relatively flat for the Period versus FY 2010 due to:

- a strategic focus (as part of Petra's core objective to maximise revenues) on 'value production' as opposed to 'volume production' which led the Company to raise the bottom-cuts in the treatment plants of the Cullinan, Koffiefontein and Kimberley Underground mines during FY 2011;
- the planned stoppage of main pit production at Williamson whilst the expansion plan is underway;
- the planned depletion of high grade OSP material at Cullinan;
- lower than projected volumes treated at Kimberley Underground due to initial commissioning difficulties at the Joint Shaft plant, which have now been largely overcome; and
- unseasonably heavy rainfall – Petra, like many other mining companies with South African operations, was affected by the very high rainfall levels during the Period, especially where processing wet stockpile and tailings material.

Production matters specific to each of the operations are covered below.

## SOUTH AFRICA

### Cullinan

#### FY 2011 - gross numbers

	Unit	FY 2011	FY 2010	Variance
<b><u>Sales</u></b>				
Revenue	US\$M	140.2	127.0	+10%
Diamonds sold	Carats	944,405	903,861	+4%
Average price per carat	US\$	148	141	+5%
<b><u>ROM Production</u></b>				
Tonnes treated	Tonnes	2,323,403	2,160,907	+8%
Grade	Cpht <sup>3</sup>	36.6	38.9	-6%
Diamonds recovered	Carats	851,193	841,293	+1%
<b><u>Tailings Production</u></b>				
Tonnes treated	Tonnes	575,605	248,380	+132%
Grade	Cpht	7.7	34.9	-78%
Diamonds recovered	Carats	44,246	86,638	-49%
<b><u>Total Production</u></b>				
Tonnes treated	Tonnes	2,899,008	2,409,287	+20%
Diamonds recovered	Carats	895,439	927,931	-4%

<b>Costs</b>				
On-mine cost per tonne	ZAR	164	167	-2%
Total Capex	US\$M	33.9	20.4	n/a

Notes:

1. Petra has a 74% interest in Cullinan; BEE partners 26%
2. Revenue for FY 2010 included the sale of the 507 carat Cullinan Heritage diamond for US\$35.3 million; the average price not including this exceptional stone was US\$101, meaning a like-for-like increase of 47% was achieved for the average of US\$148 in FY 2011
3. 'Cpht': carats per hundred tonnes

The average value per carat (ROM and tailings combined) at Cullinan was US\$148 for FY 2011, up 47% in comparison to the US\$101 achieved in FY 2010 (being the average for FY 2010 of US\$141 after adjusting for the sale of the 507 carat Cullinan Heritage for US\$35 million).

Cullinan is renowned as an important source of large and high value Type II diamonds and in its history has produced four of the world's top 20 high quality large diamonds, over 600 stones of +100 carats and more than a quarter of all diamonds +400 carats. In FY 2011, 11 stones from Cullinan each sold for in excess of US\$1 million; such stones are regarded as a regular feature of Cullinan's production profile.

Cullinan performed well in terms of throughput, with total tonnages treated (ROM and tailings) exceeding expectations. ROM grade of 36.6 cpht was approximately 6% lower than the prior year of 38.9 cpht, due to:

- an increase of the bottom cut for slimes discard from 0.8mm to 1.3mm (partially contributing to the increased average value per carat achieved); and
- the far higher than average rainfall experienced in many parts of South Africa, including Cullinan, which results in ore-handling difficulties relating to the clay, mud and moisture content of the ore.

ROM grade at Cullinan is expected to remain under pressure whilst production continues to be from the mature areas of the mine, due to the significant dilution of the ore drawn in these older production zones. However, the grade is forecast to rise to 50 cpht once the new cave is established from FY 2015 onwards as part of the C-Cut development programme on the 830 metre level and undiluted ore is mined and treated.

Although tailings throughput increased significantly to 575,605 tonnes during the Period, carats produced from tailings dropped by 49% to 44,246 carats as the high-grade OSP tailings dump was depleted as planned in the preceding year. The Company is now processing the regular tailings material. The tailings grade of 7.7 cpht achieved for the Period is expected to rise to approximately 10 cpht from FY 2012, once a re-crush system of material larger than 6mm has been incorporated into the operation.

Despite South African cost pressures, unit costs per tonne at Cullinan decreased by 2% due to increased volumes and other initiatives to mitigate cost pressures. Longer term, once the development plan has significantly progressed in the years to come, further unit cost efficiencies are expected to be driven by initiatives such as a simplified ore-handling system underground and further streamlining of the plant.

### *Development Plan Update*

Cullinan contains a world-class diamond reserves and resources base of 201.8 Mcts (including 16.5 Mcts in tailings), and the Company is planning to capitalise on this by undertaking an expansion programme at the mine to take annual production to 2.4 Mcts by FY 2019 (comprising 2.0 Mcts ROM and 0.4 Mcts tailings). This expansion plan will eventually access the first portions of the major C-Cut resource (estimated to contain some 133 Mcts) and will also involve a large tailings operation.

The C-Cut development programme at Cullinan is on track to access a new block cave which will produce at a rate of 2 Mcts per annum for around 20 years. The decline to access the new production level has now passed the 839 metre level below surface, with the breakaway for the 830 metre undercut level having been established. Tenders have been received for shaft deepening (and related infrastructure) to 930 metres below surface and the award of this contract is imminent.

Petra is currently investigating the addition of a decline on the Northern side of the pit which has the potential to fast-track the kimberlite development of the new block cave and subsequent production build-up.

Whilst the C-Cut development programme is underway, Petra has established new drawpoints in both the BB1E and AUC South sections of the Cullinan pipe. This will allow the Company to draw from these production areas to maintain volumes and manage the grade whilst the new block cave is established in the C-Cut.

Capex at Cullinan increased to US\$33.9 million for the Period, predominantly applied to the underground development work, the continued upgrading of the plant and the new underground fleet equipment.

Petra continues to ramp up a major tailings operation at Cullinan to treat the 165 million tonne ("Mt") tailings deposit and a new modular, tailings plant is currently under construction. The Company plans to treat 1 Mt of tailings in FY 2012, gradually increasing to circa 4 Mt from FY 2014.

## Koffiefontein

### FY 2011 - gross numbers

	Unit	FY 2011	FY 2010	Variance
<b><u>Sales</u></b>				
Revenue	US\$M	30.8	22.8	+35%
Diamonds sold	Carats	54,640	56,707	-4%
Average price per carat	US\$	564	402	+40%
<b><u>ROM Production</u></b>				
Tonnes treated	Tonnes	712,988	884,058	-19%
Grade	Cpht	4.9	6.0	-18%
Diamonds recovered	Carats	35,139	53,026	-34%
<b><u>Tailings / Ebenhaezer Production</u></b>				
Tonnes treated	Tonnes	675,147	243,714	+177%
Grade	Cpht	1.9	3.0	-36%
Diamonds recovered	Carats	12,817	7,234	+77%
<b><u>Total Production</u></b>				
Tonnes treated	Tonnes	1,388,135	1,127,772	+23%
Diamonds recovered	Carats	47,956	60,260	-20%

<b>Costs</b>				
On-mine cost per tonne	ZAR	115	123	-7%
Total Capex	US\$M	11.0	4.6	n/a

Note:

1. Petra has a 74% interest in Koffiefontein; BEE partners 26%

Koffiefontein is one of the world's top kimberlite mines by average value per carat, achieving US\$564 for FY 2011, up 40% on the comparative period despite the fact that the overall average has to some extent been reduced by the higher proportion of lower value tailings production in the total sales mix.

Post Period-end, a six carat pink diamond from Koffiefontein was sold for US\$601,000, illustrating the exceptional fancy pinks that this mine can produce.

The high average value per carat achieved in FY 2011 caused revenue at Koffiefontein to rise by 35% to US\$30.8 million for the Period, despite the fall in production. ROM production for the year was 35,139 carats (H1 FY 2011: 27,390 carats; H2 FY 2011: 7,749 carats). Tailings production was 12,817 carats for the Period (H1 FY 2011: 7,110 carats; H2 FY 2011: 5,707 carats).

The reduced underground production at Koffiefontein was mainly due to a greater than expected level of waste ingress from the remnant columns at 48 Level resulting in revised plans and reduced extraction in H2. The tonnage shortfalls at Koffiefontein were exacerbated by the production stoppages, remedial actions and retraining at the mine following the fatality in January 2011 (as reported in Petra's interims in February 2011). Production at the high grade 52 Recovery Level was interrupted for most of H2 FY 2011 as a result.

Whilst the waste ingress and reduced production from 52 Level have significantly affected the ROM grade at Koffiefontein (3.1 cpht in H2 FY 2011 as compared to 5.9 cpht in H1 FY 2011), the development work to access high grade ore at the 58 Level front cave has been expedited and cave initiation is planned for H2 FY 2013. As at Cullinan, Petra's development plan at Koffiefontein will eventually establish new production levels where the Company will have access to fresh, undiluted ore. Once this has been achieved, Petra expects the overall grade at Koffiefontein to improve to circa 8 cpht, but it is expected that lower grades will be reported until FY 2014.

To give operational flexibility, Petra has recommenced production at the satellite Ebenhaezer pipe, which is an open-cast operation at a maximum depth of 35 metres and with a surface area of six hectares. The Company will use tonnages from Ebenhaezer to augment the capacity of the plant at Koffiefontein.

The ramping up of the tailings programme at Koffiefontein is now complete, with the Company reaching its targeted throughput in excess of 0.5 Mt.

For FY 2012, Petra expects production of 50,000 to 55,000 carats from ROM, Ebenhaezer and tailings production combined.

Unit costs per tonne improved during the Period due to the higher volumes of lower cost tailings tonnages processed.

#### *Development Plan Update*

Petra is well advanced in the establishment of an expansion plan at Koffiefontein and annual production is expected to exceed 1 Mtpa in approximately three years and reach 1.2 Mtpa in approximately five years. This will deliver over 100,000 carats per annum (ROM and tailings) by FY 2017.

Capex of US\$11.0 million for the Period was mostly spent on underground development and mining equipment.

## Kimberley Underground

### FY 2011 - gross numbers

	Unit	FY 2011	FY 2010 <sup>2</sup>	Variance
<b><u>Sales</u></b>				
Revenue	US\$M	18.2	n/a	n/a
Diamonds sold	Carats	54,733	n/a	n/a
Average price per carat	US\$	333	n/a	n/a
<b><u>Total production (all ROM)</u></b>				
Tonnes treated	Tonnes	443,655	9,141	n/a
Grade	Cpht	12.9	14.9	n/a
Diamonds recovered	Carats	57,402	1,362	n/a
<b><u>Costs</u></b>				
On-mine cost per tonne <sup>3</sup>	ZAR	191	n/a	n/a
Total Capex	US\$M	13.0	10.2	n/a

Notes:

1. Petra has a 74% interest in Kimberley Underground; BEE partners 26%
2. The acquisition of Kimberley Underground completed in May 2010 and therefore comparable FY 2010 results are not available
3. On-mine cash costs exclude costs assigned to ROM stockpiles

FY 2011 marked the first full year for Kimberley Underground under Petra management, following completion of the acquisition in May 2010. The Company was particularly encouraged by the prices achieved for Kimberley Underground production, with the average of US\$333 for the Period considerably exceeding initial expectations.

The Kimberley Underground operation comprises three kimberlite pipe mines: Bultfontein and Dutoitspan (serviced by Joint Shaft and the newly built Joint Shaft plant) and Wesselton (serviced by the Wesselton Shaft, though currently without processing facility). A substantial stockpile of ore, estimated to be 0.3 Mt has been built up on surface at Wesselton whilst no processing facility has been available.

As previously reported, the slimes and tailings disposal difficulties with the new plant at Joint Shaft were largely addressed during H2 FY 2011 and tonnages processed increased from 176,527 in H1 FY 2011 to 267,128 in H2 FY 2011. At the current bottom-cut discard size of 2mm, the grade is expected to revert to the planned 14 cpht during FY 2012 as the oversize circuit has now been brought into production. The Joint Shaft plant is expected to deliver approximately 80,000 carats for FY 2012.

Petra announced a revised business plan for processing at Wesselton at the time of the Company's full year Trading Update in July 2011, which involves a combination of a mobile pan plant together with a new plant (similar to that constructed at Joint Shaft). The mobile pan plant operation is currently being commissioned and is expected to process some 40,000 tonnes per month ("tpm"). Subsequently, the main plant at Wesselton is expected to be commissioned in April

2012 and will treat a further 40,000 tpm. Wesselton is expected to contribute approximately 50,000 carats during FY 2012.

Unit costs of approximately R191 per tonne were negatively impacted by reduced throughput. Management expects the unit costs to improve once the Wesselton plant is fully operational.

Of the US\$13 million Capex, approximately US\$9.5 million was spent on improvements to the Joint Shaft treatment plant. A further US\$3.5 million was applied to the acquisition of adjacent land, buildings and infrastructure relating to water reticulation and slimes handling facilities (by assuming a rehabilitation guarantee).

### **Fissure Mines (Sedibeng, Star, Helam)**

#### **FY 2011 – (gross numbers)**

	<b>Unit</b>	<b>FY 2011</b>	<b>FY 2010</b>	<b>Variance</b>
<b><u>Sales</u></b>				
Revenue	US\$M	21.8	13.5	+62%
Diamonds sold	Carats	89,491	72,629	+23%
Average price per carat	US\$	244	185	+32%
<b><u>ROM Production</u></b>				
Tonnes treated	Tonnes	183,506	168,840	+9%
Grade	Cpht	45.7	42.0	+9%
Diamonds recovered	Carats	83,876	70,950	+18%
<b><u>Tailings Production</u></b>				
Tonnes treated	Tonnes	52,389	30,640	+71%
Grade	Cpht	6.9	10.7	-36%
Diamonds recovered	Carats	3,612	3,282	+10%
<b><u>Total Production</u></b>				
Tonnes treated	Tonnes	235,895	199,480	+18%
Diamonds recovered	Carats	87,488	74,232	+18%
<b><u>Costs</u></b>				
On-mine cost per tonne	ZAR	684	669	+2%
Total Capex	US\$M	5.2 <sup>2</sup>	2.5	n/a

**Note:**

1. Petra has a 74% interest in Helam; BEE partners 26%, a 74% interest in Star; BEE partners 26%, and a 74.5% interest in Sedibeng; BEE partners 25.5%
2. Capex for the fissure mines was US\$5.2 million; a further US\$11.0 million Capex spend was incurred in respect of the Helam projects manufacturing facility for equipment under construction that has not yet been invoiced to the respective Petra Group operation

Helam and Sedibeng put in a strong performance for the Period, with revenue for the Fissures unit as a whole up 62% to US\$21.8 million and overall production up 18% to 87,488 carats. The average value per carat achieved also increased 32% to US\$244.

For FY 2012, Petra expects a similar level of combined production across the fissure portfolio to FY 2011.

At Star, where operations are challenging, a disappointing performance was recorded for the year, as reflected in the impairment charge noted in the financial review above.

Unit costs remain flat despite cost pressures specifically relating to electricity and labour. The majority of the US\$5.2 million Capex was spent on continuing underground development across the fissure mines including a head gear installation at Sedibeng's Dancarl shaft.

## TANZANIA

### Williamson

#### FY 2011 - gross numbers

	Unit	FY 2011	FY 2010	Variance
<b><u>Sales</u></b>				
Revenue	US\$M	9.5	14.4	-34%
Diamonds sold	Carats	31,555	91,901	-66%
Average price per carat	US\$	302	157	+92%
<b><u>ROM Production</u></b>				
Tonnes treated	Tonnes	n/a	1,334,656	n/a
Grade	Cpht	n/a	6.3	n/a
Diamonds recovered	Carats	n/a	84,241	n/a
<b><u>Alluvial Production</u></b>				
Tonnes treated	Tonnes	530,689	423,665	+25%
Grade	Cpht	5.6	4.0	+40%
Diamonds recovered	Carats	29,510	16,830	+75%
<b><u>Total Production</u></b>				
Tonnes treated	Tonnes	530,689	1,758,321	-70%
Diamonds recovered	Carats	29,510	101,071	-71%
<b><u>Costs</u></b>				
Cash cost per tonne <sup>2</sup>	US\$M	n/a	n/a	n/a
Total Capex	US\$M	36.6	11.6	n/a

#### Notes:

1. Petra has a 75% interest in Williamson; Government of the United Republic of Tanzania 25%
2. During FY 2010 the mine was in a bulk sampling phase and in FY 2011 the mine results represent alluvial production only; neither period reflects conditions associated with normal production

There was no treatment of main pit material at Williamson in FY 2011, as the project to rebuild the 3 Mtpa plant was underway. Contract mining of alluvial diamonds recovered 29,510 carats, sold

for an average value of US\$302. Alluvial production is expected to be lower in FY 2012 due to the depletion of available alluvial gravels.

The ROM stockpile at Williamson, which has been established by Petra due to the pit-shaping operations, has increased to approximately 900,000 tonnes, estimated to contain in excess of 50,000 carats.

### *Development Plan Update*

The rebuild of the original plant at Williamson has progressed well. As previously announced, Petra revisited its plans with regards to this plant, deciding to carry out an enhanced rebuild rather than a lower key refurbishment. The rebuilt plant is expected to be in production in Q3 FY 2012. It is anticipated that this 3 Mtpa plant will treat approximately 0.5 to 0.9 Mt in FY 2012, at an expected grade of 6 cpht.

Capex at Williamson of US\$36.6 million (including US\$0.8 million borrowing costs capitalised) was spent as follows:

- US\$18.8 million on the rebuild of the 3 Mtpa plant; and
- US\$17 million on other production related activities, including pit shaping / shale removal, haul road construction and slime handling facilities.

Over recent months, there have been power supply issues in Tanzania which have impacted upon likely power supply to the mine. The Government of the United Republic of Tanzania is addressing these power supply issues and the Company continues to monitor the situation carefully. Due to power disruptions that have been experienced on mine, orders have been placed for generators that will provide sufficient power to run the 3 Mtpa plant. The anticipated production for FY 2012 is therefore lower than the guidance given in Petra's Trading Update of 19 July 2011 as the planned start-up of the rebuilt plant has been deferred until the standby electricity is available.

These electricity supply issues have also meant that the Company is revisiting the timing of the longer-term expansion project, where the Company has previously announced that it is planning to establish a 10 Mtpa operation. Further information will follow in due course when the Company has completed its analysis, including the revised timing of the roll-out of the new plant.

## **EXPLORATION**

### **Botswana – Kalahari Diamonds**

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

During FY 2011, large tracts of well-explored ground that had come to the end of their seven year licence tenure were relinquished, resulting in a total current landholding of some 23,500 km<sup>2</sup>, which remains the largest diamond exploration holding in the country.

Geophysical ground follow-up and Heavy Mineral Analysis of 46 high priority targets selected from High Resolution Airborne Magnetic data were completed across Petra's various project areas. At the end of the Period, six targets had been drilled as part of an ongoing exploration drilling campaign – no additional kimberlites were discovered.

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

defined areas of interest and a 22,000 line kilometre survey covering newly acquired ground is now planned.

Delineation / evaluation drilling (five boreholes, totalling 1,730m) undertaken on the diamondiferous KX36 kimberlite discovered last year was completed by Period end. All boreholes were surveyed (directional) and a down-hole geophysical wireline logging programme was successfully completed. Following detailed lithological logging of all drillcore retrieved, samples were submitted for petrographic and micro-diamond analyses. All results (expected early FY 2012) will be used to update the existing 3D geological (Gemcom) model to assist with the calculation of material volumes and a preliminary grade estimate.

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

## **CORPORATE**

### **Board Changes**

As Petra progresses to the next stage of its development and makes preparations for its move from AIM to the Main Market of the London Stock Exchange in late 2011, the Company is actively looking to strengthen its Board with the appointment of independent Non-Executive Directors. This process is advancing well and is a priority for the Board.

Petra announced with great sadness that Mr Charles Segall, a Non-Executive Director of the Company, passed away on Wednesday 6 July 2011 after a short illness. Charles had served on the Board of Petra since it listed on the AIM market in 1997 and had been instrumental to the successful development of the Company.

### **Finsch Acquisition**

In January 2011, Petra announced that it (together with its empowerment partners) had entered into an agreement to acquire the Finsch diamond mine in South Africa from De Beers Consolidated Mines for R1.425 billion. The acquisition completed on 14 September 2011 and the final consideration in US dollars was US\$192 million, US\$18 million less than the dollar equivalent originally anticipated in January 2011 (due to Petra's hedging policy applied over the period).

This transaction is a major milestone for Petra given that Finsch serves to more than double Petra's current production, significantly enhance cashflows and earnings and brings a major diamond reserves and resources base of 43.3 Mcts, including 25.8 Mcts in the reserve category. With the addition of Finsch, Petra's gross carat base increases to in excess of 300 Mcts, with a Company estimated gross in-situ value of approximately US\$56 billion (based on management forecasts for rough diamond prices as mentioned earlier).

In FY 2012, Finsch is expected to add an additional circa 125,000 carats per month to Petra's output after an initial three month bedding down period. Petra's mine plan for Finsch will take production from 1.5 Mctpa to just under 2 Mctpa by FY 2017 by opening up a new block cave in Block 5, below the current Block 4 operations, supported by a surface tailings treatment programme.

Finsch has produced a number of large, special diamonds in its history and mine records reflect the recovery of an average of 27 stones of +50 carats per annum over the last four years. Recovery of such large, high-value stones can substantially increase the total value of production in any one year. In addition, the mine has produced a range of coloured diamonds, including pinks and yellows. The recovery of significant large or coloured high-value stones would substantially increase the average value per carat of the mine in any given year and, in common with its other operations, this will be a focus for Petra management.

## **SAFETY**

Petra's Lost Time Injury Frequency Rate in FY 2011 was 0.80, an improvement on the prior year's performance (FY 2010: 1.03) and demonstrating management's focus on this area across all of Petra's operations.

The health and safety of employees is the highest priority for Petra and post Period-end, Petra formed a new Board Committee, being the Health, Safety, Social and Environmental ("HSSE") Committee. The HSSE Committee's role is to formulate and recommend to the Board the Group's policy on all relevant health, safety, social and environmental issues as they affect the Group's operations, and it will ensure that the Board is cognisant of, and takes account of, mining corporate social responsibility best practice. In particular it will focus on ensuring that effective systems and standards, procedures and practices are in place and will monitor the correct and legal implementation of these procedures across the Group.

It is with deep regret that an employee lost his life in an accident on 31 January 2011 in an underground production section of the Koffiefontein mine. No other employees were injured or endangered in the incident. Petra is striving for a zero harm environment across all its operations and works closely with the relevant regulatory bodies in South Africa and Tanzania in order to fully comply with all health and safety legislation.

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 which can be found on the Petra website at [www.petradiamonds.com](http://www.petradiamonds.com).

## **RESERVES & RESOURCES**

The Petra Group controls the largest diamond reserves and resources base in the world, outside of De Beers and Alrosa, and the consolidation of this major carat base has been a key strategic objective for the Group. Taking into account the rough diamond supply / demand imbalance which is forecast to emerge in the coming years, Petra's 'carats in the ground' are expected to become increasingly valuable and the Group's growing production will be an ever more important source of supply.

The careful management of such a large reserves and resources base 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, dependent on diamond and capital market conditions.

### *Gross Reserves and Resources*

As at 30 June 2011, the Group's total carat base (stated inclusive of Finsch) had increased 16% to 303 million carats (FY 2010: 261 million carats), due to the acquisition of the Finsch mine which contributes a total of 43 million carats to the Group.

### *Attributable Reserves and Resources*

The Group's attributable carat base increased 15% to 224 million carats (FY 2010: 194 million carats), again due to the acquisition of the Finsch mine.

The following table summarises the reserves and resources status of the combined Petra Group operations as at 30 June 2011. The reserves and resources for Finsch have been included in this table as if the transaction had completed by 30 June 2011. The full 2011 Resource Statement has today been published on the Petra website – [www.petradiamonds.com](http://www.petradiamonds.com).

**SUMMARY OF RESERVES AND RESOURCES BY STATUS – TOTAL COMBINED OPERATIONS**

Category	Gross			Net attributable			Operator
	Tonnes (millions)	Grade (cpht)	Contained Diamonds (millions)	Tonnes (millions)	Grade (cpht)	Contained Diamonds (Mcts)	
<b>Ore/Diamond reserves per asset</b>							
Proven	16.623	7.15	1.188	11.927	7.21	0.860	refer summaries
Probable	84.758	39.27	33.287	62.891	39.13	24.608	refer summaries
<b>Sub-total</b>	<b>101.381</b>	<b>34.01</b>	<b>34.475</b>	<b>74.817</b>	<b>34.04</b>	<b>25.468</b>	
<b>Diamond resources per asset</b>							
Measured							
Indicated	383.996	48.93	187.874	284.048	48.93	138.995	refer summaries
Inferred	1248.126	6.44	80.397	929.231	6.43	59.737	refer summaries
<b>Sub-total</b>	<b>1632.122</b>	<b>16.44</b>	<b>268.271</b>	<b>1213.279</b>	<b>16.38</b>	<b>198.732</b>	
<b>Total</b>			<b>302.747</b>			<b>224.199</b>	

**Notes:**

- Resources are reported exclusive of reserves
- Tonnes are reported as millions; contained diamonds are reported as millions of carats ("Mcts")
- Tonnes are metric tonnes, and are rounded to the nearest 1,000 tonnes; carats are rounded to the nearest 1,000 carats; rounding off of numbers may result in minor computational discrepancies
- Resource tonnages and grades are reported exclusive of internal waste, unless where otherwise stated
- Reserve tonnages and grades are reported inclusive of external waste, mining and geological losses and plant modifying factors; reserve carats will generally be less than resource carats on conversion

The annual reserves and resources statement for Petra shown above is based on information compiled internally within the Group under the guidance and supervision of Jim Davidson, Pr. Sci. Nat. (reg. No.400031/06). Jim Davidson is the qualified person for the purposes of the AIM guidance note on Mining, Oil and Gas companies (2006). Jim Davidson has over 30 years' relevant experience in the diamond industry and is a full-time employee of Petra. All reserves and resources have been independently verified by Patrick Bartlett, Pr. Sci. Nat. (reg. No. 400060/87), a competent person with over 30 years' relevant experience in the diamond mining industry, who was appointed as an independent consultant by the Company for this purpose. Reserves and resources have been reported in accordance with the South African code for the reporting of mineral reserves and mineral resources (SAMREC 2007).

**OUTLOOK**

Looking forward to the coming financial year, we will see a step-change in production further to the integration of the Finsch mine. We plan to move to the Main Market of the London Stock Exchange by the end of December 2011 and are targeting to enter the FTSE 250, further stimulating investment and liquidity. We foresee continued health in the diamond market, despite any short-term volatility caused by current economic uncertainty, due to the sound long-term fundamentals in place and the continued growth in demand from both mature and emerging markets.

I would like to extend my thanks to the Petra team, which encompasses my fellow Board members, our Senior Management team, all of our Group employees and our valued Government and BEE partners, for the hard work and spirit which is driving our Company forward.

Petra is focused on excelling in all areas – striving to be a 'best-in-class' operator, a responsible corporate citizen and a pre-eminent diamond investment opportunity – and we believe that we will go on to deliver positive returns to all our stakeholders.

**Johan Dippenaar**  
**CEO**  
**19 September 2011**

**PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT  
CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2011  
(UNAUDITED)**

<b>US\$ million</b>	Notes	<b>2011</b>	Audited 2010
Revenue		<b>220.6</b>	163.7
Other income		-	5.4
Total operating income		<b>220.6</b>	169.1
Fair value uplift on acquisition of Cullinan Investment Holdings Limited		-	31.0
Recycling of foreign exchange differences on exploration projects		-	12.3
<b>Total income</b>		<b>220.6</b>	212.4
Mining and processing costs		<b>(169.7)</b>	(137.7)
Other direct income		<b>2.7</b>	2.4
Exploration expenditure		<b>(1.4)</b>	0.2
Corporate expenditure	6	<b>(9.4)</b>	(8.6)
Impairment reversal	7	<b>11.7</b>	-
Impairment charge	7	<b>(5.2)</b>	-
<b>Total costs</b>		<b>(171.3)</b>	(143.7)
Financial income		<b>42.5</b>	27.6
Financial expense		<b>(27.4)</b>	(27.3)
Net financing income	8	<b>15.1</b>	0.3
<b>Profit before tax</b>		<b>64.4</b>	69.0
Income tax (charge) / credit		<b>(5.2)</b>	1.2
<b>Profit for the year</b>		<b>59.2</b>	70.2
Profit for the year attributable to:			
Equity holders of the parent company		<b>53.2</b>	63.5
Non-controlling interest		<b>6.0</b>	6.7
		<b>59.2</b>	70.2
<b>Profit per share attributable to the equity holders of the parent during the year:</b>			
<b>From continuing operations</b>			
Basic profit – US\$ cents	12	<b>12.83</b>	22.65
Diluted profit – US\$ cents	12	<b>12.35</b>	22.20

**PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT  
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2011  
(UNAUDITED)**

<b>US\$ million</b>	<b>2011</b>	Audited 2010
Profit for the year	<b>59.2</b>	70.2
Exchange differences recognised on translation of the share based payment reserve	<b>0.2</b>	(0.5)
Recycling of foreign exchange differences on exploration projects	-	(12.3)
Exchange differences on translation of foreign operations	<b>15.4</b>	(6.9)
Exchange differences on non-controlling interest	<b>4.0</b>	-
Valuation loss on available for sale financial asset	<b>(0.4)</b>	(0.1)
<b>Total comprehensive income for the year</b>	<b>78.4</b>	50.4
Total comprehensive income for the year attributable to:		
Equity holders of the parent company	<b>68.4</b>	43.7
Non-controlling interest	<b>10.0</b>	6.7
	<b>78.4</b>	50.4

**PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011  
(UNAUDITED)**

	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Other reserves	Retained losses	Attributable to the parent	Non-controlling interest	Total
<b>US\$ million</b>									
At 1 July 2010	61.4	347.5	(26.1)	4.6	(0.1)	(130.0)	257.3	33.6	290.9
Profit for the year	-	-	-	-	-	53.2	53.2	6.0	59.2
Other comprehensive income	-	-	15.4	0.2	(0.4)	-	15.2	4.0	19.2
4% non-controlling interest purchased – Koffiefontein (note 5)	-	-	-	-	-	0.9	0.9	(1.7)	(0.8)
26% disposal of Helam <sup>2</sup>	-	-	-	-	-	6.0	6.0	(6.0)	-
26% disposal of Star <sup>2</sup>	-	-	-	-	-	3.9	3.9	(3.9)	-
Transfer between reserves for exercise of options and warrants	-	-	-	(4.1)	-	4.1	-	-	-
Equity settled share based payments	-	-	-	1.9	-	-	1.9	-	1.9
Share based payments cancelled <sup>3</sup>	-	-	-	(0.8)	-	-	(0.8)	-	(0.8)
Equity warrants issued <sup>1</sup>	-	-	-	7.9	-	-	7.9	-	7.9
Allotments during the year:									
- Fund raising	21.7	304.2	-	-	-	-	325.9	-	325.9
- Share options exercised	0.4	1.3	-	-	-	-	1.7	-	1.7
- Warrants exercised	1.3	10.2	-	-	-	-	11.5	-	11.5
Share issue costs	-	(17.6)	-	-	-	-	(17.6)	-	(17.6)
At 30 June 2011	84.8	645.6	(10.7)	9.7	(0.5)	(61.9)	667.0	32.0	699.0

<sup>1</sup> The fair value of warrants granted during the year are disclosed in Note 10.

<sup>2</sup> During the year, the Group disposed of 26% of its shareholding in Helam and Star to Petra's BEE partners which represented a change in ownership interest in which the Group retained control.

<sup>3</sup> Employees received cash payments of US\$0.8m during the year in respect of options cancelled. The payments equate to the fair value at the date of cancellation and the Group recognised a charge to equity in accordance with IFRS 2 together with the acceleration of the remaining unamortised fair value in respect of the options of US\$0.1 million in the income statement.

**PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011  
(UNAUDITED)**

	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Other reserves	Retained losses	Attributable to the parent	Non-controlling interest	Total
<b>US\$ million</b>									
At 1 July 2009	33.5	212.9	(6.9)	1.8	4.0	(197.5)	47.8	9.5	57.3
Profit for the year	-	-	-	-	-	63.5	63.5	6.7	70.2
Other comprehensive income	-	-	(19.2)	(0.5)	(0.1)	-	(19.8)	-	(19.8)
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	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 prior year were 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 2011  
(UNAUDITED)**

US\$ million	Note	2011	Audited 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	501.4	371.0
Available for sale financial assets		0.4	0.8
Loans and other receivables		51.1	32.2
<b>Total non-current assets</b>		<b>552.9</b>	<b>404.0</b>
<b>Current assets</b>			
Inventories		32.9	29.4
Trade and other receivables		49.8	23.5
Derivative financial asset		6.0	-
Cash and cash equivalents – unrestricted		96.9	24.8
Cash and cash equivalents – restricted		228.0	9.7
<b>Total current assets</b>		<b>413.6</b>	<b>87.4</b>
<b>Total assets</b>		<b>966.5</b>	<b>491.4</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	84.8	61.4
Share premium account	11	645.6	347.5
Foreign currency translation reserve		(10.7)	(26.1)
Share-based payment reserve		9.7	4.6
Other reserves		(0.5)	(0.1)
Retained losses		(61.9)	(130.0)
<b>Attributable to equity holders of the parent company</b>		<b>667.0</b>	<b>257.3</b>
Non-controlling interest		32.0	33.6
<b>Total equity</b>		<b>699.0</b>	<b>290.9</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	10	71.4	47.1
Other payables		29.0	23.2
Provisions		63.1	50.0
Deferred tax liabilities		37.7	30.3
<b>Total non-current liabilities</b>		<b>201.2</b>	<b>150.6</b>
<b>Current liabilities</b>			
Loans and borrowings	10	18.7	17.4
Other current liabilities – firm commitment		6.0	-
Trade and other payables		39.4	29.2
Current tax payable		-	1.1
Provisions		2.2	2.2
<b>Total current liabilities</b>		<b>66.3</b>	<b>49.9</b>
<b>Total liabilities</b>		<b>267.5</b>	<b>200.5</b>
<b>Total equity and liabilities</b>		<b>966.5</b>	<b>491.4</b>

**PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT**  
**CONSOLIDATED STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2011**  
**(UNAUDITED)**

US\$ million	Note	2011	Audited 2010
<b>Profit before taxation for the period from continuing operations</b>		<b>64.4</b>	69.0
Depreciation of property plant and equipment - exploration		0.1	0.1
Depreciation of property plant and equipment - mining		22.2	11.6
Depreciation of property plant and equipment - other		0.1	0.2
Amortisation of intangible assets		-	1.0
Reversal of impairment		(11.7)	-
Impairment		5.2	-
Profit on sale of Kono project		-	(0.8)
Loss / (profit) on sale of property plant and equipment		0.3	(3.7)
Recycling of foreign exchange differences on exploration projects		-	(12.3)
Release of fair value uplift on sales of inventory acquired through second 50% acquisition of CIHL		-	26.4
Fair value uplift on acquisition of additional 50% of Cullinan Investment Holdings Limited		-	(31.0)
Increase / (decrease) in provisions		1.4	(2.1)
Finance income		(7.7)	(7.8)
Finance expense		11.5	12.6
Share based payment provision		1.9	0.9
Payments for share options cancelled		(0.8)	-
Foreign exchange gain	8	(18.9)	(5.1)
<b>Operating profit before working capital changes</b>		<b>68.0</b>	59.0
Increase in trade and other receivables		(24.8)	(0.3)
Increase in trade and other payables		12.5	4.6
Increase in inventories		(3.5)	(11.2)
<b>Cash generated from operations</b>		<b>52.2</b>	52.1
Finance expense		(1.2)	(1.6)
Taxation paid		(0.4)	(1.7)
<b>Net cash generated from operating activities</b>		<b>50.6</b>	48.8
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		0.1	3.9
Cash acquired with acquisition of subsidiary		-	0.4
Acquisition of additional assets at Kimberley Underground net of cash		0.3	(2.0)
Acquisition of assets at Kimberley Underground pre acquisition		-	(16.6)
Acquisition of 4% interest in Koffiefontein	5	(0.8)	-
Finance income		2.2	0.4
Acquisition of property, plant and equipment		(105.2)	(33.4)
Loans advanced to Black Economic Empowerment partners		(8.7)	-
Transfer to restricted cash deposits		(218.3)	(5.3)
<b>Net cash utilised in investing activities</b>		<b>(330.4)</b>	(52.6)
<b>Cashflows from financing activities</b>			
Proceeds from the issuance of share capital		339.1	120.1
Payment of share placing costs		(17.6)	(6.6)
Increase in non-current borrowings		75.6	-
Repayment of non-current borrowings		(15.0)	(43.8)
Repayment of current borrowings		(32.3)	(48.0)
<b>Net cash generated from financing activities</b>		<b>349.8</b>	21.7

---

<b>Net increase in cash and cash equivalents</b>	<b>70.0</b>	17.9
Cash and cash equivalents at beginning of the year	<b>24.8</b>	6.7
Effect of exchange rate fluctuations on cash held	<b>2.1</b>	0.2
<b>Cash and cash equivalents at end of the year</b>	<b>96.9</b>	24.8

---

**PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2011  
 (UNAUDITED)**

**1. GENERAL INFORMATION**

Petra Diamonds Limited (the "Company") is a company registered in Bermuda, with its group management office in Jersey, Channel Islands. The consolidated preliminary financial statements of the Company for the year ended 30 June 2011 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 2010, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), and any public announcements made by the Group during the interim reporting period. The accounting policies adopted in the year ending 30 June 2011 are consistent with those applied in the year ending 30 June 2010 except for the application of the following new standards, amendments to standards and interpretations applicable from 1 July 2010, although none have had a material effect on the Group's reporting. Those that apply from 1 July 2010 are as follows:

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

**Critical assumptions and judgements:**

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

- provision for rehabilitation;
- valuation of share options;
- valuation of warrants;
- deferred tax judgement;
- accounting for financial instruments;
- life of mine and ore reserves;
- impairment reviews;
- taxation judgement; and
- capitalisation of prefeasibility and development costs at Williamson mine.

**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 2011.

The financial information for the year ended 30 June 2010 has been extracted from the audited financial statements for that period. The auditors' report for the year ended 30 June 2010 was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

### **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. In the prior year, the Group exited from exploration activities in Sierra Leone as a result of its disposal of its interest in Basama Diamonds Ltd. The Group exited from exploration activities in Angola during 2009 and realised profits on disposal of Angolan assets in 2010.

Segments are based on the Group's management and internal reporting structure. Management reviews the Group's performance by reviewing the results of the mining activities in South Africa and Tanzania, reviewing the total exploration results of operations in Botswana and reviewing the corporate administration results in Jersey. Each segment derives or aims to derive its revenue from diamond mining and diamond sales, except for the corporate and administration cost centre.

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 and depreciation. Unallocated items comprise mainly interest-earning assets and income, interest-bearing borrowings and expenses and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire or construct 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.

The Group's non-current assets are located in South Africa US\$472.5 million (30 June 2010: US\$358.6 million), Tanzania US\$79.9 million (30 June 2010: US\$44.6 million) and Jersey US\$0.5 million (30 June 2010: US\$0.8 million).

Operating segments	South Africa – mining activities			Tanzania - mining activities		Botswana		Inter-segment	Consolidated
	Cullinan	Koffiefontein	Kimberley Underground	Fissures	Williamson	Exploration	Corporate administration		
US\$ million	2011	2011	2011	2011	2011	2011	2011	2011	2011
Revenue	140.2	30.8	18.2	21.8	9.5	-	-	0.1	220.6
Segment result	47.0	(1.2)	(0.3)	(5.4)	(6.8)	(1.5)	12.1	(3.8)	40.1
Other income / (expense)	1.9	0.5	(0.4)	0.4	0.3	-	-	-	2.7
Operating profit / (loss)	48.9	(0.7)	(0.7)	(5.0)	(6.5)	(1.5)	12.1	(3.8)	42.8
Reversal of impairment - Fissures				11.7					11.7
Impairments - Fissures				(5.2)					(5.2)
Financial income									42.5
Financial expense									(27.4)
Income tax expense									(5.2)
Non-controlling interest									(5.9)
Profit attributable to equity holders of the parent company									59.2
Segment assets	409.7	57.7	71.5	110.1	90.0	8.8	1 000.7	(782.0)	966.5
Segment liabilities	199.3	30.1	77.9	140.5	196.0	27.2	320.2	(723.7)	267.5
Share-based payments	0.2	0.2	-	0.1	0.1	-	1.3	-	1.9
Capital expenditure	33.9	11.0	13.0	16.2	36.6	-	0.2		110.9

Capital expenditure at the fissures includes work-in-progress of US\$11.0 million in respect of the manufacture of plant and equipment, primarily for other mines within the Group. Other income in respect of the Fissure mines includes US\$21.2 million of revenue and US\$21.4 million of costs in respect of Helam projects for 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. Capital expenditure at Williamson includes US\$35.8 million of costs capitalised in respect of the plant refurbishment and expansion programme.

Operating segments	South Africa – mining activities				Tanzania - mining	Angola		Corporate	Inter-segment	Consolidated
	Cullinan	Koffiefontein	Kimberley Underground	Fissures	activities	Williamson	Botswana Sierra Leone Exploration			
US\$ million	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010
Revenue	112.7	22.8	-	13.5	14.4	-	0.3	-	-	163.7
Segment result	24.2	0.2	(4.9)	(5.4)	(6.0)	(1.9)	11.3	-	-	17.5
Other income	1.2	0.6	0.2	0.1	0.3	0.5	4.2	0.8	0.8	7.9
Operating profit / (loss)	25.4	0.8	(4.7)	(5.3)	(5.7)	(1.4)	15.5	0.8	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.

## 5. ACQUISITIONS

### Increase in effective interest in Koffiefontein mine to 74%

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

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

In the year to 30 June 2011, Koffiefontein recorded a net loss before taxation of R1.4 million (US\$0.2 million). If the acquisition had occurred on 1 July 2010, the Group's share of the loss from the Koffiefontein mine for the year to 30 June 2011 would have increased by R0.06 million (US\$0.01 million) and the non-controlling interest share would have reduced accordingly.

### Effect of the acquisition

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

---

Koffiefontein net assets at acquisition date:

#### US\$ million

---

Book value of net assets at 10 December 2010	43.8
Book value of 4% interest acquired	1.7
Fair value of consideration paid:	
Settled in cash	0.8
Excess of carrying value of 4% interest purchased over fair value consideration paid	0.9

---

In accordance with IAS 27, as the purchase represents a transaction with existing shareholders which has not resulted in the gain or loss of control, the carrying value of the 4% interest acquired of US\$1.7 million as at 10 December 2010 has been deducted from the Group's non-controlling interest balance relating to Koffiefontein. The US\$0.9 million excess of the carrying value of the 4% acquired in Koffiefontein over the fair value consideration of US\$0.8 million has been recognised directly in equity and attributed to the Group.

---

US\$ million	2011	2010
<b>6. CORPORATE EXPENDITURE</b>		
Auditors' remuneration	0.4	0.4
Depreciation of property, plant and equipment	0.1	0.2
Operating lease rentals - buildings	0.4	0.4
Staff costs	4.3	3.6
Other charges	2.9	3.1
Share-based payments		
- directors	0.6	0.7
- senior management	0.7	0.2
	9.4	8.6

---

## 7. Impairment and reversal of impairments of operational assets and investments

In accordance with IAS 36 "Impairment of Assets", when events or changes in market conditions indicate that tangible or intangible assets may be impaired, such assets are reviewed in detail to determine whether their carrying value is higher than their recoverable value, which could lead to recording an impairment loss (recoverable value is the higher of value in use and fair value less costs to sell). Value in use is estimated by calculating the present value of the future cashflows expected to be derived from the asset. Fair value less costs to sell is based on the most reliable information available (market statistics, recent transactions, etc.) The discounted cashflow basis has been used to calculate a value in use for the mining operations.

Impaired assets are reviewed annually to determine whether any substantial change to their fair value amounts previously impaired would require reversal.

When determining recoverable values of investments and property, plant and equipment, assumptions and estimates are made, based primarily on historical performance, market outlooks, obsolescence and sale or liquidation disposal values. Any change in these assumptions can have a significant effect on the recoverable amount and could lead to a revision of recorded impairment losses.

### 30 June 2011

During the year to 30 June 2011, the Group has reviewed the carrying values of its investments and operational assets for indicators of impairment and following that assessment, a reversal of a prior impairment to Helam's property, plant and equipment and a further impairment to Star's property, plant and equipment is considered to be appropriate. The reversal of previous impairment charges at Helam reflects improved diamond prices, production and cashflows and has been determined net of depreciation which would have arisen if the asset had not been impaired. The additional impairment to Star reflects continued production levels which are insufficient to support the carrying value on a value in use basis. The impairment of Star has been determined based on fair value less costs to sell which is considered to exceed value in use. Impairment reversals of US\$11.7 million (30 June 2010: US\$nil) have been recorded in the income statement for 2011 in respect of Helam's assets. Impairment charges of US\$5.2 million have been recorded in the income statement in respect of Star's assets for 2011 (30 June 2010: US\$ nil).

Impairment reversal (US\$ million)	Asset class	Segment	Net book value <sup>1</sup>	Reversal of impairment <sup>2</sup>	Carrying Value
Helam	Property, plant & equipment	Fissure mines	9.0	15.2	24.2
	Mineral Properties			7.4	
	UG Development			4.8	
	Buildings			1.0	
	Mining property, plant & equipment			2.0	
	Forex movement		-	(3.5)	(3.5)
Sub -total			9.0	11.7	20.7

<sup>1</sup>Net book value refers to the carrying value of the assets including the previous impairments.

<sup>2</sup>Helam's assets were previously impaired in December 2008 by US\$12.9 million (R114.5 million) using an exchange rate of US\$/R 9.05. In the current year the initial impairment of R116.7 million was reversed less depreciation that would have been incurred had the impairment never taken place. The resulting impairment reversal was US\$15.2 million (R103.7 million) using an exchange rate of US\$/R 6.83. US\$3.5 million of the reversal has been recognised in the foreign currency translation reserve to take into account the movement in the foreign exchange rate from the date of the initial impairment to date of the reversal when translating the rand value to US dollars; with US\$11.7 million recognised as an income statement gain.

Operational assets impaired (US\$ million)	Asset class	Segment	Net book value	Impairment raised	Carrying Value
Star	Property, plant & equipment	Fissure mines	7.0	(5.2)	1.8
	UG Development			(1.7)	
	Land & buildings			(2.1)	
	Mining property, plant & equipment			(1.4)	
Sub -total			7.0	(5.2)	1.8
Net impairment reversal – Helam and Star				6.5	

US\$ million	2011	2010
<b>8. NET FINANCING INCOME / (EXPENSE)</b>		
Net interest expense on bank loans and overdrafts	(1.0)	(1.6)
Gross interest expense on bank loans and overdrafts*	(4.5)	(1.6)
Interest expense on bank loans and overdrafts capitalised*	3.5	-
Other debt finance costs	(6.7)	(8.4)
Unwinding of present value adjustment for rehabilitation costs	(3.8)	(2.6)
Realised foreign exchange losses on the settlement of forward exchange contracts	-	(0.1)
Other foreign exchange losses realised	(0.4)	(0.1)
Unrealised foreign exchange losses	(15.5)	(14.5)
Financial expense	(27.4)	(27.3)
Realised foreign exchange gains	0.7	4.5
Gain on partial settlement of long term liability	-	4.2
Other unrealised foreign exchange gains	34.1	15.3
Net change in fair value of hedged item in a fair value hedge	(6.0)	-
Net change in fair value of hedging instrument in a fair value hedge	6.0	-
Interest received on loans and other receivables	5.5	3.2
Interest received bank deposits	2.2	0.4
Financial income	42.5	27.6
	15.1	0.3

## 9. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment in the period is US\$130.4 million. This is primarily as a result of increases in property, plant and equipment from:

- capital expenditure of US\$110.9 million;
- reversal of Helam impairment of US\$11.7 million

which are off-set by depreciation of US\$22.4 million, impairment of Star assets of US\$5.2 million and assets with a net book value of US\$0.8 million disposed of during the period.

## 10. LOANS AND BORROWINGS

### Completion of IFC / RMB debt facilities

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

Details of the debt facility

- the debt facilities are available for Company's draw-down for up to 24 months from the date of the financial close of the transaction and carry a capital repayment holiday period of 24 months to 4 November 2012;
- interest rates: IFC US\$ loan - six month US\$ LIBOR plus 4.5% margin; RMB ZAR loan - three month JIBAR plus 4.5% margin,
- capital repayments: eight semi-annual payments commencing after a 24 month capital repayment holiday period;
- final repayment date: five and a half years from the date of financial close; and
- as a term of the debt facilities, each of the Lenders were granted 6.3 million warrants over Petra shares from the date of the financial close. The warrants vest on grant and the warrant expiry dates will be in equal tranches at the end of years two, three and four from the warrant grant date. The warrant exercise prices for each tranche are 90p, 95p and 100p respectively and were fair valued at US\$7.9 million.

At 30 June 2011, the Group has drawn-down US\$75.5 million on the facilities. The portion of facility fees and warrant fair value charges of US\$8.6 million associated with the facilities drawn-down have been debited against the US\$75.5 million, in accordance with IAS32 and IAS39, to reflect a net interest bearing liability, after the accretion of interest, of US\$69.6 million. The remaining US\$1.3 million of facility fees and warrant fair value charges associated within the undrawn facility are held in prepayments as the facilities are expected to be utilised in future periods.

### Repayment of Al Rajhi loan

During the year under review the Company settled its loan (capital of US\$32.0 million; accrued interest of US\$0.9 million) with Al Rajhi. The Company also early settled a portion (US\$15.0 million) of the Al Rajhi / Cullinan deferred consideration, leaving a balance of US\$20 million to be settled in December 2011.

## 11. SHARES AND WARRANTS ISSUED

During the year under review, the Company issued 136,698,212 new ordinary shares at a price of 150 pence per share raising gross proceeds of US\$325.8 million as part of a capital fund raising exercise.

The proceeds from the issue of the new ordinary shares will be used to settle the Finsch purchase consideration (US\$192 million, working capital requirements at Finsch (US\$30.0 million), US\$15 million to settle part of the Al Rajhi / Cullinan deferred consideration and the remainder being applied to accelerate Capex and for general Group working capital.

As part of the debt facilities referred to in note 10, 12,600,000 warrants over Petra shares were granted to IFC (6,300,000) and RMB (6,300,000). The fair value of the 12,600,000 warrants has been calculated using the Black-Scholes model and was initially debited against pre-payments until such time as the loan was drawn-down. As the loan facility has been drawn-down, the fair value has been debited against the interest bearing non-current borrowings and the effective interest rate and associated accretion charges adjusted accordingly. The warrants are granted in tranches of 2,100,000 warrants and are exercisable at 90p, 95p and 100p from 4 November 2010, the date of final close and completion of the debt facility.

Allotments during the year under review, in respect of the exercise of warrants over ordinary shares, amounted to 8,292,777 exercised by Canaccord Genuity (4,092,777) and RMB (4,200,000). Allotments during the year, in respect of the exercise by employees of share options under the share option scheme, amounted to 2,079,999.

## 12. EARNINGS PER SHARE

	<b>Total</b>	Total
	<b>2011</b>	2010
	<b>US\$</b>	US\$
Numerator		
Profit for the year	<b>53,193,664</b>	63,485,409
Denominator		
	<b>Shares</b>	Shares
Weighted average number of ordinary shares used in basic EPS		
As at 1 July	<b>352 803 021</b>	184,005,523
Effect of shares issued during the period	<b>61,912,017</b>	96,241,934
As at 30 June	<b>414,715,038</b>	280,247,457
	<b>Shares</b>	Shares
Dilutive effect of potential ordinary shares	<b>16,034,806</b>	5,717,632
Weighted average number of ordinary shares in issue used in diluted EPS	<b>430,749,844</b>	285,965,089
	<b>US cents</b>	US cents
Basic profit per share – US\$ cents	<b>12.83</b>	22.65
Diluted profit per share – US\$ cents	<b>12.35</b>	22.20

In the current year, the number of potentially dilutive ordinary shares, in respect of employee share options and warrants is 16,034,806. These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share. There are no share options and warrants that have been excluded from the potentially dilutive ordinary shares of 16,034,806 (30 June 2010: 5,973,185 excluded from potentially dilutive shares). In the prior year the number of potentially dilutive ordinary shares, in respect of employee share options and warrants was 5,717,632.

## 13. POST BALANCE SHEET EVENT

### Acquisition of Finsch Diamond Mine

On 21 January 2011, the Company announced that it, together with its empowerment consortium, had entered into an agreement to acquire the Finsch diamond mine in South Africa ("Finsch") as a going concern (assets and assumed liabilities) from De Beers Consolidated Mines Limited ("De Beers") for R1.425 billion with the Company acquiring a 74% interest and the BEE consortium a 26% interest. On 14 September 2011, the Company announced the completion of the Finsch acquisition, which represented the date the Group acquired control of the mine. As part of the transaction, the Company funded its BEE partners' share of the R1.425 billion consideration through loans to the BEE partners. The final cash consideration paid in US\$ terms was US\$192 million reflecting the benefit of an effective hedging strategy to hedge the foreign exchange risk on the firm commitment to acquire Finsch.

### Effect of the acquisition

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

Finsch net assets at acquisition date:	Book Values	Fair value adjustments	Fair Values
<b>US\$ million</b>			
Mining property, plant & equipment	234.6	(2.5)	232.1
Land	0.7	-	0.7
Inventory consumables and stores	4.1	(1.0)	3.1
Trade and other receivables	1.6	(1.6)	-
Environmental liabilities	(16.2)	-	(16.2)
Other long term liabilities	(17.1)	0.1	(17.0)
Employee related payables	(5.1)	-	(5.1)
Trade and other payables	(5.6)	-	(5.6)
Net assets acquired	197.0	(5.0)	192.0
Non-controlling interest (26%)			(49.9)
Fair value of net assets attributable to the parent company			142.1
<b>Satisfied as follows:</b>			
Total cash consideration paid by the Company and BEE consortium			192.0

The Company has only recently taken control of the mine and as a result the fair values presented are provisional and subject to revision in accordance with IFRS.