



**Petra**Diamonds

**PETRA DIAMONDS LIMITED**

**QUARTERLY ACTIVITIES REPORT  
FOR THE THREE MONTH PERIOD ENDED  
31 DECEMBER 2005**

**(AIM / ASX: PDL)**

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 2005.

## HIGHLIGHTS

- **Expansion of operations in four African countries – Angola, Botswana, Sierra Leone, and South Africa**
- **Kimberlitic occurrences at Alto Cuilo increased by over 200% to an estimated 1,080 hectares**
- **South African diamond production ahead of target for 2005**
- **Kono project on track for first production in the short term**
- **Base set for substantial expansion in exploration and development work to June 2006**

The quarter has delivered exceptional exploration progress at Alto Cuilo in Angola, with a substantial increase in the estimated surface area of kimberlitic occurrences to approximately 1,080 hectares. The Kono dykes in Sierra Leone are on track for production by June 2006 and the Group’s operations in Botswana delivered good progress.

Production from the South African operations keeps the Group on track for its South African growth target of 200,000 carats for the financial year to 30 June 2006 (“FY 2005/6”). The interim target of 167,000 carats for the twelve months to December 2005 was achieved, with production for the period being 167,170 carats (twelve months to December 2004 actual: 122,289 carats). A further highlight was the recovery of a 76 carat diamond from the Sedibeng mine, which was sold for US\$465,000.

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

- 26 kimberlitic occurrences were confirmed by drilling (September Quarterly Activities Report: 19 kimberlitic occurrences), giving a total estimated surface area of kimberlitic discoveries of approximately 1,080 hectares (September Quarterly Activities Report: 320 hectares), unprecedented in global diamond exploration and concluding a year of major developments at Alto Cuilo
- analysis of Helimag data gives an estimated surface area of all anomalies of approximately 4,400 hectares (of which 1,080 hectares are so far confirmed as kimberlitic and the balance not yet drilled)
- 75% of the 112 holes drilled to date have intersected kimberlitic material; 245 alluvial pits now completed (September Quarterly Activities Report: 86 alluvial pits)

### **Botswana - Kalahari Diamonds**

- focus placed on the kimberlites of the Gope field where there are several known diamondiferous kimberlites on Petra’s license areas
- targeted low level horizontal magnetic gradiometer survey planned for the Gope area in early 2006
- Falcon flying Tshwaane block, with 7,934 line kilometres flown to date
- Post acquisition review undertaken and operational changes implemented

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

- Project on track and programmes on budget for diamond recovery from treatment of initial bulk samples Q4 FY 2005/6
- trenching prior to final selection of intrusion points has revealed very encouraging results, with fissure widths of 1.7, 1.2 and 0.4 metres having been exposed on Lion fissures 1, 2 and 3 respectively
- geological samples taken from various kimberlite dykes in the area have returned some exceptional processing and mineral probing results

- manufacture of the production plant (crusher, dense media separation and final recovery) completed and exported to Sierra Leone
- experienced mining and engineering personnel from Petra's South African operations are on the ground in Sierra Leone
- terrain preparation for all aspects of the operation has commenced

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

- production of 43,142 carats for the quarter (quarter to 30 September 2005 45,498 carats, quarter to 30 June 2005: 38,472 carats), on track for growth target of 200,000 carats for FY 2005/6 (FY 2004/5 actual: 143,673 carats)
- interim growth target of 167,000 carats for the twelve months to December 2005 was achieved with 167,170 carats being produced (twelve months to December 2004 actual; 122,289 carats)
- 76 carat diamond recovered at Sedibeng and sold for US\$465,000

The South African mines recorded revenue of £2.6 million (quarter to September 2005: £2.9 million). Due to the holiday period, December was a short production month. Further, due to quiet diamond markets and lower prices in December, sales were lower and production was held in stock for sale in 2006. Sales were £0.3 million lower than the September quarter but closing stock £0.4 million higher, which will be realised in the quarter to March 2006. The Helam and Sedibeng mines are performing well, whilst production issues at Star are being rectified (for further coverage, please refer the Review of Operations below). Petra continues to be South Africa's second largest producer of rough diamonds by volume, the largest being De Beers.

<b>Combined Production and Sales Summary</b>		
	3 months to 31 December 2005	3 months to 30 September 2005
ROM fissure tonne	77,799	71,894
Fissure carats produced	37,588	42,007
Fissure grade (cpht)	48.3	58.4
Tailings carats produced	5,554	3,491
Total carats produced	43,142	45,498
Carats sold	33,985	44,135
Average price per carat US\$	134.4	118.6
Sales US\$ millions	4.6	5.2

## CORPORATE

The South African mines produced a net operating cash inflow of £271,267 for the quarter and £227,944 outflow for the 6 months to 31 December 2005. Net cash outflows from operating activities, including group administration and related costs but excluding exploration activities for the quarter to 31 December 2005 was £388,271 (6 months to 31 December 2005: £1,551,778).

After taking account of exploration cash outflows in Sierra Leone and Botswana (quarter to 31 December 2005: £1,494,108; 6 months to 31 December 2005: £2,046,153), capital expenditure (quarter to 31 December 2005: £629,243; 6 months to 31 December 2005: £927,169), repayment of all outstanding convertible loan notes of £718,944, cash inflow from the acquisition of Kalahari Diamonds of £3,154,388 and other items, the Group net cash outflow for the quarter to 31 December 2005 was £1,046,927 (6 months to 31 December 2005: £8,365,076).

The quarter to 30 September 2005 involved the restructuring of the Group's balance sheet following the acquisition of Crown Diamonds in May 2005, and these once off items should be considered when reviewing the cash flow movements for the 6 months to 31 December 2005.

A summary of cash and stock levels is given below. It is therefore considered appropriate to report cash and stock balances together.

£ million	31 December 2005	30 September 2005
Cash balance	7.1	8.1
Diamond stock	1.2	0.8
Total	8.3	8.9

## REVIEW OF OPERATIONS

### ANGOLA, PROJECT ALTO CUILO

#### Kimberlite Programme

Drilling in excess of 14,933 metres on 112 holes has been undertaken to date, with 84 of these holes intersecting kimberlitic material, an exceptional success rate of 75%. Drilling results continue to indicate the presence of kimberlites with preserved crater zones that have undergone very little erosion, maintaining the potential for further large size discoveries. To date 26 kimberlitic bodies have been drilled, with some holes intersecting kimberlitic material to vertical depths of 280 metres.

Drilling of selected anomalies has resulted in a substantial increase in the total estimated surface area of kimberlitic discoveries to approximately 1,080 hectares, this area being estimated from analysis of the Helimag data. Analysis of data from the Helimag survey has led to an increase in the estimated surface area of targeted anomalies to approximately 4,400 hectares, of which the estimated 1,080 hectares have so far been confirmed as kimberlitic in nature by drilling. Whilst it cannot be expected that the balance of these unexplored anomalies will all be kimberlitic in nature, the size of the area to be investigated and success rate so far can be viewed as unprecedented in terms of global kimberlite exploration.

The second drill rig arrived in November and has commenced operations. The importance of this rig is shown by the fact that there are approximately 3,300 hectares of anomalies still to be drilled. The possibility of further rigs is now also being considered, to further accelerate the rate of discoveries and information flow.

A large diameter drill rig has been ordered and is scheduled to arrive on site in June 2006. This rig will initially take a minimum of 200 tonne bulk samples from the most prospective anomalies. A 10 tonne per hour mobile dense media separation (“DMS”) plant has also been ordered to treat these bulk samples and is scheduled to also arrive on site in June 2006. These steps will give initial and preliminary grade estimates and the ability to start the detailed modeling of the selected anomalies so as to ascertain the potential for economic mining.

### **Alluvial Programme**

An alluvial pitting and trenching programme continues in order to further evaluate the potential for economically viable alluvial deposits, with 245 pits already completed. Three bulk samples were processed during the period with grades of 3.6, 4.5 and 4.9 carats per hundred cubic metres (bottom screen size 2.0mm). Some pits have returned higher grades, with one sample of 94.7 carats per hundred cubic metres being recorded, although on a very small sample.

Mobile equipment, to evaluate the potential for mineable deposits, is also on order for the alluvial programme and is due to arrive in February 2006.

### **BHP Billiton Joint Venture**

As at 31 December 2005, BHP Billiton had advanced funding of over US\$12 million to Petra Diamonds Alto Cuilo Limited (“PDAC”, the JV vehicle which holds Petra’s share in project Alto Cuilo), in respect of exploration at Alto Cuilo. As per the JV agreement, BHP Billiton started earning its equity stake in PDAC during the quarter, when its funding passed US\$7.5 million.

## **BOTSWANA, KALAHARI DIAMONDS**

Petra acquired Kalahari Diamonds Limited (“Kalahari”) effective 30 September 2005. Ongoing analysis of field procedures and geophysical data will result in follow-up programmes to maximise the benefit of this acquisition.

### **Airborne Geophysics**

Falcon airborne gravity surveys have continued. The final survey for 2005 was a 23,000 line kilometre block in the Mabutsane area, which will continue into the first quarter of 2006. Further Falcon gravity surveys are expected to continue in the second half of 2006, once data obtained to date has been analysed.

Results received in the quarter under review comprised reworked data from the previous fly blocks as well as new data from the Gope east and west fly blocks. In all this data there were no patently obvious large targets. As covered below, the Mabutsane anomaly has been drilled and the results are being analysed, with early indications pointing towards a thus far unexplained anomaly.

### **Ground Follow-up**

Kalahari’s Gope areas contain the majority of the Gope kimberlite field that is known to host 6 or 7 kimberlites. The area is covered by up to 110 metres of Kalahari Formation, which has precluded the direct use of kimberlitic indicator minerals (“KIM”) as a means of locating the source kimberlites. These kimberlites have resulted in an indicator mineral halo of at least 1000 square kilometres, of which Petra holds licences over approximately 90% of the ground. The area is underlain by Stormberg Basalts which result in very noisy magnetic signatures. This has further precluded easy discovery. The target size of these kimberlites is in the 10 hectare range which would also not be discernable by Falcon gravity surveys. Therefore a low level horizontal magnetic gradiometer survey covering approximately 700 square kilometres (the majority of the KIM halo) has been scheduled for the first quarter of

2006. Falcon gravity and gradient magnetics have been the quantum leap forward in the airborne search for kimberlites in recent times. Low level gradient magnetics have not yet been applied to this area, thus there is the expectation that the use of this technique will assist in the discovery of previously undetected kimberlites that are responsible for the impressive KIM halo.

In the Mabutsane block, a very prominent circular gravity anomaly of 70 Eos (a measure of gradient gravity), and diameter of 1.5 kilometres was drilled. A KIM sampling grid returned insignificant amounts of kimberlitic indicator minerals and the gravity anomaly gave no magnetic response. The hole was drilled to a depth of 240 metres and was stopped in what has provisionally been classified as Eccca formation of the Karoo Supergroup. The hole is considered to have passed through 120 metres of Kalahari Formation before entering brown/red mudstones/sandstones of the Beaufort Formation to a depth of 212 metres, thereafter intersecting Eccca group sediments. All drill cuttings have been submitted to the laboratory at Helam for kimberlitic indicators and specific gravity determinations. Once these have been received, interpretations can be made as to whether the gravity anomaly was actually probed or not, or whether this could represent a pre-Karoo anomaly.

In the Orapa north block (immediately north of kimberlites BK2 and BK8), the ground gravity/magnetic survey results returned no obvious kimberlite signatures. 23 anomalies were selected for follow-up and all were rejected on ground truthing. 11 deflation samples were selected for orientation purposes and submitted to the Helam laboratory and results are awaited.

A similar survey was executed in the Orapa south east block, immediately south east of the Lethlakane mine. Here 4,061 gravity stations and 795 line kilometres of magnetics were executed. Six anomalies have been selected for further investigations but are all low priority.

In all the other fly blocks the geophysical data accumulated before the acquisition will be re-evaluated before any future programme is decided upon. This process will continue until at least the end of the second quarter 2006.

## **SIERRA LEONE - KONO PROJECT**

### **Site and plant establishment**

All programmes are on track and budget for diamond recovery from treatment of initial bulk samples Q4 FY 2005/6.

The necessary equipment to establish initial facilities on site has been shipped and remains on track to be commissioned on site by end of March 2006. Petra's site establishment team has transferred to Sierra Leone and the site facilities have been established. Terrain preparation at the various intrusion points to access the kimberlite fissures for bulk sampling commenced in late December 2005.

The manufacture of the diamond recovery plant, including the crushing circuit, DMS plant and final recovery unit has been completed on schedule and has been shipped.

The initial mining and engineering equipment was containerised in October 2005 and shipped in November 2005. Terrain preparation started on site in Yengema and was completed in November 2005.

### **Exploration developments**

Petra personnel have started an aggressive programme to access and further explore the Lion 1, 2, 3 and 5 dykes in the Kono region.

Intrusion point preparation and additional exploration pitting and trenching commenced on the Lion 1 and 2 kimberlite fissures in December 2005, while further geological exploration

work is being undertaken for the many kimberlite dykes known to exist in the Kono region. In this respect, high resolution satellite imagery (Quickbird) images are awaited to assist in this aspect.

During the course of the past year numerous geological samples have been taken from various kimberlite dykes in the area. These have been processed at Petra's laboratory facility at the Helam mine in South Africa, with mineral probing having been done at Mineral Services in Cape Town. This data has returned some exceptional results and has been used to assist in prioritising the location of selected intrusion points.

## SOUTH AFRICA

### Star Mine

<b>Production and Sales Summary</b>		
	3 months to 31 December 2005	3 months to 30 September 2005
ROM fissure tonne	9,246	8,639
Fissure carats produced	3,489	5,179
Fissure grade (cpht)	37.7	61
Tailings carats produced	938	98
Total carats produced	4,427	5,277
Carats sold	3,785	4,451
Average price per carat US\$	137	161
Sales US\$ millions	0.5	0.7

At the Star mine ground and logistical issues are being addressed so as to bring the mine production back into line with projections. The raise bore ventilation shaft project which was to be commenced in 2006 is already 50% complete, with finalisation expected by March 2006.

The lower grade was as a result of two major changes at the mine:

1. increased production from 15 level Wynandsfontein which historically has a lower grade; and
2. a major rearrangement of the mining method so as to further semi-mechanize, but more importantly, to reduce exposure of the broken ore to human handling thereby improving security and the recovery of larger stones.

Winches and scrapers have been introduced to the stopes and are functioning well and an increase in the incidence of larger stones is anticipated. The start up of this method, however, requires the blasting of wider scraper gullies which results in more waste being introduced into ore, resulting in lower grade. This, however, does not follow through into the full mining of the stopes.

To improve ventilation to the mine, a 1.6 metre raise bore project from surface to 13 level was initiated during the quarter. This project has been split in two, namely surface to 6 level and 6 level to 13 level. The 6 to 13 level pilot hole drilling and reaming out to 1.6 metres has been successfully completed and the upper surface to 6 level section commenced. The whole project is scheduled to be complete by March 2006. Poor ventilation has consumed 6 to 8 hours per day re-entry time and completion of this project should enhance production.

In the Wynandsfontein section the deepening to 16 level is already 10 metres below the 15 level collar position and will be continued, once the raise bore project is completed. In addition the development of the 14 level drive to link up with Burns section is progressing well, as it is being blasted from both the Burns and Wynandsfontein sides.

The closing rate between these two ends varies between 50 to 60 metres per month, therefore this drive should be complete before year-end, allowing us to abandon the high maintenance 10 level drive.

In the Burns section, two ore passes between 14 and 15 level are now in operation, allowing much more flexibility in hoisting. The Burns sub-shaft has also been deepened to 10 metres below 15 level, allowing the use of double deck hoisting. As soon as the raise bore project is complete, the slyping out of the previously completed pilot raises between 12 and 14 level will be commenced. In addition a pilot raise between 14 and 15 will be commenced and slyped out. This will allow for the equipping and licensing of Burns main shaft to 15 level (presently to 12 level). Once this is complete, all hoisting (Wynandsfontein and Burns) will be done from 15 level and the Burns sub-shaft will be decommissioned (and the winder installation moved to Wynandsfontein 14 level). While these projects are in progress, blind sinking of Burns main shaft to 16 level will be commenced. All these projects are scheduled for completion by December 2006.

On surface, the major alterations that have been underway in the plant for the past 2 years are now nearing completion and scheduled for commissioning in April 2006. Here, so as to cater for the increased tonnages from underground, the sorting and crushing sections have been separated from the DMS section. All ore will now be treated in similar fashion to Helam and Sedibeng where the ore is crushed after sorting and transferred to a crushed ore stockpile (silo), from where it is drawn into the DMS section as required.

## Helam Mine

<b>Production and Sales Summary</b>		
	<b>3 months to 31 December 2005</b>	<b>3 months to 30 September 2005</b>
ROM fissure tonne	32,298	30,700
Fissure carats produced	26,049	29,312
Fissure grade (cpht)	80.7	95.5
Tailings carats produced	2,946	1,737
Total carats produced	28,995	31,049
Carats sold	21,825	32,677
Average price per carat US\$	75	86
Sales US\$ millions	1.6	2.8

The mechanisation program at Helam has progressed well during the year with most aspects of the originally planned John Shaft deepening completed. Still outstanding on this project is the completion of the final section between 20 and 21 level (for which the pilot raising is already complete), which should be in place by March 2006. All ore passes have been completed and commissioned.

The ore transfer haulage between John Shaft and West sub-vertical shaft (120 metres) will be commenced in the second quarter of 2006 and should be complete by the first quarter 2007. When this is completed the East and West subvertical shafts will be decommissioned and all hoisting done from John Shaft. Blind sinking from 21 level, main shaft loading arrangements and ore passes will thereafter be scheduled.

The reopening of Second Lease has been slightly delayed due to equipment delivery. The 17 level stope has been reactivated and the first ore pulled from here via the traditional hoisting route. This project is scheduled to be complete by March 2006 whereafter hoisting will occur via the new infrastructure and sinking to 18 level will commence.

At Edward section, all upgrades have been completed. In addition, 2 ore passes between 13 and 14 level have been blasted, equipped and commissioned. The deepening of the

subvertical shaft has been recommenced and should be at 25 level by the end of the first quarter. So as to facilitate ore handling on surface at Edward Shaft as well as reducing labour cost, receiving bins and conveyors, similar to the John Shaft installation, are being installed. These should be complete by June 2006.

### Sedibeng mine

<b>Production and Sales Summary</b>		
	3 months to 31 December 2005	3 months to 30 September 2005
ROM fissure tonne	36,255	32,555
Fissure carats produced	8,050	7,516
Fissure grade (cpht)	22.2	23.1
Tailings carats produced	1,670	1,656
Total carats produced	9,720	9,172
Carats sold	8,375	7,007
Average price per carat US\$	288	244
Sales US\$ millions	2.4	1.7

Mining at Sedibeng has progressed well.

On the Messina section sinking to 24 level is 5 metres short of target. In the interim, the 23½ level loading arrangements have been completed and ore passes are being taken up to 23 level. These ore passes and loading arrangements will be commissioned during the first quarter of 2006. All stopes in this section are in good condition and delivering well.

The 20 S drive into the Dancarl section is 160 metres short of being vertically beneath Main Shaft of Dancarl. When this occurs a raise bore project will be initiated to deepen Main Shaft and thereby enhance the mining of the Dancarl section.

In the Dancarl section, the 15½ level has been cleaned and ore pass chutes are being installed. These should be operational by the end of January 2006, enhancing ore handling and accessibility. The deepening to 16 level has also been commenced.

On 15 level two good stopes have been established as well as a good stope on 14 level south.

There are now eight good stopes at Sedibeng with an infrastructure capable of handling the tonnes. There are no foreseen impediments for not meeting or exceeding projections.

During the quarter, a 700 tonne sample was extracted from the 7 locality (southern stopes). This sample has returned a satisfactory grade and mining of this locality will now be considered.

There are numerous plant, slimes dam, underground dam and pumping projects underway and all are progressing well. A project is being mounted to upgrade the existing pan plant so as to cater for the increased underground tonnes being delivered. In addition, minor crushing upgrades are being undertaken at the Dancarl tailings plant, in addition to purchasing a new front end loader to assist in keeping this plant fed with ore.

**DIAMOND PRODUCTION**

Three month period to 31 December 05	Total Tonnes Hoisted	Tonnes Treated	Total Diamonds Recovered (carats)	Carats per 100 tonne treated
Star – ROM	14,945	9,246	3,489	37.7
Star – Tailings	-	3,423	938	27.4
Helam – ROM	52,705	32,298	26,049	80.7
Helam – Tailings	-	22,662	2,946	13.0
Sedibeng – ROM	46,923	36,255	8,050	22.2
Sedibeng – Tailings	-	23,716	1,670	7.0
<b>Total for quarter</b>	<b>114,573</b>	<b>127,600</b>	<b>43,142</b>	<b>33.8</b>
Three month period to	Total Tonnes Hoisted	Tonnes Treated	Total Diamonds Recovered (carats)	Carats per 100 tonnes treated
31 December 2005: ROM	114,573	77,799	37,588	48.31
31 December 2005: Tailings	-	49,801	5,554	11.15
30 September 2005: ROM	101,078	71,894	42,007	58.4
30 September 2005: Tailings	-	45,132	3,491	7.7
30 June 2005: ROM	96,778	68,110	38,315	56.2
30 June 2005: Tailings	-	1,686	157	9.3
31 March 2005	92,709	77,644	40,058	51.6
30 December 2004	87,014	60,812	33,221	54.6
30 September 2004	86,887	62,032	31,922	51.5

**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 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 the report of the matters based on his information in the form and context in which it appears.

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.

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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 2005**

**Consolidated statement of cash flows\***

	Current quarter £'000	Year to date £'000 6 Months
<b>Cash flows related to operating activities</b>		
1.1 Net profit/(loss) before taxation	9	766
1.2 <i>Adjustments for:</i>		
- Depreciation and amortisation	667	1,288
- Foreign exchange loss/(gain)	(1,207)	(2,693)
- Other non cash items	23	57
1.3 <i>Operating profit/(loss) before working capital changes</i>	(508)	(582)
1.4 (Increase)/Decrease in trade and other receivables	810	213
1.5 (Decrease)/Increase in trade payables	(246)	(238)
1.6 (Increase)/Decrease in inventories	(401)	(791)
<i>Cash generated(used) in operations</i>	(345)	(1,398)
1.7 Interest paid	(43)	(154)
<b>Net Operating Cash Flows</b>	<b>(388)</b>	<b>(1,552)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for		
a) development expenditure	(1,494)	(2,046)
b) instalment for equity and subsidiary investments	(700)	(3,134)
c) property plant and equipment	(629)	(927)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	23	31
1.10 Acquisition of subsidiary net cash	3,154	3,154
1.11 Interest received	67	169
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>421</b>	<b>(2,753)</b>
1.13 Total operating and investing cash flows (carried forward)	33	(4,305)



1.13	Total operating and investing cash flows (brought forward)	33	(4,305)
<b>Cash flows related to financing activities</b>			
1.14	Subscription for shares and notes – net of costs	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from long term borrowings	550	1,972
1.17	Repayment of borrowing – Convertible Notes and other group borrowings	(1,461)	(5,863)
1.18	Dividends paid	-	-
1.19	Transaction deal costs	(169)	(169)
<b>Net financing cash flows</b>		(1,080)	(4,060)
<b>Net increase (decrease) in cash held</b>		(1,047)	(8,365)
1.20	Cash at beginning of quarter/year to date	8,060	15,375
1.21	Exchange rate adjustments to item 1.20	57	60
1.22	<b>Cash at end of quarter</b>	7,070	7,070

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 £'000
1.23	Aggregate amount of payments to the parties included in item 1.1	N/A
1.24	Aggregate amount of loans to the parties included in item 1.17	N/A

1.25 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

- *During the quarter December 2005, Convertible Notes were converted to 694,355 ordinary Petra Diamonds Limited shares.*

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 £'000	Amount used £'000
3.1 Loan facilities	900	Nil
3.2 Credit standby arrangements	Nil	Nil

## Estimated cash outflows for next quarter

	£'000
4.1 Exploration and evaluation	377
4.2 Development	380
<b>Total</b>	<b>775</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 £'000	Previous quarter £'000
5.1 Cash on hand and at bank	860	2,030
5.2 Deposits at call	6,210	6,030
5.3 Bank overdraft	-	-
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>7,070</b>	<b>8,060</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> <i>(description)</i>				
7.3 <b>+Ordinary securities</b>	148,127,976	148,127,976	-	-
7.4 Changes during quarter				
(a) Increases through conversions	694,355	694,355	0.65	0.65
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b> <i>11% pa Nov 2005</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through conversion and repayment	13,895,095	13,895,095	-	-
7.7 <b>Options</b> <i>(description and conversion factor – see details below)</i>	6,531,802	NONE	SEE BELOW	
7.8 Issued during quarter	500,000	500,000	SEE BELOW	
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		

	Options
276,375	Employee Incentive Options expiring various dates, exercisable at \$A1.12 each
86,250	Employee Incentive Options expiring various dates, exercisable at \$A1.36 each
400,000	Director incentive Options expiring 11 April 2007 with exercise price of 30p, 35p, 40p and 45p each for each 100,000 tranche.
1,500,000	Director incentive Options expiring 5 September 2013 with exercise price of 44p each.
750,000	Director incentive Options expiring 28 June 2014 with exercise price of 54.5p each.
2,250,000	Director incentive Options expiring 16 June 2015 with exercise price of 85p each.
385,000	Employee incentive Options expiring 5 September 2013 with exercise price of 44p each
133,334	Employee incentive Options expiring 28 June 2014 with exercise price of 54.5p each
50,000	Employee incentive Options expiring 13 September 2014 with exercise price of 56.75p each.
200,843	Options exercisable by 16 June 2008 at 85p each.500
500,000	Employee incentive Options expiring 27 November 2015 with an exercise price of 65.75p

Warrants over ordinary shares		
	Exercise Price	Expiry
1,500,000	30p	31 December 2007
1,000,000	100p	31 December 2007
1,666,666	55.85p	14 August 2006