



## **PETRA DIAMONDS LIMITED**

### **QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTH PERIOD ENDED 31 December 2006**

(dateline 31 January 2007)

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Petra Diamonds Limited (“Petra” or “the Company” or “the Group”), the AIM-quoted and ASX-listed diamond mining group (AIM and ASX: PDL), announces its quarterly activities report (unaudited) for the three month period ended 31 December 2006.

#### **Highlights**

- Trading overview – the revenue of US\$8.2 million for the six months to December 2006 is marginally below management expectations due to weaker prices during the quarter; revenue in the six months to June 2007 is expected to be substantially higher due to:
  - (i) a significant contribution from the Koffiefontein mine, which will commence operations shortly; and
  - (ii) higher contributions from both Star and Sedibeng following the commissioning of new treatment and recovery plants for both operations in December 2006 and March 2007 respectively; and
  - (iii) a recovery in diamond prices as seen from the January 2007 tender
- Alto Cuilo, Angola – large diameter drilling operations continue in advance of plant treatment; 73 kimberlites now identified; first microdiamond results from drill cores sent for external specialist analysis have given encouraging microdiamond counts; analysis of drill core continues to give encouraging diamond indicator mineral chemistry (“minchem”) results
- Botswana – a 600 metre diameter negative gravity anomaly has been revealed by gravity data in the Kukama project area, over a previous identified kimberlite that returned a grade of 9.6 carats per hundred tonnes
- Kono project, Sierra Leone - encouraging diamond recoveries from mini samples of 443 diamonds totaling 43.03 carats
- South Africa – Petra announces acquisition of Koffiefontein mining and associated assets from De Beers and grant of mining licence in respect of the mine; production from the other South African mines increased to 36,326 carats for the quarter (quarter to September 2006: 35,602 carats)
- Corporate - Petra acquires Calibrated Diamonds, giving the Company the ability to cut and polish its own production and significantly enhance revenues; Ken Axsel, formerly Country Head South Africa - International Diamond and Jewellery Group - ABN Amro Bank, joined CDIH in January 2007, alongside John Bond, founder and Technical Director of CDIH

#### **Angola - Project Alto Cuilo**

- Bulk sample drilling continued with the large diameter drill rig having extracted a circa 200 tonne mini bulk sample from AC16 and commenced drilling at AC63; the

material from AC16 was stockpiled in advance of the commissioning of the 10 tonne per hour Dense Media Separation (“DMS”) sample plant

- The DMS sample plant was commissioned during December and in January 2007 commenced processing the mini bulk sample from AC16; there was a delay in the commissioning of the DMS plant due to unexpected problems incurred with transport of equipment to site; results from AC16 and AC63 are expected during the first quarter of 2007
- Taking into account the minchem results to date, the ranking of kimberlites has been revised for the large diameter drilling campaign
- 73 kimberlitic occurrences now confirmed (September Quarterly Activities Report: 62) out of 82 targets drilled; the success rate of 89% remains exceptionally high by international exploration standards
- Approximately 37,000 metres of core drilling has now been completed, illustrating the effectiveness of the three drills now working on site; a total of 240 holes have been drilled to date

#### **Botswana - Kalahari Diamonds**

- Gravity data in the new Kukama project area reveals a 600 metre diameter negative gravity anomaly located over the Go173 S kimberlite; previous test work on this kimberlite returned a grade of 9.6 carats per hundred tonnes (“cpht”) from one drill hole, whilst another kimberlite, Go234, returned a sample grade of 11.9 cpht

#### **Sierra Leone - Kono project**

- Encouraging diamond recoveries continue to be made from mini sample treatment; 443 diamonds totaling 43.03 carats recovered (September Quarterly Activities Report; 224 diamonds totaling 23.91 carats)
- Two bulk sampling shafts are at the first level of 30 metres; test shafts at Yendema and Simbakoro in progress; two additional test shafts established and three additional exploration trenches completed; exploration and information processing activities is providing a clearer picture of the multiplicity of dykes and their potential in the Kono licence area

#### **South Africa - Helam, Sedibeng and Star mines**

- Production from the South African mines of 36,326 carats for the quarter (quarter to September 2006: 35,602 carats)
- EBITDA on mine of US\$92,513 delivered for the quarter (quarter to September 2006: US\$490,691), the reduction being mainly due to weaker diamond prices during the quarter and the absence of the usual ‘special’ stones from Sedibeng. Average carat prices for the December quarter were an average of 10% lower than the quarter to September but prices so far achieved from the Sedibeng and Star goods tendered in January 2007 show an increase in prices of 26% over the average for those goods for the quarter to December
- As is traditional in the diamond mining industry over the December period, the official tenders were held over until January and therefore stock levels were higher at US\$3.4 million (September 2006: US\$2.6 million), impacting revenue for the quarter
- Petra has been maintaining the cave at Koffiefontein since July 2006 and the costs of this maintenance and drawing the corresponding ore has been expensed in the period; when production commences at the mine, which is expected to be shortly, and this stockpiled ore is processed through the plant, gross profit will be enhanced as a significant portion of the mining costs have already been expensed as care and maintenance costs (quarter to December 2006: US\$932,000; quarter to September 2006: US\$322,000)
- Management remain confident that the capacity and engineering improvements being put in place at Helam, Sedibeng and Star will, over the period to June 2007, lead to improved production and cash flow generation. The commissioning of the refurbished plant at Star towards the end of the December quarter and the construction of the new plant at Sedibeng, expected to be completed in the quarter

to March, are expected to yield improved recoveries and further enhance cost efficiencies

### South Africa - acquisition of Koffiefontein mine

The Koffiefontein transaction is progressing well, with the signature of the sale agreement with De Beers in December 2006 to acquire the mining and associated assets previously used by De Beers in the operation of the Koffiefontein diamond mine ("Koffiefontein").

The South African Department of Minerals and Energy ("DME") subsequently granted the Koffiefontein mining licence to Blue Diamond Mines ("BDM"), a wholly-owned subsidiary of Petra. The conditions to be met to complete the transaction are the approval of the South African Competition Commission, as well as certain conditions pertaining to De Beers' environmental obligations and associated guarantees regarding the Koffiefontein mine. It is expected that the Koffiefontein transaction will be finalised within the next few weeks, with production of rough diamonds commencing by the end of the current quarter.

BDM has been, with permission from the DME, conducting care and maintenance activities for the last few months in order to maintain the condition of the cave to ensure the efficient commencement of mining activities on receipt of the mining right. Koffiefontein is a key addition to Petra's asset base and is in line with the strategy of increasing the Group's production profile.

### Corporate - acquisition of Calibrated Diamonds

In November 2006, Petra announced that it had acquired the entire issued share capital of Calibrated Diamonds Investment Holdings (Pty) Limited ("CDIH"). CDIH is focused on the cutting and polishing (beneficiation) of rough diamonds utilising a unique process developed by the CDIH group and which enables CDIH to produce polished diamonds of a very high and consistent standard.

The acquisition of CDIH represents a significant step forward in Petra's objective of growing its diamond revenues, as CDIH will provide Petra with the potential to significantly enhance its overall revenues due to the value added from the beneficiation of rough diamond production.

In January 2007 Ken Axsel was appointed as Managing Director of CDIH, joining from the leading global diamond bank ABN AMRO, where he served as Country Head South Africa - International Diamond and Jewellery Group. Mr Axsel will work with Mr John Bond (Technical Director, CDIH), the founder of Calibrated Diamonds, in taking the CDIH business forward. Mr Bond has been involved in the cutting and polishing of diamonds for over 28 years and has been involved in the development of many of the technologies used in the global diamond industry. The technologies he was instrumental in designing and which are used at CDIH are among the most advanced diamond processing methods in the world.

<b>DIAMOND SALES SUMMARY</b>			
Quarter to;	Carats sold	Price/carat (average) US\$	Sales US\$M
31 December 2006	31,024	120.5	3.7
30 September 2006	33,916	133.5	4.5
12 Months to;			
30 June 2006	160,856	130.9	21.7

<b>DIAMOND PRODUCTION SUMMARY</b>			
Quarter to;	Tonnes Treated	Carats Recovered	Grade CPHT *
31 December 2006: ROM	65,200	33,065	50.7

31 December 2006: Tailings	45,879	3,261	7.1
30 September 2006: ROM	70,228	32,147	45.8
30 September 2006: Tailings	49,757	3,455	6.9
12 Months to:			
30 June 2006: ROM	288,397	155,614	53.9
30 June 2006: Tailings	192,086	19,398	10.1

\* CPHT – carats per hundred tonnes

## CORPORATE

### SUMMARY OF TRADING RESULTS (UNAUDITED)

	<b>3 months to 31 December 2006 US\$</b>	3 months to 30 September 2006 US\$
Revenue	<b>3,740,124</b>	4,528,487
EBITDA on mine – South African operations	<b>92,513</b>	490,691
Care and maintenance – Koffiefontein	<b>(932,118)</b>	(321,808)
Exploration expenses *	<b>(276,623)</b>	(137,860)
Administration expenses *	<b>(628,119)</b>	(532,150)
Net finance costs	<b>(172,116)</b>	(104,188)
Loss before depreciation, amortisation and foreign exchange movements	<b>(1,916,462)</b>	(605,315)
Loss for the quarter **	<b>(3,298,332)</b>	(6,434,022)
CAPEX	<b>1,332,019</b>	606,680

\* Expenses before depreciation, amortisation, interest and foreign exchange movements.

\*\* Loss after non-cash flow items; unrealised foreign exchange gain of US\$1.2m, depreciation and amortisation of US\$2.5m

<b>CASH AND STOCK SUMMARY</b>		
	31 December 2006 US\$ million	30 September 2006 US\$ million
Cash balance	19.2 ***	5.3
Diamond stock (recorded at production cost)	3.4	2.3
<b>Total</b>	<b>22.6</b>	<b>7.6</b>

Note; \*\*\* on 5 October 2006 Petra drew down the US\$20 million Convertible.

## REVIEW OF OPERATIONS

### ANGOLA, PROJECT ALTO CUILO

#### Kimberlite Exploration

##### Core drilling

Ongoing core drilling of the anomalies identified by the Midas low level helicopter aeromagnetic survey has now resulted in the discovery of 73 kimberlites, illustrating the consistent solid progress being made.

The three core rigs active on Alto Cuilo are currently drilling magnetic anomalies in both the north western and the north eastern sectors of the project area. Core drilling now totals approximately 37,000 metres on 240 holes (September Quarterly Activities Report: 32,000 metres on 208 holes).

The success rate of this accelerated drilling programme is very high compared to the norms for global kimberlite exploration. The current success rate is 89% for targets drilled to kimberlites confirmed. Currently 82 of the 249 magnetic anomalies have been drilled.

##### Bulk Sampling

The RB40 large diameter drill (“LDD”) rig has completed the mini bulk sample on AC16 and has now commenced drilling on AC63. The LDD rig is extracting mini bulk samples of approximately 200 tonnes from each ranked anomaly to give an indication of grade and value per carat. Priority targets have been identified and ranked for LDD drilling according to mineral chemistry, surface area and overburden.

The 10 tonne per hour DMS sample plant, which is a custom made closed circuit unit designed specifically for kimberlite bulk sampling, was commissioned at the end of December. The treatment of the stockpiled material recovered by the LDD rig on AC16 by the DMS plant commenced at the end of this reporting period. Although ranked relatively low in the list of priorities, AC16 was selected to commission and test the LDD rig for logistical reasons and also to act as an indicator of the accuracy of the assumptions being made in the interpretation of the mineral chemistry of the kimberlites.

##### Minchem and Microdiamond analysis

Results from minchem analysis continue to guide the exploration programme and particularly assist in the selection and prioritising of the kimberlites from where mini bulk samples will be taken. A kimberlite re-ranking exercise was undertaken utilising the ongoing mineral chemistry results.

A total of 73 kimberlites have been intersected to date and the minchem results received in respect of 35 of those kimberlites. A second technical target prioritisation meeting was held where all drilling and minchem results were reviewed, resulting in the identification of new high-interest kimberlites. Two were included in a revised ranking for large diameter drilling. The revised ranking is as follows:

Kimberlite	Current Ranking	Previous Ranking	Surface area (hectares) estimated from aeromagnetic signatures
AC63	1	-	20
AC60	2	1	30
AC98	3	2	175
AC71	4	-	32

Over the past eight months, core samples of Alto Cuilo kimberlites with primary textural characteristics (tuffisitic or volcanoclastic kimberlite) have been submitted to SGS Lakefield in Ontario, Canada, for caustic fusion and quantitative recovery of contained diamonds larger than 0.105 mm square-mesh sieve (“microdiamond analysis”). SGS Lakefield is

accredited to the ISO/IEC 17025 standard by the Standards Council of Canada as a test facility for this type of analysis and has reported diamond recoveries by size fraction as tabulated below.

Kimberlite	Weight (kg)	Diamond count larger than square mesh sieve (in mm)									Total
		0.105	0.15	0.212	0.3	0.425	0.6	0.85	1.18	2.36	
AC98	141.1	151	82	26	9	4	0	0	0	0	272
AC63	202.0	12	7	2	5	2	0	1	0	1	30
AC60	109.0	13	8	5	2	1	0	0	0	0	29
AC15	201.6	5	3	0	1	0	0	0	0	0	9
AC171	204.4	2	1	0	2	0	0	0	0	0	5
AC31	195.4	3	1	0	0	0	0	0	0	0	4
AC16	206.6	1	2	1	0	0	0	0	0	0	4
AC43	197.7	2	2	0	0	0	0	0	0	0	4
AC05	200.3	2	1	0	0	0	0	0	0	0	3
AC45	161.0	2	0	0	0	1	0	0	0	0	3
AC34	133.8	0	0	1	0	0	0	0	0	0	1
AC01	205.0	0	0	0	0	0	0	0	0	0	0

Petra is encouraged by the recovery of diamonds greater than 0.425 mm square-mesh sieve from all three kimberlites prioritised for further work (AC98, AC63 and AC60). The high priority assigned to kimberlite AC63 based on minchem results is corroborated by the presence of diamonds larger than 0.85 mm square-mesh sieve. Based on the relationship between minchem and microdiamond results, AC63 has now been ranked as priority number 1 in the LDD campaign.

A number of microdiamond samples returned low-interest results characterised by low total recoveries (less than 10 diamonds in total) in smaller size fractions (predominantly less than 0.425 mm square-mesh sieve). The Company derives further encouragement from these results in that low-interest minchem results were also obtained for corresponding samples from the same kimberlites. The microdiamond tests conducted to date are demonstrating that the project has the capacity to rapidly prioritise high-interest kimberlites amongst the targets drilled to date and that resources will be deployed appropriately on selected high-interest kimberlites that remain to be drilled at Alto Cuilo.

It must be noted that the kimberlites tested so far have complex, morphological internal structures making modelling of these bodies difficult. Petra and BHP Billiton will ensure that any appropriate scientific procedures are applied to ensure accurate measurement and will continue to use international best practise and techniques in the exploration process at Alto Cuilo.

### Alluvial Exploration

The alluvial exploration programme continues to further evaluate the potential for economically viable alluvial deposits.

The alluvial trenching and pitting programme has been extended to other areas in order to obtain additional data. The programme is focused on the Mussunuige river to the west of the Luangue river and has already started yielding results that will be used to further assess the characteristics of the nearby kimberlitic bodies as well as the feasibility of mining the alluvial deposits.

### BHP Billiton Joint Venture

As at 31 December 2006, BHP Billiton had advanced funding of US\$32.9 million (30 September 2006: US\$28.2 million) in respect of exploration at Alto Cuilo.

## **BOTSWANA, KALAHARI DIAMONDS**

### **Kukama project area**

An orientation survey comprising ground geophysics was completed over four known kimberlites in the Kikao block.

Ground follow-up of the Kikao block consisted of:

<b>Survey method</b>	<b>Number of targets surveyed</b>
Ground magnetics and Gravity	11
Geochemical sampling	0
Heavy mineral sampling	4
Selected for drilling	0

The heavy mineral samples have been sent to the Helam laboratory in Swartruggens for processing.

Ground follow-up geophysical results conducted during the quarter have been very successful in identifying the previously known kimberlites, specifically Go173N and S, Go211 and Go234. Virtually all samples previously treated (approx 100 tonnes) from this locality have been diamondiferous.

The above confirms our contention that a well designed regional ground gravity survey may well assist in the discovery of previously undetected diamondiferous kimberlites in this locality.

The feasibility of conducting a regional ground gravity survey as well as a low-level hi-res Xcalibur magnetic gradiometer survey covering the historical north-west trending kimberlite indicator mineral ("KIM") belt will be investigated early next quarter. If the outcome is positive, this data together with historical data will be used to conduct an in-house target generation exercise.

### **Mabutsane/Tshwaane**

In the Mabutsane block, a second borehole was drilled into anomaly Mab 306 to test a possible intrusive, pipe like model as derived from Falcon gravity and magnetic data. Weathered mafic rock (dolerite) was intersected at a depth of 133 metres and the borehole was stopped in fresh dolerite at a depth of 198 metres. No further work is envisaged for the immediate future.

### **Gope block**

Ground follow-up of the Gope West block consisted of:

<b>Survey method</b>	<b>Number of targets surveyed</b>
Ground magnetics and Gravity	5
Geochemical sampling	0
Heavy mineral sampling	1
Selected for drilling	0

The samples for heavy mineral determination have been sent to the Helam laboratory for processing.

Drilling of nine planned boreholes remaining from the current (Gope West) campaign is underway. Results of another two separate target generating exercises undertaken by external consultants have been received at quarter end. Targets for ground follow-up will be selected in-house from the above early in the next quarter. The 9 remaining targets to be drilled will be put up for re-ranking together with our newly obtained information relative to

this area.

### **Orapa South**

Heavy mineral sampling results received for five of the anomalies followed up with ground geophysics have resulted in one anomaly being earmarked for drilling.

### **Orapa North**

A large 12,000 line kilometre Hi-Res regional magnetic gradiometer Xcalibur survey over the entire licence holdings in this area will commence early next quarter.

## **SIERRA LEONE, KONO PROJECT**

### **Sample Treatment**

To date, 443 diamonds totaling 43.03 carats have been recovered (September Report: 224 diamonds totaling 23.91 carats). The samples processed to date comprise mixed diluted and hard rock material from the various exploration activities and, whilst very encouraging, are not large enough to arrive at a representative grade.

### **Bulk shafts and test trenches**

Shaft sinking at the two bulk sampling shafts, both of which are on kimberlite fissure, have reached the applicable mini stoping depth of 30 metres. At Black Rock Shaft the fissure has a well developed fracture cleavage, but the fissure narrowed down to 5 centimetres at a depth of 30 metres. The implication is that the fissure has been squeezed by residual pressure from the adjacent granite exfoliation dome. Based on this evidence it is contemplated that a robust fissure should exist, displaced either vertically or horizontally from the present shaft bottom. 50 metres of horizontal on-fissure development away from the exfoliation dome, is presently being executed.

At Lost Shaft, the fissure with a width of 25 centimetres pinched at a depth of 30 metres. It then stepped 3 metres to the north west and development again exposed it. In the on-fissure drive, it maintains a width of 40 centimetres for approximately 12 metres and then pinches out toward the north east.

Four test shafts have been established and are in various stages of development. At Yendema at Bakar Shaft, sinking of the shaft is well underway at a depth of 17 metres. The mini sample extracted during shaft sinking up to now has delivered 177 diamonds totaling 16.26 carats, the largest being stones of 1.6 carats, 0.85 carats and 0.75 carats. Sample extraction and processing is ongoing as the shaft sinking progresses.

At Simabakoro (Pol K Shaft), sinking of the shaft is well underway at a depth of 10 metres. The mini sample extracted on this kimber line yielded very encouraging results. Based on the surface evidence from local artisanal workings, the area could host two parallel running kimberlite fissures.

At Bardu (Bardu Shaft), pre-sink and site establishment has been completed. This test shaft is also on the south western extension of the fissures from the Koidu kimberlite blows. The mini sample extracted on this kimber line yielded very encouraging results. Based on the surface evidence from local artisanal workings the area could host two parallel running kimberlite fissures.

At Ndoyogbo (Palm Shaft), pre-sink and site establishment has been completed. This test shaft is on a kimberlite fissure with a strike direction of approximately 40 degrees (similar to Black Rock direction). The initial exploration sampling conducted by Mano River Resources yielded very encouraging results.

In summary, an immense amount of information has been gathered relative to the kimberlites of the Koidu locality. It has been ascertained that there are at least three different strike directions of fissures, with implication that there are 3 different ages of intrusion. All

are diamondiferous but many are devoid of ilmenite – this has been the mineral that survives best in this saprolitized environment. The shaft sinking has revealed that in certain localities, fissures that are devoid of ilmenite have had all indicator minerals destroyed to depths of up to 17 metres. A similar situation can thus be expected to prevail for any ilmenite deficient kimberlite pipes or blows that may exist in the area. This would have decreased their chances of discovery during the previous vigorous exploration activities of the 1960's to the 1980's.

Based on the above, the joint venture partners are investigating the possible funding of a specifically designed low level electro magnetic and gradient magnetics survey to take advantage of the previously mentioned information and check for pipes or blows.

### **SOUTH AFRICA- HELAM, SEDIBENG & STAR**

The combined operations produced a total of 36,326 carats for the quarter (quarter to September 2006: 35,602 carats).

Revenue was adversely impacted by unfavourable market conditions, with an overall decrease of 10% in average US\$ price per carat achieved. This was partially off set by increased quality stones at both Helam and Star. At Sedibeng, the full impact of the market conditions coupled with the absence of any special stones resulted in a 23% decrease in US\$ revenue per carat sold, which led to a US\$560,000 reduction in total revenue. Average per carat prices achieved for the quarter to December were US\$78 (Helam), US\$209 (Sedibeng) and US\$144 (Star), but it is important to note that in January 2007 average tender prices of US\$258 (Sedibeng) and US\$211 (Star) were achieved, these being significantly higher than the previous quarter

Management remain confident that the capacity and engineering improvements being put in place at Helam, Sedibeng and Star will, over the medium term, lead to improved production and cash flow generation.

#### **Helam Mine**

A total of 26,142 Run of Mine ("ROM") fissure tonnes were delivered to the plant for 19,007 carats, yielding a grade of 73 cpht for the quarter. In addition 1,040 carats were produced from the tailings operation. This resulted in a total of 20,047 carats for the combined operation.

Production at Helam was adversely impacted by the following;

- (i) the distances between production panels and hoisting infrastructure over which ore has to be manually transported. This is being addressed through fast-tracked development with a raise bore to be commissioned towards the end of the current quarter, thereby establishing panels closer to mechanical hoisting infrastructure; and
- (ii) ongoing problems with availability of key labour as well as intermittent power supplies at Helam mine. These are being managed to minimise the impact thereof on production of the mine.

#### **Sedibeng Mine**

A total of 30,491 ROM fissure tonnes were delivered from the mining operation, which yielded 9,594 carats at a ROM grade of 31 cpht. In addition 1,558 carats were produced from the Dancarl tailings operation at a grade of 5 cpht. This resulted in a total of 11,152 carats for the Sedibeng operation.

The new DMS diamond recovery plant at Sedibeng is currently being constructed, with the crushing section already commissioned, and is on schedule to be commissioned during the quarter to March 2007. The new plant, planned to be fully operational by April 2007, will replace the current plants at both Messina and Dancarl sections, and will yield improved recoveries and further enhance cost efficiencies.

### **Star Mine**

A total of 8,567 ROM fissure tonnes were delivered to the plant for 4,464 carats, yielding a grade of 52 cpht for the quarter. In addition 5,260 tonnes of tailings were processed for 663 carats. This resulted in a total of 5,127 carats for the Star operations.

Both the raise boring of the ventilation shaft as well as the refurbishment of the processing plant has been completed. Management is confident that these improvements will aid Star's turnaround to becoming a cash generative asset within the coming months.

The refurbished plant has been commissioned during the quarter under review, with initial results indicating improved recoveries coupled with increased throughput capacity.

### **JOHAN DIPPENAAR CHIEF EXECUTIVE OFFICER**

#### **Notes**

1. The information in this update that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Jim Davidson, Pr. Sci Nat (reg No 400031/06), who is a Member of the Geological Society of South Africa, a 'Recognised Overseas Professional Organisation' ('ROPO'), included in a list promulgated by the ASX from time to time. Jim Davidson is a full-time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Jim Davidson has given his written consent to the inclusion in this announcement of the matters based on his information in the form and context in which it appears. Jim Davidson is the Qualified Person for the purposes of the AIM Guidance Note on Mining, Oil and Gas Companies dated March 2006

2. It should be noted that the potential quantity in this report is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

#### **For further information, please contact:**

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Rule 5.3

## Appendix 5B

### Mining exploration entity quarterly report\*

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**Petra Diamonds Limited**

ACN or ARBN

**114474574**

Quarter ended ("current quarter")

**31 December 2006**

### Consolidated statement of cash flows\*

	Current quarter US\$'000	Year to date US\$'000 6 Months
<b>Cash flows related to operating activities</b>		
1.1 Net loss before taxation	(2,928)	(7,652)
1.2 <i>Adjustments for:</i>		
- Depreciation and amortisation	1,507	2,833
- Foreign exchange loss/(gain)	(313)	2,636
- Other non cash items	215	342
1.3 <i>Operating (loss)/profit before working capital changes</i>	(1,519)	(1,841)
1.4 (Increase)/Decrease in trade and other receivables	112	51
1.5 (Decrease)/Increase in trade payables	(1,418)	(2,119)
1.6 (Increase)/Decrease in inventories	(1,214)	(1,988)
<i>Cash (utilised)/generated in operations</i>	(4,039)	(5,897)
1.7 Interest paid	(187)	(357)
<b>Net Operating Cash Flows</b>	<b>(4,226)</b>	<b>(6,254)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for		
a) development expenditure	(667)	(1,926)
b) property plant and equipment	(1,332)	(1,939)
c) acquisition of subsidiary net of cash	9	9
d) increase in investments	(2,214)	(2,214)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	-	-
1.10 Interest received	15	88
1.11 Other	(457)	(517)
<b>Net investing cash flows</b>	<b>(4,646)</b>	<b>(6,499)</b>
1.12 Total operating and investing cash flows (carried forward)	(8,872)	(12,753)

1.12	Total operating and investing cash flows (brought forward)	(8,872)	(12,753)
<b>Cash flows related to financing activities</b>			
1.13	Proceeds from issue of shares – net of costs	327	2,072
1.14	Proceeds from Joint Venture partner	-	783
1.15	Net proceeds from borrowings/Convertible loan note	22,515	22,014
1.16	Repayment of borrowings	-	-
1.17	Dividends paid	-	-
1.18	Transaction deal costs	-	-
<b>Net financing cash flows</b>		<b>22,842</b>	<b>24,869</b>
<b>Net (decrease) increase in cash held</b>		<b>13,970</b>	<b>12,116</b>
1.19	Cash at beginning of quarter/year to date	5,303	7,020
1.20	Exchange rate adjustments to item 1.20	(27)	110
1.21	<b>Cash at end of quarter</b>	<b>19,246</b>	<b>19,246</b>

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter US\$'000
1.22	Aggregate amount of payments to the parties included in item 1.1	N/A
1.23	Aggregate amount of loans to the parties included in item 1.17	N/A

1.24 Explanation necessary for an understanding of the transactions

N/A
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### Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A
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## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available US\$'000	Amount used US\$'000
3.1 Loan facilities	3,970	3,260
3.2 Credit standby arrangements	Nil	Nil

## Estimated cash outflows for next quarter

	US\$'000
4.1 Exploration and evaluation	410
4.2 Development	540
<b>Total</b>	<b>950</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter US\$'000	Previous quarter US\$'000
5.1 Cash on hand and at bank	764	852
5.2 Deposits at call	19,189	5,150
5.3 Bank overdraft	(707)	(699)
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>19,246</b>	<b>5,303</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements acquired or increased	N/A		

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (pence)	Amount paid up per security (see note 3) (pence)
7.1 <b>Preference *securities</b> (description)				
7.3 <b>*Ordinary securities</b>	150,692,607	150,692,607	-	-
7.4 Changes during quarter	200,843	200,843	85p	
(a) Increases through new issue			-	-
(b) Decreases through returns of capital, buy-backs			-	-
7.5 <b>*Convertible debt securities</b>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	1		US\$20.0mil	
(b) Decreases through conversion and repayment	-	-	-	-
7.7 <b>Options</b> (description and conversion factor – see details below)	7,412,000	-	See below	
7.8 Issued during quarter	773,625	-	Various	
7.9 Exercised during quarter	-	-	Various	
7.10 Expired during quarter	8,000	-	Various	

	Options
238,875	Employee Incentive Options expiring various dates, exercisable at \$A1.12 each
72,500	Employee Incentive Options expiring various dates, exercisable at \$A1.36 each
400,000	Director incentive Options expiring 11 April 2007 with exercise prices from 30p to 45p each
1,500,000	Director incentive Options expiring 5 September 2013 with exercise price of 44p each
2,000,000	Director incentive Options expiring 16 June 2015 with exercise price of 85p each
377,000	Employee incentive Options expiring 5 September 2013 with exercise price of 44p each
50,000	Employee incentive Options expiring 13 September 2014 with exercise price of 56.75p each
500,000	Employee incentive Options expiring 27 November 2015 with an exercise price of 65.75p
1,000,000	Director incentive Options expiring 31 May 2016 with an exercise price of 79.5p
500,000	Employee incentive Options expiring 31 May 2016 with an exercise price of 79.5p
573,625	Employee incentive Options expiring 31 July 2016 with an exercise price of 96p
200,000	Employee incentive Options expiring 31 October 2016 with an exercise price of 122.5p
1000,000	Employee incentive Options expiring 24 November 2016 with an exercise price of 134.5p

<b>Warrants over ordinary shares</b>		
	Exercise Price	Expiry
1,500,000	30p	31 December 2007
1,000,000	100p	31 December 2007
2,000,000	130p	18 September 2009