



**For release 2 October 2006**

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

**Preliminary Results Announcement for the year ended 30 June 2006 (unaudited)**

**Highlights**

**Angola**

- Project Alto Cuilo (“Alto Cuilo”) - exceptional exploration progress continued with a substantial increase in the number and surface area of kimberlite discoveries; analysis of drill core revealed exceptional indicator mineral chemistry, comparative to some of the world’s major economic mines; as at 30 June 2006, funding of US\$22.8 million advanced by BHP Billiton (budget of US\$20 million approved for the year to June 2007, also to be funded by BHP Billiton)
- Petra enters into Strategic Cooperation Agreement with AIM-quoted Xceldiam Limited (“Xceldiam”) with regards to Project Luangue

**Botswana**

- Acquisition of Kalahari Diamonds Limited in September 2005
- Petra’s operations in Botswana fully integrated into the Petra Group
- Petra’s technical team put in place a revised Kalahari exploration programme, with the focus on larger as well as smaller kimberlite identification

**Sierra Leone**

- Kono project in Sierra Leone commences small scale production in June 2006, on time and on budget
- Petra has met its funding requirements to earn a 51% interest in the project
- Work programme to accelerate in order to better determine the grade and extent of the resource, and to enable increased production

**South Africa**

- Production of 175,011 carats from the South African mines for the year to 30 June 2006 (2005: 143,673 carats), an increase of 21.8%

- The South African mines generated an operating cash flow of US\$677,000 for the year to June 2006
- Diamonds of 76 and 67 carats recovered from the Sedibeng mine, the stones being sold for US\$465,000 and US\$704,265 respectively

## Post year-end Highlights

### Corporate

- Petra issued a US\$20 million unsecured, interest free bond, convertible at 130 pence per share, to Al Rajhi Holdings W.L.L., a major Saudi Arabian based investment group; the financing strengthens Petra's treasury on an interest free basis, giving Petra the flexibility to act quickly on potential growth opportunities

### Angola

- Project Alto Cuilo – identification of the 50th kimberlite; bulk sample drill and plant on site, with the bulk sample rig commissioned and drilling underway

**Adonis Pouroulis, Chairman, said;** "I am delighted to report on the progress we have made over the past year. Petra has continued to grow, strengthening our position within the market place whilst significantly expanding our prospects on the ground. We continue to be very encouraged by the favourable prospects for the diamond industry globally and believe that the diamond fields of Africa offer some of the most exciting opportunities available. I am confident that with the range of our portfolio and the depth of the skills base now within the group, we are positioned to maintain our rate of growth."

## Summary of Results (unaudited)

	<b>2006</b>	2005
	<b>US\$</b>	US\$
Revenue *	<b>20,868,757</b>	2,275,245
Gross profit on mine – South African operations **	<b>3,320,887</b>	768,258
Exploration expenses **	<b>(2,056,395)</b>	(6,422,352)
Administration expenses	<b>(6,481,669)</b>	(3,963,956)
Loss before depreciation, amortisation and foreign exchange movements	<b>(5,330,698)</b>	(9,954,745)
Loss for the year	<b>(18,864,456)</b>	(21,018,778)
CAPEX	<b>8,222,611</b>	2,722,187
Cash at bank	<b>7,019,644</b>	27,591,394
Loss per share (cents)	<b>(13.11)</b>	(28.43)
Production (carats) ***	<b>175,011</b>	143,673

\*\*\* Production for the 12 months to 30 June 2005

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## **Chairman's Statement 2006**

Dear Shareholder,

It is with great pleasure that I present the 2006 financial statements. The past financial year has seen your company grow into an established and integrated diamond miner and explorer and we have continued to develop the various in-house skills that will enable us to further increase our production base.

These abilities are evident across all our mining operations - through our production in South Africa, the development of complex diamond exploration programmes in Botswana, the progress made at Alto Cuilo in Angola and the establishment of our mining operations in Sierra Leone. We have shown that Petra also possesses the corporate depth and principals required to develop a solid working relationship with a major, as is the case with BHP Billiton.

Petra is now a well established mid-tier producer and explorer of diamonds. Our focus and expertise lie on the African continent, a continent that, although still mired in poverty, in 2005 produced around 62% by value of the world's rough diamond output. It is one of our main goals to create sustainable economic development by investing in projects with long economic lives. The economic benefit of discovering a large, economic kimberlite is substantial, not only to a company like Petra but also to the economy of the African countries in which we operate. The refocusing of international exploration dollars in Africa, whatever the commodity, makes for an exciting and often vibrant environment in which to work. It is pleasing to see Africa gaining mining and exploration momentum and that the investing community worldwide acknowledges Africa's natural resource wealth. We also welcome the wide reaching reforms currently sweeping the diamond industry which promise to give more autonomy to Africa's producer nations and more direct employment down the diamond beneficiation chain, from mine to market.

Petra is the proud employer of over 2,000 people and actively contributes to the economic development of the African countries in which it operates. Petra only operates in countries that are committed to the Kimberley process for the marketing of diamond production; such sound, environmentally aware and responsible investment in the African diamond industry will only assist in the development of countries in which we operate and the continent as a whole.

Petra achieved a great deal during the year and some of the highlights are covered below.

### **Angola**

#### **Kimberlite Exploration**

Alto Cuilo once again delivered excellent exploration results. The number of kimberlite occurrences discovered surpassed the 50 mark, a significant milestone. The rate of these discoveries increased as additional core drilling equipment was commissioned on site.

To date it is estimated that the surface area of kimberlite discovered at Alto Cuilo is in excess of 1,500 hectares. Furthermore, we have achieved an exceptional success rate of 83% of magnetic anomalies drilled being confirmed as kimberlitic. Of the total of 249 magnetic anomalies identified so far, 60 have now been drilled and a total of 50 have been confirmed as kimberlitic. This serves as a reminder of the size and extent of the project, together with the standard of exploration results. There are very few kimberlite projects anywhere in the world

that have had such success in identifying kimberlites, but when the surface area of the discoveries at Alto Cuilo is taken into account, the results are even more remarkable.

At the same time, analysis of kimberlite core delivered some highly encouraging diamond indicator mineral results together with a favourable mantle geotherm conducive for diamond formation. Diamond indicator mineral chemistry is crucial in terms of assessing a kimberlite's likelihood of hosting diamonds. The results at Alto Cuilo are very exciting because they are comparable to other major economic kimberlite deposits around the world.

The large diameter drill rig has now been commissioned on site in anticipation of the mini-bulk sample programme scheduled for later this year. The results of this sampling campaign will give a better understanding of the kimberlite deposits and will start yielding critical data relating to grade and price per carat. Accompanying the drill rig is a 10 tonne per hour Dense Media Separation ("DMS") plant that will be used solely for the processing of kimberlite material retrieved from the large diameter drill rig. This rig will initially stockpile 200 tonne bulk samples and the DMS plant, which is a custom made closed circuit unit designed specifically for kimberlite bulk sampling, will start treating the samples. A ranking of priority kimberlite targets for large diameter drilling has been drawn up and may be revised as more results become available. The ranking is based on mineral chemistry results, the surface area of the various kimberlites and the logistics of plant access to the various targets. Initial bulk sampling results are anticipated by December 2006.

Petra and BHP Billiton are working together at Alto Cuilo, with BHP Billiton funding the exploration and related costs. As at 30 June 2006, BHP Billiton had advanced funding of US\$22.8 million to the project, and a budget of US\$20 million has been approved for the year to June 2007, also to be funded by BHP Billiton. This is a substantial exploration spend for any mineral commodity, and we look forward to working with BHP Billiton to further develop Alto Cuilo over the coming year.

On 30 May 2006 the Company also announced a strategic cooperation alliance with Xceldiam Limited, an AIM listed diamond explorer with exploration rights at Project Luangue just north of Alto Cuilo. The projects share a common border and Petra notes with interest the early drilling success at Project Luangue as announced on 25 July 2006. Core drilling at Project Luangue returned excellent first results, with drilling on the first target intersecting kimberlite. This news supports Petra's belief that Project Luangue may host kimberlite geology similar to that of Alto Cuilo and Petra looks forward to further developments from Project Luangue. The agreement with Xceldiam puts Petra in a position to significantly increase its exploration interests in the area, should it choose to do so.

### **Alluvial Exploration**

The alluvial programme continues in order to further evaluate the potential for economically viable alluvial deposits. A feasibility study has been commissioned on a small alluvial block of ground adjacent to the existing 65 tonne per hour DMS plant. Petra's initial investment in plant and earth moving equipment will serve as the infrastructure to process and mine these alluvial deposits. Alluvial exploration also continues elsewhere in the project area.

As shareholders may be aware, to date over 1500 carats of kimberlite and alluvial diamonds have been recovered from the sampling operations. It is believed that apart from production of diamonds, invaluable exploration information will also be gleaned from these alluvial programmes.

I wish to acknowledge the important role BHP Billiton has played in the evolution of Alto Cuilo. We have found their work to be of the highest standard and their spirit of partnership to be one where all partners benefit. At the same time our Angolan partners have also been of the utmost assistance in taking Alto Cuilo to the next level and I thank both Endiama and Moyoweno for their ongoing support.

### **South Africa**

The South African operations increased production by 21.8% from 143,673 carats for the year to June 2005 to 175,011 carats for the year to June 2006. The Company is targeting to increase production from its existing operations again this year.

The year also saw some exceptionally large and beautiful stones being mined. Diamonds of 76 and 67 carats were recovered from the Sedibeng mining complex and the stones sold for US\$465,000 and US\$704,265 respectively.

Tight costs and increased efficiencies were achieved on the operations as further investments in mining mechanisation were made which will result in increased efficiencies for the coming year.

Although two of the three mines operated well, technical difficulties were experienced at the Star mine. These problems, mainly the construction of the new ventilation shaft, will be overcome in the coming year and it is anticipated that Star will achieve its production target and contribute to group results.

### **Botswana**

Kalahari Diamonds Limited, which was acquired effective 30 September 2005, is now a fully integrated part of the Petra group giving your company a prime position in Botswana, the world's largest diamond producer by value. The Kalahari ground is situated in what we believe to be highly prospective diamond territory and the period under review has seen encouraging exploration results.

Field exploration in Botswana gained momentum whilst a shift was made in philosophy to include the search for those kimberlites less than 20 hectares in size. Anomalies were identified in the Gope, Orapa and Mabutsane/Thswaane blocks. The coming year will see follow up ground work including drilling of various anomalies in these areas. Concurrently, existing kimberlite deposits on our ground will be further examined for possible economic viability.

### **Sierra Leone**

Developments on the Kono project moved ahead apace during the year. In just under a year of establishing a foothold in Sierra Leone, Petra commenced trial mining operations. This entailed the construction in-house of a 75 tonne per hour DMS as well as the sinking of shafts to access the diamond bearing kimberlite fissures. All of this was done within budget and on time. Kono produced its first diamonds from the project on schedule in June of this year.

In terms of Petra's joint venture agreement with Mano River Resources, Petra has met the requirement to spend US\$3million on the project to earn a 51% interest, and the parties are now funding project expenditure on a 51/49 basis.

The coming year will see an increased rate in shaft sinking which will allow increased access to different kimberlite dyke faces. This will in turn enable a better determination of grade and quality and ultimately lead to an increase in diamond production. The aggressive rolling exploration and trenching method has proven to be both very effective and cost efficient and it is

envisaged that six additional trenches will be opened, the fissure penetrated and the results evaluated by December 2006. This approach will provide Petra with a better understanding of the diamondiferous fissures available, their potential and the project strategy ahead.

The relationship between Petra management and the various relevant authorities in Sierra Leone, in particular in the Kono district, remains strong and we thank the Sierra Leonean authorities for being openly accommodative of foreign investment. Also, our joint venture partner, Mano River Resources Inc, has been very supportive in our efforts and I thank them for their valuable assistance.

## **Results**

As the principal functional currency of the Group's business transactions in Angola, Botswana and Sierra Leone is US Dollars and in South Africa diamond sales are made in US Dollars, the Group has decided to adopt US Dollars as its reporting currency with effect from 1 July 2005.

The gross profit on mine from the South African mines operations for the year to 30 June 2006 was US\$3,320,887 (2005: US\$768,258). After exploration expenses, Group administration expenses and financing costs, the loss before depreciation, amortisation and foreign exchange movements for the year was US\$5,330,698 (2005: US\$9,954,745). After unrealised foreign exchange losses on intercompany loans of US\$6,114,780 (2005: US\$892,065), amortisation of intangibles of US\$2,832,355 (2005: US\$8,186) and depreciation of US\$5,706,977 (2005: US\$1,125,260), the loss after tax for the year to 30 June 2006 was US\$18,864,456 (2005: US\$21,018,778).

Group net cash outflow for the year is stated after taking account of the investment in Xceldiam Limited of US\$1,271,410 (2005: Nil), repayment of all outstanding convertible loan notes of US\$1,239,403, cash inflow from the acquisition of Kalahari Diamonds of US\$5,560,464 as well as the settlement in July 2005 of the Helam mine acquisition costs and various term loans.

A charge of US\$2,832,355 has been recognised in respect of the amortisation of licences during the year, being the write down in accordance with IFRS of intangible assets of US\$17,620,258, which were brought into the balance sheet following the acquisition of Kalahari Diamonds Limited in September 2005.

The results from the Crown South African production operations acquired were consolidated into the Petra Group results from 1 June 2005. Therefore, the comparative period to June 2005 includes results of the South African operations acquired for one month and the period to 30 June 2006 includes a full 12 months results.

The results for the year to 30 June 2005 have been restated, as with effect from 1 July 2005 the Company has complied with IRFS 2, Share Based Payments, in respect of share options granted to management.

## **Funding**

On 18 September 2006, Petra announced the issue of a US\$20 million unsecured, interest free convertible bond, convertible at 130 pence per share, to Al Rajhi Holdings W.L.L., a major Saudi Arabian based investment group. This financing strengthens Petra's treasury on an interest free basis, without dilution to existing shareholders, and gives Petra the ability to actively consider revenue and production growth opportunities that have the potential to fast-track Petra's development and further entrench the Company as a mid-tier diamond producer. The financing

will also serve to underpin our funding should we decide to expand our exploration interests by exercising our warrants as part of the Xceldiam cooperation agreement.

### **Nabera**

Both Petra and Nabera continue to work with Alexkor and the South African Government with regards to the “value add” and management fees that are due to the Nabera consortium, in which Petra is a 29.5% shareholder. Whilst, for reasons outside of Petra’s control, progress has been disappointing, the Board remains focused on an acceptable resolution to the outstanding claims.

### **Objectives and Strategy**

Petra’s objective is to become an independent world class gemstone diamond producer. This will be achieved by holding a highly prospective exploration portfolio ensuring future growth, organically expanding the Group’s production profile and by geographically diversifying the country spread and risk. Our focus however will remain on the African continent.

Our strategy is therefore to explore and develop our projects in Angola, Botswana and Sierra Leone whilst increasing production from the South African operations. Production is expected to slowly build-up from Sierra Leone as greater knowledge is gained from the various kimberlite fissures. We will also continue to analyse other opportunities, which meet our strict acquisition criteria, for future inclusion to enhance the growth of the business.

The diamond industry remains robust on the fundamentals of supply and demand. With an increase in demand and without the commensurate increase in global production the outlook for any new diamond mine is good. Whilst operating on the African continent key partnerships are vital and we as a group will foster our existing partnerships further and seek to strengthen new ones.

### **Social development**

Petra believes it important to improve the lives of the communities in the areas in which we operate. For example, at Alto Cuilo we have assisted in the introduction of primary and secondary health care, education, sustainable job creation, health and safety training and social awareness programmes. The local population has access to a fully funded and well equipped clinic where all first line consultations are available, the clinic being staffed by Angolan doctors and nurses as well as expatriate trauma paramedics. A local primary school has been built and currently there are around 100 learners from the community attending. Local farmers have also been assisted to produce agricultural products using more modern methods and then giving them a market in terms of the project’s consumption and requirements.

Such development is not only applicable to our Angolan operations and there are similar examples of other similar social development projects in other countries in which the Group operates.

### **Staff**

I wish to thank our staff for their continued dedication and hard work. The core team of your company (both Petra and Crown pre-merger) has remained intact and I am grateful for this. It is with this staff continuity that we have managed to grow the business and withstand the ups and downs of the resources sector. We all share the same goal of seeing Petra become an independent, strong voice and contributor to the diamond industry. Without the employees of Petra this is not possible. Some of our people work in difficult situations, as often deposits are

found in remote parts of the world. They do this with an enthusiasm and pride in their work and I am extremely proud to be a part of this flourishing and dynamic business.

I would like to thank two directors who left the Company during the past year. Charles Finkelstein made a significant contribution over the years as a non-executive director; he not only assisted your company through difficult times in its formative stages but was also a window into the ever changing diamond world. I would also like to thank Kevin Dabinett for the dedication and support he gave to your Company and wish him every success for the future.

**Adonis Pouroulis**  
**Chairman**  
**2 October 2006**

**PETRA DIAMONDS LIMITED - PRELIMINARY RESULTS**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2006**  
**(Unaudited)**

	Notes	2006 US\$	Restated 2005 US\$
<b>Revenue</b>		<b>20,868,757</b>	2,275,245
Cost of Sales	4	<b>(23,178,587)</b>	(1,970,087)
<b>Gross (loss) / profit</b>		<b>(2,309,830)</b>	305,158
Exploration expenditure	5	<b>(4,924,437)</b>	(7,063,678)
Operating expenditure - other	6	<b>(12,596,449)</b>	(4,856,021)
Impairment of goodwill		-	(8,972,587)
Financial income		<b>411,107</b>	36,462
Financial expense		<b>(565,201)</b>	(402,177)
Net financing costs	7	<b>(154,094)</b>	(365,715)
<b>Loss before tax</b>		<b>(19,984,810)</b>	(20,952,843)
Income tax expense		<b>1,120,354</b>	(65,935)
<b>Loss for the year</b>		<b>(18,864,456)</b>	(21,018,778)
Basic and diluted loss per share – US cents	8	<b>(13.11)</b>	(28.43)

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006 US\$	Restated 2005 US\$
Loss for the year	<b>(18,864,456)</b>	(21,018,778)
Exchange adjustments on translation of subsidiary and branch undertakings recognised directly in equity	<b>1,561,653</b>	1,161,255
<b>Total recognised income and expense relating to the year</b>	<b>(17,302,803)</b>	(19,857,523)

**PETRA DIAMONDS LIMITED - PRELIMINARY RESULTS**  
**CONSOLIDATED BALANCE SHEET**  
**FOR THE YEAR ENDED 30 JUNE 2006**  
**(Unaudited)**

	Notes	2006 US\$	Restated 2005 US\$
<b>ASSETS</b>			
Property, plant and equipment		66,045,627	73,467,724
Intangible assets		13,105,561	335,947
Investment in associates		-	-
Investments – listed		1,271,410	-
Investments - unlisted		4,785,697	-
Trade and other receivables		164,402	161,442
<b>Total non-current assets</b>		<b>85,372,697</b>	<b>73,965,113</b>
Inventories		2,197,605	1,405,165
Trade and other receivables		2,760,378	2,806,105
Cash and cash equivalents		7,019,644	27,591,394
<b>Total current assets</b>		<b>11,977,627</b>	<b>31,802,664</b>
<b>Total assets</b>		<b>97,350,324</b>	<b>105,767,777</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital		27,031,103	23,500,190
Share premium account	9	123,189,903	101,775,127
Foreign currency translation reserve	9	2,541,087	4,102,740
Share based payment reserve	9	972,962	354,670
Accumulated loss	9	(81,608,667)	(62,748,364)
<b>Total equity</b>		<b>72,126,388</b>	<b>66,984,363</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings		2,914,960	429,753
Trade and other payables		867,823	2,000,507
Provisions		1,697,756	1,716,998
Deferred tax liabilities		9,932,634	11,930,797
<b>Total non-current liabilities</b>		<b>15,413,173</b>	<b>16,078,055</b>
Interest-bearing loans and borrowings		1,149,646	11,600,585
Trade and other payables		6,658,735	9,061,468
Provisions		2,002,382	2,043,306
<b>Total current liabilities</b>		<b>9,810,763</b>	<b>22,705,539</b>
<b>Total liabilities</b>		<b>25,223,936</b>	<b>38,783,414</b>
<b>Total equity and liabilities</b>		<b>97,350,324</b>	<b>105,767,777</b>

**PETRA DIAMONDS LIMITED - PRELIMINARY RESULTS**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2006**  
**(Unaudited)**

	2006	Restated 2005
	US\$	US\$
<b>Loss after taxation for the year</b>	<b>(18,864,456)</b>	(21,018,778)
Depreciation of property plant and equipment - exploration	35,687	633,140
Depreciation of property plant and equipment – mining	5,630,717	463,100
Depreciation of property plant and equipment – other	40,573	29,020
Amortisation of intangible assets	2,832,355	8,186
Loss/(profit) on sale of property plant and equipment	26,717	(1,607)
Impairment of intangible assets	-	136,872
Impairment of goodwill	-	8,972,587
Interest received	(411,107)	(36,462)
Interest paid	565,201	402,177
Present value adjustment on rehabilitation provision	140,783	-
Foreign exchange loss	6,114,780	892,065
<b>Operating loss before working capital changes</b>	<b>(3,888,750)</b>	(9,519,700)
Decrease / (increase) in trade and other receivables	140,515	(1,011,327)
(Decrease) / increase in trade and other payables	(3,604,742)	1,953,312
(Increase) in inventories	(792,440)	(51,792)
<b>Cash utilised in operations</b>	<b>(8,145,417)</b>	(8,629,507)
Interest paid	(565,201)	(402,177)
Taxation movement	(1,120,354)	-
<b>Net cash utilised by operating activities</b>	<b>(9,830,972)</b>	(9,031,684)
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	41,447	1,607
Acquisition of subsidiary net of cash acquired	5,560,464	103,527
Interest received	411,107	36,462
Increase in investments	(1,271,410)	-
Acquisition of property, plant and equipment	(4,152,748)	(2,538,654)
Development expenditure	(4,069,863)	(183,533)
<b>Net cash from investing activities</b>	<b>(3,481,003)</b>	(2,580,591)
<b>Cash flows from financing activities</b>		
Net proceeds from the issue of share capital	469,404	32,494,444
(Decrease) in long term borrowings	(7,605,319)	(392,723)
<b>Net cash from financing activities</b>	<b>(7,135,915)</b>	32,101,721
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(20,447,890)</b>	20,489,446
Cash and cash equivalents at beginning of the year	27,591,394	6,808,208
Effect of exchange rate fluctuations on cash held	(123,860)	293,740
<b>Cash and cash equivalents at end of the year</b>	<b>7,019,644</b>	27,591,394

**PETRA DIAMONDS LIMITED - PRELIMINARY RESULTS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**  
**(Unaudited)**

**1. BASIS OF PREPARATION**

The Group financial statements are prepared on the historical cost basis and are presented in US Dollars. For the year to 30 June 2005 the Group reported in Pounds Sterling and during the current year the Group adopted the US Dollar as its functional currency. The principal functional currency of the Group's business transactions in Angola, Botswana and Sierra Leone is US Dollars; in South Africa diamond sales are made in US Dollars. In order to provide comparatives in US Dollars the audited financial statements as at 30 June 2005 were translated at a rate of US\$1.79 to £1 for balance sheet items and an average rate of US\$ 1.86 to £1 for income statement items.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by all Group entities.

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

**2. SEGMENT INFORMATION**

Segment information is presented in respect of the Group's business and geographical segments. The primary format is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets and revenue, interest-bearing borrowings and expenses and corporate assets and expenses. Segment capital

expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period. Eliminations comprise of those inter-group transactions associated with acquisitions of business combinations.

### Business and Geographical segments

The Group comprises the following business segments:

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

Exploration – exploration activities in Angola, Botswana, Sierra Leone and South Africa.

Business segments	Mining	Exploration	Eliminations	Consolidated		
	2006 US\$	2006 US\$	2006 US\$	2006 US\$		
Revenue from external customers	20,868,757	-	-	20,868,757		
Segment result	(2,309,829)	(14,968,544)	-	(17,278,373)		
Operating loss	(4,862,172)	(14,968,544)	-	(19,830,716)		
Net financing income/(costs)	(1,178,884)	1,024,790	-	(154,094)		
Income tax	1,120,354	-	-	1,120,354		
Loss for year	(4,920,702)	(13,943,754)	-	(18,864,456)		
Segment assets	64,677,253	32,673,071	-	97,350,324		
Total assets	64,677,253	32,673,071	-	97,350,324		
Segment liabilities	19,436,688	5,787,248	-	25,223,936		
Total liabilities	19,436,688	5,787,248	-	25,223,936		
Cash flows from operations	677,480	(10,508,452)	-	(9,830,972)		
Cash flows from investing	(3,529,914)	1,544,211	(1,495,300)	(3,481,003)		
Cash flows from financing	(712,276)	(6,423,639)	-	(7,135,915)		
Capital expenditure	8,118,313	104,298	-	8,222,611		
Depreciation and amortisation	5,630,717	2,908,615	-	8,539,332		
Impairment losses	-	-	-	-		
<b>Geographical segments</b>	<b>Angola</b>	<b>Botswana</b>	<b>South Africa</b>	<b>Sierra Leone</b>	<b>Jersey</b>	<b>Consolidated</b>
	2006	2006	2006	2006	2006	2006
	US\$	US\$	US\$	US\$	US\$	US\$
Revenue from external customers	-	-	20,868,757	-	-	20,868,757
Segment assets	4,785,697	13,380,911	74,777,905	4,405,811	-	97,350,324
Cash flows from operations	-	(357,262)	(9,473,710)	-	-	(9,830,972)
Cash flows from investing	-	-	(3,529,914)	(4,069,864)	4,118,775	(3,481,003)



The Group commenced activities in Botswana effective 1 October 2005 on the acquisition of Kalahari Diamonds Limited. Therefore there are no comparative numbers for the year to 30 June 2005.

### 3. ACQUISITION OF SUBSIDIARY

The Company acquired the issued share capital of Kalahari Diamonds Limited ("Kalahari") for US\$ 21,997,991 effective 30 September 2005. The consideration was satisfied by the issue of 16,166,529 Petra shares. Kalahari, through its wholly-owned Botswana subsidiary, Sekaka Diamonds (Pty) Limited, is the holder of a substantial numbers of diamond prospecting licences in Botswana. In the nine months to 30 June 2006, Kalahari recorded an exploration loss, before foreign exchange losses, depreciation and amortisation, of US\$ 2,177,756.

#### Effect of the acquisition

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

	Book Values	Fair Value Adjustments	Carrying Values
	US\$	US\$	US\$
Kalahari's net assets at acquisition date:			
Consolidated fair value of net assets of entity acquired:			
Plant and equipment	176,384		176,384
Prospecting licences	1,283,470	16,336,788	17,620,258
Cash assets	5,560,464		5,560,464
Receivables	95,394		95,394
Accruals and payables	(1,454,509)		(1,454,509)
Consideration amount satisfied in shares	5,661,203	16,336,788	21,997,991

The fair value adjustment of US\$16,336,788 arose as a result of the revaluation of the Prospecting licences purchased from Sekaka Diamonds (Pty) Limited.

#### 4. COST OF SALES

	2006 US\$	2005 US\$
Raw materials and consumables used	6,292,071	735,256
Employee expenses	12,214,540	873,419
Depreciation of mining assets	5,630,717	463,100
Changes in inventory of finished goods	(958,741)	(101,688)
	<b>23,178,587</b>	<b>1,970,087</b>

#### 5. EXPLORATION EXPENDITURE

Employee expenses	313,182	1,846,344
Depreciation of exploration assets	35,687	633,140
Amortisation of intangible assets	2,832,355	8,186
Drilling costs	1,277,973	1,770,286
Equipment hire	207,689	1,058,999
Other exploration costs	257,551	1,746,723
	<b>4,924,437</b>	<b>7,063,678</b>

#### 6. OTHER OPERATING EXPENDITURE

Auditors' remuneration		
- Current auditors		
- audit services	-	-
- Previous auditors		
- audit services	368,132	218,735
- non audit services	-	-
Depreciation of property plant and equipment	40,573	29,020
Foreign exchange losses	6,114,780	892,065
Operating lease rentals	222,257	348,767
Employee expenses	1,804,326	1,796,198
Corporate activity expenditure	359,743	-
Impairment of intangible assets	-	136,872
Loss/(profit) on disposal of property plant and equipment	26,717	(1,608)
Administration expenses – mining operations	1,421,192	90,778
Other charges	2,238,729	1,345,194
	<b>12,596,449</b>	<b>4,856,021</b>

In addition to the above, the 2006 audit fees payable by the Group to its newly appointed auditors is \$172,549

## 7. NET FINANCING COSTS

On bank loans and overdrafts	<b>(412,485)</b>	(54,584)
Other debt finance costs	<b>(152,716)</b>	(347,593)
Financial expense	<b>(565,201)</b>	(402,177)
Interest received	<b>411,107</b>	36,462
	<b>(154,094)</b>	(365,715)

## 8. LOSS PER SHARE

	2006 US\$	2005 US\$
Loss for the year	<b>18,864,456</b>	21,018,778
	<b>Shares</b>	Shares
Basic weighted average number of ordinary shares in issue	<b>143,916,416</b>	73,937,847
	<b>US cents</b>	US cents
Basic loss per share – cents	<b>(13.11)</b>	(28.43)
Due to the Group's loss for the year, the diluted loss per share is the same as the basic loss per share		
Weighted average number of ordinary shares		
As at 1 July 2005	<b>73,937,847</b>	67,849,976
Effect of shares issued during the period	<b>69,978,569</b>	6,087,871
Weighted number at 30 June 2006	<b>143,916,416</b>	73,937,847

## 9. RESERVES

	Share premium account US\$	Foreign currency translation reserve US\$	Share based payment reserve US\$	Accumulated loss US\$
At 1 July 2004	34,041,633	2,962,470	-	(42,615,103)
Implementation of IFRS 2 (refer note 11)	-	-	140,833	(140,833)
Restated balance at 1 July 2004	34,041,633	2,962,470	140,833	(42,755,936)
Loss for the period	-	-	-	(21,018,778)
Transfer from reserves of subsidiary	-	-	-	233,194
Equity based share options	-	-	213,837	(213,837)

Exchange differences – adoption of US\$ reporting currency	(241,084)	(20,985)	-	1,006,993
Exchange differences	-	1,161,255	-	-
Premium allotments during the year	70,888,365	-	-	-
Share issue costs	(2,923,175)	-	-	-
Convertible notes issued	9,388	-	-	-
<b>At 30 June 2005</b>	<b>101,775,127</b>	<b>4,102,740</b>	<b>354,670</b>	<b>(62,748,364)</b>

## 9. RESERVES (continued)

	Share premium account	Foreign currency translation reserve	Share based payment reserve	Accumulated loss
	US\$	US\$	US\$	US\$
At 1 July 2005	101,775,127	4,102,740	-	(62,393,694)
Implementation of IFRS 2 (refer note 11)	-	-	354,670	(354,670)
Restated balance at 1 July 2005	101,775,127	4,102,740	354,670	(62,748,364)
Loss for the period	-	-	-	(18,864,456)
Equity based share options	-	-	618,292	-
Exchange differences	-	(1,561,653)	-	4,153
Premium allotments during the year	20,550,930	-	-	-
Share issue costs	(57,472)	-	-	-
Convertible notes issued	921,318	-	-	-
<b>At 30 June 2006</b>	<b>123,189,903</b>	<b>2,541,087</b>	<b>972,962</b>	<b>(81,608,667)</b>

## 10. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year.

## 11. ADOPTION OF IFRS 2 (EMPLOYEE SHARE OPTIONS)

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

	Gross	Taxation	Net
	US\$	US\$	US\$
Increase in net loss due to share-based option charge to personnel costs:			

- 30 June 2004	(140,833)	-	(140,833)
- 30 June 2005	(213,837)	-	(213,837)
<hr/>			
Restatement of opening accumulated losses in respect of prior year adjustment	(354,670)	-	(354,670)
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## **12. ANNUAL REPORT AND ACCOUNTS**

The results for the year ended 30 June 2006 are unaudited and do not constitute statutory accounts. The Report and Accounts for the year ended 30 June 2005, which includes an unqualified Audit Report, are available from the Company's headquarters at Elizabeth House, 9 Castle Street, St. Helier, Jersey, JE4 2QP. Copies of the audited Report and Accounts for the year ended 30 June 2006 will be posted to shareholders in October 2006.