**For release 8 October 2007** **AIM: PDL**

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

**Preliminary Results Announcement for the year ended 30 June 2007 (unaudited)**

## Highlights and Trading Update

### Results

- Revenue to 30 June 2007: US$17.0 million (June 2006: US$20.9 million); revenue post year end for 3 months to 30 September 2007: US$15.9 million, substantial growth and only US$1.1 million short of entire revenue for year to June 2007; revenue jump in 3 months to September 2007 due to Koffiefontein coming on stream in this period
- Group revenue and cash flows expected to be substantially higher in year to June 2008 as Petra has sound foundations for growth in place
- Group cash balances at 30 June 2007: US$44 million (30 June 2006: US$7 million); cash balances 30 September 2007: US$65 million

### South Africa

- Resource update – increase of 101% to 9.33 million carats attributable (last statement May 2005: 4.64 million carats); in-situ value of US$1.5 billion attributable
- Production of 180,474 carats for the year to 30 June 2007 (June 2006: 175,011 carats); 250,000 carats expected to June 2008; in excess of 400,000 carats expected to June 2009
- First sales from Koffiefontein - 28,246 carats sold for US$11.7 million in quarter to 30 September 2007, average of US$414 per carat, excellent values for a kimberlite mine; Koffiefontein expected to add 90,000 carats to annual production
- Petra to acquire Kimberley Underground Mines from De Beers which will add in excess of 100,000 carats to annual production in the year to June 2009

### Angola

#### Alto Cuilo

- Next phase of exploration underway with mini bulk sampling programme; kimberlite AC63 records intersections of 22.7 cpht over 90 metres, peaking at 35.5 cpht over 30 metres; other high grade zones identified
- October 2007: kimberlite AC98 records further high grade areas, including intersections of 33.13 cpht over 33 metres
- As at 30 September 2007, BHP Billiton, Petra's joint venture partner, had spent US$52.2 million on exploration development at Alto Cuilo

**Luangue**

- February 2007: Petra acquired an interest in Luangue, a highly prospective project bordering Alto Cuilo in north eastern Angola, consolidating the Group's position in the diamond belt of Angola; Petra subsequently (August 2007) entered into a joint venture with BHP Billiton to develop Luangue; the deal will effectively fast track project development, with the BHP Billiton earn-in requiring funding to a BHP Billiton pre-feasibility

**Botswana**

- Positive results from Kalahari drilling programme; discovery of a new kimberlite using Xcalibur magnetics; identification of 20 prospective targets in the Orapa North licence block
- Kukama Project; geophysical indications that diamondiferous kimberlite 173S could be 25 hectares in size
- Discovery of kimberlite X25 in the Gope area – highly significant development as area has been explored thoroughly by other exploration companies in the past; vindicates Petra's belief that new exploration technologies and methodologies can identify significant new kimberlites in Botswana
- New exploration licences granted to Petra over 2 known diamondiferous kimberlites in the Jwaneng locality

**Sierra Leone**

- Development programme making solid progress at the Kono project, with test shafts delivering highly encouraging results due to consistent kimberlite fissure and good fissure widths encountered
- Trial mining commenced on three shafts, where in-situ grades of between 50 and 80 carats per hundred tonnes have been achieved
- Petra believes that the test shafts have a high likelihood of developing into producing operations; appropriate infrastructure and equipment already in place to make seamless transition to full production

**Beneficiation**

- Acquisition of Calibrated Diamonds gives Petra the ability to cut and polish its own production, transforming Petra into a vertically integrated group and enabling the Company to add value to its rough production
- Production build up underway; expected that 2,500 carats per month of rough will be processed by mid 2008

**Adonis Pouroulis, Chairman, said;** "This last year has been the most gratifying in the Company's history as we have developed the critical mass, the in-house capabilities and, most importantly, the credibility to take the business to the next level. We have delivered, with Koffiefontein and Kimberley Underground, on our promise to shareholders to introduce assets to the Group which will substantially increase our current production and return significant cash flows. We have also seen exciting developments with our major exploration assets in Angola. Bulk sampling and drilling at Alto Cuilo is returning very encouraging results and our second joint venture in Angola with BHP Billiton at neighbouring Luangue consolidates our position in this highly prospective diamond region. Calibrated Diamonds is on track and we expect to cut and polish 2,500 carats of rough per month by mid-2008."

"The development of the Group over the past year has been quite outstanding and I look forward to further building on this success in 2008."

## Summary of Results (unaudited)

| | **12 months to 30 June 2007 US$ million** | 12 months to 30 June 2006 US$ million |
|---|---|---|
| Revenue (note 1) | 17.0 | 20.9 |
| Production (carats) (note 1) | 180,474 | 175,011 |
| Gross profit on mine – South African operations (note 2) | 1.3 | 3.3 |
| Loss before depreciation, amortisation and foreign exchange movements | 7.8 | 5.3 |
| Loss for the year | 20.9 | 18.8 |
| Cash at bank (note 3) | 44.1 | 7.0 |

**Notes:**

1. The Koffiefontein acquisition was expected to have been completed (with all conditions being met) by June 2007, but completion only occurred in July 2007, post year end. Had this occurred pre 30 June, Petra would have been able to (in accordance with the conditions of the Koffiefontein purchase agreement) sell diamonds from the processed ore and Group revenue to June 2007 would have been $9.9 million higher. Although Petra was maintaining the cave for many months and processing ore from May 2007, diamonds could not be sold until all conditions were met, therefore Koffiefontein production of 44,423 carats to June 2007 (Group accounting policy is that diamonds in ore mined but not processed are included in closing stock) has been included in diamond inventory at a cost of US$3.5 million; the corresponding gross profit of US$6.4 million (being sales revenue less US$3.5 million and associated plant recovery costs) was recorded in the 3 months to September 2007 when the diamonds were sold and will be accordingly realised in the financial year ending 30 June 2008.

2. Gross profit stated before depreciation and amortisation.

3. In August 2007 Petra received US$22.35 million from BHP Billiton relating to the disposal of 25% of Frannor Investments and Finance Limited. Petra's cash at bank as at 30 September was US$65 million.

**For further information, please contact:**

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## Chairman's Statement 2007

Dear Shareholder,

It is with great pleasure that I present the results for 2007, a period which marks Petra's 10th anniversary on AIM. Over the past year, we have developed the critical mass, the in-house capabilities and, most importantly, the credibility to take the business to the next level.

We started the period under review with a portfolio combining the producing fissure mines in South Africa with the "blue sky" potential of our operations in Angola and Botswana, and advanced stage exploration in Sierra Leone. Our objectives for the year were to deliver solid exploration results at Alto Cuilo and, at the same time, to add significant production to the Group. We have delivered on these stated objectives with the mini-bulk sampling programme underway at Alto Cuilo, the acquisition of a world class diamond mine, Koffiefontein, and the on-going development of the existing fissure mines.

In addition to these achievements, we acquired an interest in the Luangue diamond project in Angola, entered into our second joint venture with BHP Billiton, and brought into the Group cutting and polishing capabilites with the acquisition of Calibrated Diamonds. Post year end, we entered into an agreement to acquire the Kimberley Underground mines from De Beers.

The formal completion of the acquisition of Koffiefontein took longer than we expected and occurred after the end of our 2006/07 financial year, but as reported below, since the announcement of successful completion on 18 July 2007 we have been very pleased with the progress made and the results from our first two tenders.

The compelling investment case for diamonds continues, with the market widely predicted by analysts to slip into a major supply deficit within the next five years, due to the lack of significant new production coming on stream. At our recent tenders diamond prices recovered from the weaker prices recorded during the financial year and, despite the turbulent events in the financial markets, many market participants believe that an increase in diamond prices is overdue.

The highlights of a very productive year, set out by division, are outlined below.

***Results***

The loss for the year amounted to US$20.9 million (30 June 2006: US$18.8m) after amortisation of intangibles of US$3.7m (30 June 2006: US$2.8m), exchange losses of US$4.8m (30 June 2006: US$6.1m), and depreciation of US$6.5m (30 June 2006: US$5.7m).

Revenue generated by the South African mines decreased from $20.9 million in the previous year to $16.7 million for the 2007 financial year (the balance of revenue for the year of US$300,000 being non-beneficiation revenue at Calibrated Diamonds). Revenue from the fissure mines was negatively impacted due to delays in the commissioning of the processing plant at Sedibeng. However, these stockpiled carats will be released in the current period as the plant is now fully operational. Skills shortages at Helam resulted in its production targets not being reached; this skills shortage has now been largely addressed and Helam production is back on track.

The Koffiefontein acquisition was expected to be completed in all respects before June 2007, but the last administrative conditions were met in July 2007, post year end; had this occurred pre 30 June as expected, revenue to June 2007 would have been $9.9 million higher. Although Petra extracted ore as part of the cave maintenance and plant testing programme and processing of the ore commenced in May, diamond sales could not be made until all conditions were met. Therefore Koffiefontein production of 44,423 carats to June 2007 has been included in diamond inventory at a cost of $3.5 million and a gross profit of US$6.4 million will be realised in the financial year ending 30 June 2008.

On-mine gross profit for the year would have significantly surpassed the previous year's achievement of $3.3 million had Koffiefontein's sales been realised, with an estimated $6.4 million being added to the current year's gross profit on-mine of $1.3 million.

The Group prides itself in its low operational cost culture and the benefits were evident at all operations in the current period.

A charge of US$3.7 million (30 June 2006: US$2.8m) for amortisation of intangibles, is in respect of the amortisation of prospecting licences held by Sekaka Diamonds (Pty) Limited, the Group's Botswana operating company. IFRS requires that the cost of the licences be written off over their estimated life, which the Board has estimated to be four years.

Group net cash inflow for the period is stated after taking account of capitalised mining development cash outflows in Sierra Leone of US$3.8 million (30 June 2006: US$4.1m), other capital expenditure (mainly in respect of the South African operations) for the period of US$5.0 million (30 June 2006: US$4.2m), acquisitions of new operations for US$1.9 million, cash inflows from the US$20 million Al Rajhi Holdings convertible bond and US$36.1 million from the issue of new shares, mainly due to a US$34.3 million (£17.5 million) placing with Saad Investments.

At June 2007, our cash position was US$44.1 million. This was further bolstered in August 2007 by the sale to BHP Billiton of 25% of Frannor Investments and Finance Limited ("Frannor") for US$22.35m. As at 30 September 2007, Petra had cash balances of US$65 million.

***South Africa***

The South African operations increased production by 3.1% from 175,011 carats (June 2006) to 180,474 carats for the year to 30 June 2007. Second half production (108,546 carats) saw a substantial increase on the first half (71,928 carats), due largely to the production contribution from Koffiefontein (44,423 carats) in closing inventory. The capacity and engineering improvements put in place at our fissure mines, including the commissioning of the refurbished plant at Star towards the end of December 2006 and the construction of the new plant at Sedibeng, completed in May 2007, will deliver upside in the year to June 2008.

With the acquisition of Koffiefontein and the conditional agreement to acquire Kimberley Underground, we are now on track to increase Group production from our South African operations to 400,000 carats per annum by FY 2008/9. Increasing our production will not only add to the upside of the major exploration projects within the Group, it will also deliver steady earnings growth.

The Company today announced a substantial increase in reserves and resources, an important development as, just like other mining companies, diamonds 'in the ground' is a key contributor to company value and potential.

Petra announced an updated JORC compliant statement of the Group's South African reserves and resources in respect of the Koffiefontein, Helam, Sedibeng and Star mines. The total carat base increased 101% to 9.3 million carats attributable, compared to that last reported in May 2005 of 4.6 million carats. The corresponding in-situ value is calculated to be US$1.5 billion. This increase in total carat base was largely due to the acquisition of Koffiefontein as well as a review of the fissure mines.

***Koffiefontein***

We were selected by De Beers as the successful purchasers of Koffiefontein (December 2006) and Kimberley Underground (September 2007) following rigorous selection processes. Koffiefontein brought a world class diamond mine to the Group, in line with our strategy of growing production.

The Company had been, with permission from the South African Department of Minerals and Energy ("DME"), maintaining the cave at Koffiefontein since July 2006. This was a very valuable period as it enabled the Petra team to gain a thorough working knowledge of the mine, optimise and test the plant and streamline operations. As the conditions within the purchase agreement meant that diamonds could not be sold until all conditions had been met, which occurred in July, extracted ore is included in June's closing stock.

Since the financial year end, Petra has commenced sales of diamonds recovered from the ore extracted during this preparatory period. Whilst Koffiefontein is renowned for the exceptional quality and value of its diamonds, the results of both tenders held since June exceeded management expectations. Based on historical production and sales information, Petra had assumed an average of US$245 per carat for Koffiefontein underground production (excluding tailings). The first tender achieved an average of US$410 per carat and the second a similar average of US$420 per carat. Two exceptional stones of 74.7 and 60.25 carats were sold for US$1,012,636 and US$735,885 respectively. Excluding these stones from average values, we recorded an average of $367 and $334 per carat for the first and second tenders respectively.

The acquisition of Koffiefontein was important to Petra, but bringing the mine back into production was critical to the local community. Since we have recommenced operations, we have created approximately 400 new jobs which, combined with the multiplier effect of mining, will provide a crucial boost to the local economy. We would like to extend our thanks to both the DME and De Beers for their support in ensuring a successful outcome for all stakeholders.

***Kimberley Underground***

The acquisition and integration of Koffiefontein served as the blueprint for our second deal with De Beers, when on 14 September 2007 we entered into a conditional agreement to buy the Kimberley Underground mines (together the Wesselton, Du Toitspan and Bultfontein mines) ("Kimberley Underground") in South Africa.

Based on historical production and sales information, Petra expects annual sales from Kimberley Underground in excess of 100,000 carats at an average of US$160 per carat once full production is recommenced, giving gross annual revenues in excess of US$16 million and a life of mine of at least 12 years.

The consideration of R78.5 million (US$11 million) is to be settled by Petra assuming De Beers` rehabilitation obligations with regards to Kimberley Underground of R63.5 million (US$8.9 million), and the payment in cash by Petra to De Beers of R15 million (US$2.1 million).

***Angola***

Angola is undoubtedly one of the most prospective countries in Africa for diamond exploration, expected by many to yield the world's next large kimberlite diamond mine. Petra has interests in both Project Alto Cuilo and Project Luangue, situated in the Kasai Craton diamond belt of the country.

***Project Alto Cuilo***

Exploration at Alto Cuilo entered the next phase in January 2007 with the commencement of the Large Diameter Drilling ("LDD") and Mini Bulk Sampling ("MBS") campaigns. The MBS programme is of particular importance as it is the next step in estimating the economic viability of the many kimberlites at Alto Cuilo and their potential to be developed into mines.

The first mini bulk sample results were a major milestone in the development of Alto Cuilo. The first priority kimberlite to be tested was AC63 and we were pleased to report intersections of 22.7 cpht over 90 metres, peaking at a grade of 35.5 cpht over 30 metres, along with other high grade zones. These results mean that AC63 is likely to be further investigated by geophysical techniques and sampled again at a later stage of the MBS campaign. The second kimberlite to be sampled, AC98, recorded similarly encouraging results, including intersections of 33.13 cpht over 33 metres, 12.1 cpht over 137 metres and 10.8 cpht over 90 metres.

We continue to be pleased with the unusually high discovery rate for kimberlites at Alto Cuilo and there are now 77 confirmed kimberlites (July 2006: 50 confirmed kimberlites) out of a total of 99 targets drilled, a success rate of 78%. Micro diamond analysis has been carried out to date on 15 kimberlites of which 13 have proved diamondiferous; these success rates are very high by world diamond exploration standards. Following micro diamond analysis, we are then in a position to target further kimberlites for the MBS campaign.

Given the volume, size and complex internal morphology of these kimberlites, we have embarked on a ground geophysical programme of Natural Source Audio Magneto Tellurics (NSAMT) and gravity in order to get a better understanding of the ore bodies. This strategy is proving to be very effective in assisting with the placement of the LDD holes and the core drilling programme continues apace, with three drill rigs now working round the clock at Alto Cuilo, taking core samples from kimberlite bodies for mineral chemistry analysis.

The MBS programme has importantly served to vindicate Petra's exploration model as prospective areas can be identified using initial Heavy Mineral Analysis before selection for drilling. In order to accelerate the pace of the mini bulk sampling, a second LDD rig has been secured and is currently en route to Alto Cuilo. We anticipate regular news flow with regards to results from the next drill targets.

Alto Cuilo is a 'major' project in all senses of the word, with a large footprint (in excess of 1,500 hectares) and a much higher number of prospective kimberlites to be investigated than are found in most other diamond exploration projects. It is for this reason that we welcome the technical, financial and strategic input of our joint venture partner BHP Billiton. This partnership is ensuring that Alto Cuilo is developed in as fast a timeframe as possible, and as at September 2007 BHP Billiton had provided funding of US$52.2 million (June 2006: US$ 22.8 million), a very significant exploration spend.

I would like to extend our gratitude to the Angolan state diamond body, Endiama, for their continued support.

***Project Luangue***

In March 2007, Petra announced the acquisition of Frannor in an all share transaction from AIM quoted Xceldiam Limited. Frannor holds interests in the Luangue concession which borders the northern side of Alto Cuilo, and has both kimberlite and alluvial potential.

The acquisition is very significant as it entrenches the Company's position in the diamond belt of north east Angola, an area widely believed to host major diamond deposits. Furthermore it is Petra's belief that Luangue is as prospective as Alto Cuilo, sharing as it does the same geology which pays no heed to licence boundaries.

This view was further substantiated by the entry of BHP Billiton into Frannor in August 2007. Through a new joint venture agreement with Petra, BHP Billiton acquired a 25% stake in Frannor from Petra for a cash consideration of US$22.35 million and agreed, in order to earn-in to 75% of the joint venture, to sole fund the exploration programme to the later of the completion of a BHP Billiton standard pre-feasibility study and a minimum expenditure commitment of three times Petra's net investment cost at Luangue.

Petra and BHP Billiton will now jointly manage and develop Luangue with the objective of accelerating the pace of exploration. Of key importance is the extensive experience and knowledge gained from the exploration programme at Alto Cuilo, which will be applied to develop Luangue's considerable potential.

The next step in the Luangue exploration programme is the analysis of a 'towed bird' helicopter borne, low level, gradient array aeromagnetic survey. This survey should generate a substantial amount of new anomalies with high data quality in addition to the 106 magnetic anomalies previously identified.

From alluvial operations carried out to date, 2,004 carats have been recovered, with the largest stone being 18.29 carats. It is worth noting that the alluvial potential at Luangue is significantly higher than at Alto Cuilo. There are many advantages to alluvial mining, particularly the prospect of lower capital costs combined with a faster route to production, and Angola's alluvials are regarded as some of the best quality gem diamonds in the world.

***Botswana***

There are now more than 20 international mining companies carrying out exploration programmes in Botswana, and with sound reason. Botswana is already the world's largest diamond producer by value but we believe, as do our competitors, that modern exploration techniques hold the key to the discovery of new, large kimberlite mines.

Petra has the largest area under diamond prospecting licence in Botswana, of approximately 52,000km², all of which is "on craton". We are particularly excited by the potential of prospecting licences granted in the vicinity of the major Jwaneng diamond mine, which hold two previously identified kimberlites, DK4 and DK6, both of which are diamondiferous.

The Kalahari exploration programme has progressed well and our first drilling programme commenced in the period under review. Results from the 600 metre diameter gravity negative anomaly have confirmed that the surface area of the kimberlite with the anomaly is likely to be significantly larger than previously accepted. Likewise, at the Kukama project, our initial drilling campaign, supported by geophysical interpretation, has established that diamondiferous kimberlite 173S could be 25 hectares in size. This kimberlite has the potential to be a substantial deposit, although the grade over the majority of it is at this stage untested.

One of the most exciting developments in our Botswana exploration programme was the discovery of a new kimberlite, X25, in an area which has previously been intensively explored by other reputable exploration companies since the early 1980's. This is very significant as it demonstrates the opportunities presented in Botswana when using modern exploration techniques. The next stage of our programme is to complete a detailed ground geophysical programme in the area showing the most promising kimberlite indicator minerals, to be followed up by a drilling programme towards the end of the year.

We have an array of highly prospective targets to be further investigated and we will continue to run a focused exploration programme. A 55,000 line kilometre low level, gradient array magnetic survey has been commissioned over the Kukama project and a 5,000 metre drilling programme has been commissioned to test anomalies detected in our Orapa North, Gope, Kukama and Mabutsane project areas. Additional drilling will be scheduled to test the kimberlites in the Jwaneng and Kukama areas, as well as the largest kimberlite in the Kikao field, which is 700 metres in diameter.

***Sierra Leone***

Great strides have been made in the development of the Kono Project in Sierra Leone, where test work has moved into the final phase. Petra has developed a series of exploration shafts and trial mining has now commenced, with the aim of better understanding the grade and structure of the fissures.

This year will be critical to establishing whether we have an economic mine at Kono and the results from our development work to date are very encouraging. By September 2007, we established trial mining on three shafts and had recovered some 2,809 diamonds totaling 241.7 carats. Crucially, our operations had also started to encounter much better, consistent widths of kimberlite, along with excellent in-situ kimberlite grades of between 50 and 80 cpht. These results, combined with the rapid advance gained in our understanding the fissures at Kono, all serve to increase our confidence in the positive potential of this project.

Petra now plans to extract a 1,000 tonne bulk sample from each of the three shafts with the aim of establishing possible run-of-mine grades, diamond values and the other parameters required for a scoping study. Given the nature of our development work, the Company now has the plant and related infrastructure in place to fast track the project towards production, possibly within 12 to 18 months.

Petra's interest in Kono is 51%, with its joint venture partner Stellar Diamonds Limited, a 68.5% owned subsidiary of Mano River Resources Inc, holding the remaining 49%, and each party funds the project as per its percentage holding.

***Move into cutting and polishing - Calibrated Diamonds***

In November 2006, Petra made a strategic move into the cutting and polishing ('beneficiation') of diamonds with the acquisition of Calibrated Diamonds Investments Holding ("Calibrated Diamonds"). This acquisition gives Petra the in-house capability to cut and polish its own rough diamond production, which in turn will directly impact Petra's bottom line given the value uplift in a polished stone compared to the rough form.

Petra acquired Calibrated Diamonds as it saw an important opportunity to take a step further down the diamond pipeline value chain. Petra will not enter the retailing business, but will add significant value for shareholders by taking a proportion of our production to the cutting and polishing stage.

Calibrated Diamonds' proprietary laser cutting process has significant advantages over traditional cutting and polishing methodology, producing stones to a very high and consistent standard. Calibrated Diamonds' cut and polished stones are a premium product, producing the highly sought after 'hearts and arrows' quality which is rarely achieved by conventional means. As such, given the scarcity in the global market for this product, we believe there will be strong demand.

Calibrated Diamonds' transition from focused research and development and pilot production to full scale, commercial production facilities is progressing well. The company is currently in the build up phase, cutting around 120 carats per month of Petra rough and building up capacity by bringing more machines on line. We expect to be cutting approximately 2,500 carats of rough production per month by mid 2008.

### *Objectives and Strategy*

Petra's objective remains to grow our stature as a world class diamond producer. By offering investors exposure to a mid-tier diamond group with production cash flows and major exploration projects, we believe we can deliver superior returns to our shareholders.

Though Petra established its position on AIM before the mining boom took hold and is AIM's leading diamond group, we are now in the midst of a 'diamond rush', as characterised by the many diamond companies which have recently sought to raise money and acquire a public listing in London. This is due to the shift of power in the diamond industry, which has seen the field open up to new players, and the dramatic restructuring of the diamond pipeline. Improving conditions in many of the most promising African countries, such as Angola, the DRC and Sierra Leone, have also precipitated a wealth of opportunities.

Our focus going forward remains Africa, where we have built up 10 years expertise, and where a spirit of partnership, agility and entrepreneurial flair have been the building blocks of our success.

### *Social and Environmental Responsibility*

Petra believes that social and environmental stewardship is of the utmost importance when developing mining projects, particularly in Africa where a resources project might be the primary economic contributor to the local community. This is the case with many of our projects, which are located in remote areas with few opportunities for employment.

We believe that it is our responsibility to help improve the lives of the communities in the areas in which we operate and we have a range of social initiatives in place to continue making a meaningful impact on the lives of our employees and the surrounding communities.

With regards to all of our projects, we are very concerned with environmental protection and rehabilitation, and ensure that all operations are conducted in line with international best practice.

### *Staff*

The development of the Group over the past year has been quite exceptional and I thank everyone at Petra for their individual contributions to this success. Petra is a vibrant group, reflecting the countries in which we operate, and I continue to be grateful for the hard work and energy that drives the Company forward.

### *Outlook*

There have been significant developments for Petra since the end of our financial year, not least the formal completion of the acquisition of Koffiefontein and more recently our successful selection as the acquirer of Kimberley Underground. Revenues for the three months to 30 September 2007 have already reached US$15.9m, only US$1.1m less than that for the full year to June 2007.

With expected production of 250,000 carats for the year to 30 June 2008, an increase in our South African reserves and resources (not including Kimberley Underground) to 9.3 million carats, a strong background for diamond prices and encouraging progress across our development projects in Angola, Botswana and Sierra Leone, Petra's prospects for the current financial year and beyond are extremely encouraging.

***Adonis Pouroulis***
***Chairman***
***8 October 2007***

**PETRA DIAMONDS LIMITED - PRELIMINARY RESULTS**
**CONSOLIDATED INCOME STATEMENT**
**FOR THE YEAR ENDED 30 JUNE 2007**
**(UNAUDITED)**

| | Notes | **2007** | 2006 |
|---|---|---|---|
| | | **US$** | US$ |
| **Revenue** | | **17,048,794** | 20,868,757 |
| Cost of sales | 4 | **(21,003,936)** | (23,178,587) |
| **Gross loss** | | **(3,955,142)** | (2,309,830) |
| Exploration expenditure | 5 | **(6,091,669)** | (4,924,437) |
| Operating expenditure | 6 | **(11,242,520)** | (12,596,449) |
| Financial income | | **654,151** | 411,107 |
| Financial expense | | **(2,222,980)** | (565,201) |
| Net financing costs | 7 | **(1,568,829)** | (154,094) |
| **Loss before tax** | | **(22,858,160)** | (19,984,810) |
| Income tax expense | | **1,909,234** | 1,120,354 |
| **Loss for the year** | | **(20,948,926)** | (18,864,456) |
| **Basic and diluted loss per share – US cents** | 8 | **(13.60)** | (13.11) |

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**
**FOR THE YEAR ENDED 30 JUNE 2007**

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| Exchange differences on translation of foreign operations | **8,677,941** | 1,561,653 |
| Net income recognised directly in equity | **8,677,941** | 1,561,653 |
| Loss for the year | **(20,948,926)** | (18,864,456) |
| Total recognised income and expense for the year | **(12,270,985)** | (17,302,803) |

**PETRA DIAMONDS LIMITED - PRELIMINARY RESULTS**
**CONSOLIDATED BALANCE SHEET**
**FOR THE YEAR ENDED 30 JUNE 2007**
**(UNAUDITED)**

| | Notes | 2007 US$ | 2006 US$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property, plant and equipment | | **84,872,711** | 70,831,324 |
| Intangible assets | | **72,816,432** | 13,105,561 |
| Investment in associates | | **-** | - |
| Available for sale assets – listed | | **70,136** | 1,271,410 |
| Other receivables | | **151, 987** | 164,402 |
| **Total non-current assets** | | **157,911,266** | 85,372,697 |
| **Current assets** | | | |
| Inventories | | **8,900,532** | 2,197,605 |
| Trade and other receivables | | **14,822,729** | 2,760,378 |
| Cash and cash equivalents | | **44,124,829** | 7,019,644 |
| **Total current assets** | | **67,848,090** | 11,977,627 |
| **Total assets** | | **225,759,356** | 97,350,324 |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 9 | **36,360,403** | 27,031,103 |
| Share premium account | 9 | **227,366,888** | 123,189,903 |
| Foreign currency translation reserve | 9 | **(6,136,854)** | 2,541,087 |
| Share based payment reserve | 9 | **1,527,000** | 972,962 |
| Other reserves | 9 | **4,003,682** | - |
| Accumulated loss | 9 | **(102,557,593)** | (81,608,667) |
| **Total equity** | | **160,563,526** | 72,126,388 |
| | | | |
| **Non current liabilities** | | | |
| Loans and borrowings | | **3,103,252** | 2,914,960 |
| Trade and other payables | | **2,800,506** | 867,823 |
| Provisions | | **9,852,535** | 1,697,756 |
| Deferred tax liabilities | | **9,551,924** | 9,932,634 |
| **Total non-current liabilities** | | **25,308,217** | 15,413,173 |
| **Current liabilities** | | | |
| Loans and borrowings | | **27,755,710** | 1,149,646 |
| Trade and other payables | | **9,821,436** | 6,658,735 |
| Provisions | | **2,310,467** | 2,002,382 |
| **Total current liabilities** | | **39,887,613** | 9,810,763 |
| **Total liabilities** | | **65,195,830** | 25,223,936 |
| **Total equity and liabilities** | | **225,759,356** | 97,350,324 |

**PETRA DIAMONDS LIMITED - PRELIMINARY RESULTS**
**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 30 JUNE 2007**
**(UNAUDITED)**

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| **Loss before taxation for the year** | **(22,858,160)** | (19,984,810) |
| Depreciation of property plant and equipment – exploration | **1,115,782** | 35,687 |
| Depreciation of property plant and equipment – mining | **5,274,209** | 5,630,717 |
| Depreciation of property plant and equipment – other | **113,283** | 40,573 |
| Amortisation of intangible assets | **3,740,928** | 2,832,355 |
| (Profit)/loss on sale of property plant and equipment | **(81,852)** | 26,717 |
| Interest received | **(654,151)** | (411,107) |
| Interest paid | **1,307,715** | 565,201 |
| Present value adjustment on rehabilitation provision | **186,121** | 140,783 |
| Share based payment reserve | **749,406** | - |
| Foreign exchange loss | **4,811,205** | 6,114,780 |
| **Operating loss before working capital changes** | **(6,295,514)** | (5,009,104) |
| (Increase) / decrease in trade and other receivables | **(12,031,562)** | 140,515 |
| Increase / (decrease) in trade and other payables | **13,747,215** | (3,604,742) |
| (Increase) in inventories | **(6,133,588)** | (792,440) |
| **Cash utilised in operations** | **(10,713,449)** | (9,265,771) |
| Interest paid | **(1,307,715)** | (565,201) |
| Net cash utilised by operating activities | **(12,021,164)** | (9,830,972) |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property, plant and equipment | **568** | 41,447 |
| Acquisition of subsidiary net of cash acquired | **1,934,936** | 5,560,464 |
| Interest received | **654,151** | 411,107 |
| Acquisition of investments | **-** | (1,271,410) |
| Acquisition of property, plant and equipment | **(5,086,569)** | (4,152,748) |
| Development expenditure | **(3,847,301)** | (4,069,863) |
| Net cash from investing activities | **(6,344,215)** | (3,481,003) |
| **Cash flows from financing activities** | | |
| Net proceeds from the issue of share capital | **36,087,171** | 469,404 |
| Increase / (decrease) in long term borrowings | **19,424,564** | (7,605,319) |
| Net cash from financing activities | **55,511,735** | (7,135,915) |
| **Net increase / (decrease) in cash and cash equivalents** | **37,146,356** | (20,447,890) |
| Cash and cash equivalents at beginning of the year | **7,019,644** | 27,591,394 |
| Effect of exchange rate fluctuations on cash held | **(41,171)** | (123,860) |
| **Cash and cash equivalents at end of the year** | **44,124,829** | 7,019,644 |

## 1. BASIS OF PREPARATION

The Group financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board. The functional currency of the Group's business transactions in Angola, Botswana, and Sierra Leone and South African diamond sales are US Dollars. References to transactions in South African Rand (ZAR) are denoted by an R. The reporting currency of the group is US Dollars

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. Areas where management have made judgments, estimates and assumptions relate to decommissioning, mine closure, environmental rehabilitation, compound financial instruments and share based payments.

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

## 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.

Beneficiation - cutting and polishing of rough diamonds.

| Business segments | Mining | Exploration | Beneficiation | Consolidated |
|---|---|---|---|---|
| | 2007 | 2007 | 2007 | 2007 |
| | US$ | US$ | US$ | US$ |
| Revenue from external customers | 16,712,146 | 336,648 | - | 17,048,794 |
| Segment result | (5,851,790) | (3,495,749) | (84,877) | (9,432,416) |
| Operating loss | (8,852,808) | (11,837,295) | (599,228) | (21,289,331) |
| Financial income | - | 647,767 | 2,384 | 644,151 |
| Financial expense | (1,140,030) | (1,082,950) | - | (2,222,980) |
| Income tax | 1,909,234 | - | - | 1,909,234 |
| Loss for year | (8,083,604) | (12,268,478) | (596,844) | (20,948,926) |
| Segment assets | 87,227,690 | 137,374,026 | 1,157,640 | 225,759,356 |
| Total assets | 87,227,690 | 137,374,026 | 1,157,640 | 225,759,356 |
| Segment liabilities | 32,165,070 | 32,108,430 | 922,330 | 65,195,830 |
| Total liabilities | 32,165,070 | 32,108,430 | 922,330 | 65,195,830 |
| Cash flows from operations | (10,053,291) | (954,401) | (1,013,472) | (12,021,164) |
| Cash flows from investing | (5,212,480) | (1,134,119) | 2,384 | (6,344,215) |
| Cash flows from financing | (3,514,530) | 57,698,000 | 1,328,265 | 55,511,735 |
| Capital expenditure | 4,818,397 | 4,115,473 | - | 8,933,870 |
| Depreciation and amortisation | 5,274,209 | 4,885,117 | 84,876 | 10,244,202 |
| Impairment losses | - | - | - | - |

| Geographical segments | Angola | Botswana | South Africa | Sierra Leone | Jersey | Consolidated |
|---|---|---|---|---|---|---|
| | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 |
| | US$ | US$ | US$ | US$ | US$ | US$ |
| Revenue from external customers | - | - | 16,712,146 | - | 336,648 | 17,048,794 |
| Segment assets | 52,318,248 | 9,318,811 | 106,890,457 | 8,369,539 | 48,862,301 | 225,759,356 |
| Segment liabilities | 12,988 | 54,787 | 40,439,879 | 3,165,035 | 21,523,141 | 65,195,830 |
| Cash flows from operations | (19,864) | 1,638,195 | (8,757,883) | (687,205) | (4,194,407) | (12,021,164) |
| Cash flows from investing | 4,684 | (149,153) | (4,727,703) | (3,847,301) | 2,375,258 | (6,344,215) |
| Cash flows from financing | 101,158 | 3,093,099 | (2,447,727) | 3,847,301 | 50,917,904 | 55,511,735 |
| Capital expenditure | - | (155,132) | (4,818,397) | (3,847,301) | (113,040) | (8,933,870) |
| Impairment losses | - | - | - | - | - | - |

| Business segments | Mining | Exploration | Eliminations | Consolidated |
|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 |
| | US$ | US$ | US$ | US$ |
| Revenue from external customers | 20,868,757 | - | - | 20,868,757 |
| Segment result | (2,309,829) | (14,968,544) | - | (17,278,373) |
| Operating profit/(loss) | (4,862,172) | (14,968,544) | - | (19,830,716) |
| Net financing income/(costs) | (1,178,884) | 1,024,790 | - | (154,094) |
| Income tax expense | 1,120,354 | - | - | 1,120,354 |
| Profit/(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 | - | - | - | - |

| Geographical segments | Angola | Botswana | South Africa | Sierra Leone | Jersey | Consolidated |
|---|---|---|---|---|---|---|
| | 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 |
| Segment Liabilities | - | 1,712,936 | 23,511,000 | - | - | 25,223,936 |
| 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) |
| Cash flows from financing | - | 357,254 | (712,276) | 4,069,864 | (10,850,757) | (7,135,915) |
| Capital expenditure | - | 60,472 | 4,092,276 | 4,069,863 | - | 8,222,611 |
| Impairment losses | - | - | - | - | - | - |

The Group commenced beneficiation activities effective 27 November 2006 on the acquisition of Calibrated Diamonds Investment Holdings (Pty) Limited. Therefore there are no comparative numbers for the year to 30 June 2006.

## 3. ACQUISITIONS OF SUBSIDIARIES

### 3 (a) Acquisition of subsidiaries

**Calibrated Diamonds Investment Holdings (Pty) Limited**

On 27 November 2006, the Company acquired the issued share capital in Calibrated Diamonds Investment Holdings (Pty) Limited ("CDIH"), for $2,334,665, satisfied by a cash payment. CDIH is focused on the cutting and polishing ('beneficiation') of rough diamonds utilising a unique process developed by the CDIH Group, which enables CDIH to produce polished diamonds of a very high and consistent standard. In the seven months to 30 June 2007, CDIH made a loss of $596,844. If the acquisition had occurred on 1 July 2006, the Group's loss for the period ending 30 June 2007 would have increased by $982,534.

**Effect of the acquisition**

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

| Calibrated Diamonds Investment Holdings net assets at acquisition date: | **Book Values** | **Fair Value Adjustments** | **Carrying Values** |
|---|---|---|---|
| | US$ | US$ | US$ |
| Fair value of net assets of entity acquired | | | |
| Intellectual property | 362,689 | 3,157,017 | 3,519,706 |
| Plant & Equipment | 283,985 | - | 283,985 |
| Cash assets | 9,185 | - | 9,185 |
| Receivables | 30,446 | - | 30,446 |
| Inventory | 345,537 | - | 345,537 |
| Deferred tax liability | - | (709,717) | (709,717) |
| Accruals and payables | (62,079) | - | (62,079) |
| Non interest bearing non-current liabilities | (1,082,398) | - | (1,082,398) |
| Consideration amount satisfied in cash | (112,635) | 2,447,300 | 2,334,665 |
| | | | |
| Total fair value of assets acquired | | | 2,334,665 |
| Consideration (amount settled in cash) | | | 2,334,665 |
| Goodwill | | | - |

The fair value adjustment of $2,447,300 arose as a result of the premium attributable to the Intellectual Property purchased from Calibrated Diamonds Investment Holdings (Pty) Limited. The allocation of the premium to intellectual property is deemed to be provisional.

**3 (b) Acquisition of assets**

**Frannor Investments & Finance Limited**

The Company acquired the issued share capital in Frannor Investments & Finance Ltd (“FBVI”), for US$60,684,720, effective 1 March 2007. The consideration was satisfied by the issue of 19,674,584 Petra shares. FBVI, through its wholly owned subsidiary, Frannor Investments and Financing (Pty) Limited ("FRSA"), holds a 40% and 39% interest in the Luangue alluvial and kimberlite prospecting licences respectively in Angola together with its Angolan partners. In the three months to 30 June 2007, FBVI recorded an exploration loss of US$85. If the acquisition had occurred on 1 July 2006, the Group's loss for the period ending 30 June 2007 would have decreased by $9,229.

**Effect of the acquisition**

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

| Frannor Investments & Finance Limited net assets at acquisition date: | **Book Values** | **Fair Value Adjustments** | **Carrying Values** |
|---|---|---|---|
| | US$ | US$ | US$ |
| Fair value of net assets of entity acquired | | | |
| Plant & Equipment | 1,456,368 | - | 1,456,368 |
| Prospecting licences | 14,962,850 | 42,341,130 | 57,303,980 |
| Cash | 1,925,751 | - | 1,925,751 |
| Accruals and payables | (1,379) | - | (1,379) |
| Consideration amount satisfied in cash | 18,343,590 | 42,341,130 | 60,684,720 |

The fair value adjustment of $42,341,130 arose as a result of the revaluation of the Prospecting licences purchased from Frannor Investments & Finance Limited. The allocation of the premium to prospecting licences is deemed to be provisional.. Deferred taxation has not been provided on the acquisition of the companies as the transaction was not deemed to be a business combination in accordance with IFRS 3.

**Acquisition of Koffiefontein Diamond Mine Assets**

In December 2006 Petra entered into a conditional agreement with De Beers Consolidated Mines Limited ("De beers") to acquire the mining and associated capital assets (“the Assets”) previously used by De Beers in the operation of the Koffiefontein diamond mine (“Koffiefontein”) in South Africa. The consideration for the Assets was R81,921,585 ($11,612,506), settled by way of Petra assuming De Beers’ rehabilitation obligations at Koffiefontein amounting to R80,021,583 ($11,343,178), plus the payment in cash by Blue Diamond Mines (Petra’s operating subsidiary in South Africa) to De Beers of R1,900,000 ($269,328). Deferred taxation has not been provided on the acquisition of the assets as the transaction was not deemed to be a business combination in accordance with IFRS 3.

**Effect of the acquisition**

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

| Koffiefontein diamond mine net assets at date of acquisition: | **Book Values** | **Fair Value Adjustments** | **Carrying Values** |
|---|---|---|---|
| | US$ | US$ | US$ |
| Fair value of net assets of entity acquired | | | |
| Land | 508,723 | - | 508,723 |
| Plant and residential houses | 1,769,018 | - | 1,769,018 |
| Mining property, plant and equipment | 8,478,821 | - | 8,478,821 |
| Underground development | 611,332 | - | 611,332 |
| Non-mining property, plant and equipment | 20,810 | - | 20,810 |
| Inventory | 223,802 | - | 223,802 |
| Environmental liabilities | (11,343,178) | - | (11,343,178) |
| Consideration amount satisfied in cash | 269,328 | - | 269,328 |

## 4. COST OF SALES

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| Raw materials and consumables used | **8,109,941** | 6,292,071 |
| Employee expenses | **13,020,423** | 12,214,540 |
| Depreciation of mining assets | **5,274,209** | 5,630,717 |
| Changes in inventory of finished goods | **(5,400,637)** | (958,741) |
| | **21,003,936** | 23,178,587 |

## 5. EXPLORATION EXPENDITURE

| | | |
|---|---|---|
| Employee expenses | **323,107** | 313,182 |
| Depreciation of exploration assets | **1,115,782** | 35,687 |
| Amortisation of intangible assets | **3,740,928** | 2,832,355 |
| Drilling costs | **243,717** | 1,277,973 |
| Equipment hire | **6,722** | 207,689 |
| Other exploration costs | **661,413** | 257,551 |
| | **6,091,669** | 4,924,437 |

## 6. OTHER OPERATING EXPENDITURE

| | | |
|---|---|---|
| Auditors' remuneration | | |
| - Current auditors | | |
| - audit services | **195,437** | **-** |
| - other services | **19,394** | **-** |
| - Previous auditors | | |
| - audit services | **-** | **368,132** |
| Depreciation of property plant and equipment | **113,283** | **40,573** |
| Foreign exchange losses | **4,811,205** | **6,114,780** |
| Operating lease rentals | **153,739** | **222,257** |
| Employee expenses | **1,888,271** | **1,804,326** |
| Corporate activity expenditure | **55,293** | **359,743** |
| Loss/(profit) on disposal of property plant and equipment | **(81,852)** | **26,717** |
| Administration expenses – mining operations | **1,794,312** | **1,421,192** |
| Other charges | **1,856,098** | **1,620,437** |
| Share based options | | |
| - directors | **253,656** | **349,303** |
| - senior management | **183,684** | **268,989** |
| | **11,242,520** | **12,596,449** |

## 7. NET FINANCING COSTS

| | **2007**<br>**US$** | 2006<br>US$ |
|---|---|---|
| On bank loans and overdrafts | **(813,377)** | **(412,485)** |
| Other debt finance costs | **(1,409,603)** | **(152,716)** |
| Financial expense | **(2,222,980)** | **(565,201)** |
| Interest received | **654,151** | **411,107** |
| | **(1,568,829)** | **(154,094)** |

## 8. LOSS PER SHARE

| | **2007**<br>**US$** | 2006<br>US$ |
|---|---|---|
| Loss for the year | **20,948,926** | 18,864,456 |
| Weighted average number of ordinary shares | | |
| As at 1 July | **143,916,416** | 73,937,847 |
| Effect of shares issued during the period | **10,103,075** | 69,978,569 |
| As at 30 June | **154,019,491** | 143,916,416 |

| | Shares | Shares |
|---|---|---|
| Basic weighted average number of ordinary shares in issue | **154,019,491** | 143,916,416 |

| | US cents | US cents |
|---|---|---|
| Basic loss per share – cents | **(13.60)** | (13.11) |

Due to the Group's loss for the year, the diluted loss per share is the same as the basic loss per share. The number of potentially dilutive ordinary shares, in respect of employee share options and warrants is 22,231,000. These potentially dilutive ordinary shares may have a dilutionary effect on future earnings per share.

## 9. RESERVES

| | Share capital | Share premium account | Foreign currency translation reserve | Share based payment reserve | Other reserves | Accumulated loss | Total |
|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| At 1 July 2005 | 23,500,190 | 101,775,127 | 4,102,740 | - | - | (62,393,694) | 66,984,363 |
| Implementation of IFRS 2 | - | - | - | 354,670 | - | (354,670) | - |
| Restated balance at 1 July 2005 | 23,500,190 | 101,775,127 | 4,102,740 | 354,670 | - | (62,748,364) | 66,984,363 |
| Loss for the period | - | - | - | - | - | (18,864,456) | (18,864,456) |
| Equity settled based share payments | - | - | - | 618,292 | - | - | 618,282 |
| Exchange differences | - | - | (1,561,653) | - | - | 4,153 | (1,557,500) |
| Premium allotments during the year | 3,347,105 | 20,550,930 | - | - | - | - | 23,898,035 |
| Share issue costs | - | (57,472) | - | - | - | - | (57,472) |
| Convertible notes issued | 183,808 | 921,318 | - | - | - | - | 1,105,126 |
| At 30 June 2006 | 27,031,103 | 123,189,903 | 2,541,087 | 972,962 | - | (81,608,667) | 72,126,388 |
| | | | | | | | |
| At 1 July 2006 | 27,031,103 | 123,189,903 | 2,541,087 | 972,962 | - | (81,608,667) | 72,126,388 |
| Loss for the year | - | - | - | - | - | (20,948,926) | (20,948,926) |
| Equity settled share based payments | - | - | - | 554,038 | - | - | 554,038 |
| Equity portion of | - | - | - | - | 4,003,682 | - | 4,003,682 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| convertible bond | | | | | | | |
| Exchange differences | - | 14,706,573 | (8,677,941) | - | - | - | 6,028,632 |
| Premium allotments during the year | 9,329,300 | 90,200,058 | - | - | - | - | 99,529,358 |
| Share issue costs | - | (729,646) | - | - | - | - | (729,646) |
| At 30 June 2007 | 36,360,403 | 227,366,888 | (6,136,854) | 1,527,000 | 4,003,682 | (102,557,593) | 160,563,526 |

**10. CONVERTIBLE NOTE – UNSECURED**

On 19 September 2006 the Company issued a US$20 million unsecured interest free convertible bond ("the Convertible").The Convertible is convertible at an exercise price of 130 pence per Petra share at the election of the holder. If not converted, the Convertible is repayable in full on 18 September 2009. On 29 September 2006 the Company drew down on the Convertible.

| | **30 June 2007** | 30 June 2006 | **30 June 2007** | 30 June 2006 |
|---|---|---|---|---|
| Movements in convertible notes and bond | **Number** | Number | **US$** | US$ |
| Balance at beginning of year | **-** | 16,078,191 | **-** | 2,206,678 |
| Issue of convertible bond | **7,677,337** | - | **20,000,000** | - |
| Equity portion | **-** | - | **(4,003,682)** | - |
| Interest accreted for the year | **-** | - | **915,265** | - |
| Exchange differences | **-** | - | **-** | (94,399) |
| Redeemed during the period | **-** | (9,417,761) | **-** | (1,239,403) |
| Converted to ordinary Shares | **-** | (6,660,430) | **-** | (872,876) |
| Balance at the end of year | **7,677,337** | - | **16,911,583** | - |

**11. ANNUAL REPORT AND ACCOUNTS**

The results for the year ended 30 June 2007 are unaudited and do not constitute statutory accounts. The Report and Accounts for the year ended 30 June 2006, 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 2007 will be posted to shareholders in November 2007.