



PetraDiamonds

PETRA DIAMONDS LIMITED

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

(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 March 2006.

Highlights

- **Exceptional exploration progress at Alto Cuilo in Angola, with further increases in the number and surface area of kimberlitic occurrences**
- **67.1 carat diamond recovered in South Africa**
- **Kono project in Sierra Leone on track for first production June 2006**
- **Petra’s operations in Botswana again deliver solid exploration progress**

Post Quarter End Highlights

- **Increase in kimberlitic occurrences identified at Alto Cuilo to an estimated 1,437 hectares in surface area**
- **67.1 carat diamond sold for US\$704,265**

Angola - Project Alto Cuilo

- Alto Cuilo’s potential as a major diamond project is further substantiated, with 38 kimberlitic occurrences now confirmed by drilling (December Quarterly Activities Report: 26 kimberlitic occurrences), giving a total estimated surface area of kimberlitic discoveries of approximately 1,437 hectares, as announced on 25 April 2006 (December Quarterly Activities Report: 1,080 hectares), continuing an unprecedented rate of development results in global diamond exploration
- The third core drill rig will arrive on site shortly and will further accelerate the rate of discoveries and information flow
- 74% of the 140 holes drilled to date have intersected kimberlitic material; 412 alluvial pits now completed, as announced on 25 April 2006 (December Quarterly Activities Report: 245 alluvial pits)

Botswana - Kalahari Diamonds

- 16,802 line kilometres of Falcon airborne gravity and magnetics flown in the Tshwaane block of the Mabutsane project area
- 6,249 line kilometres of Xcalibur high-resolution low level airborne magnetic gradiometer survey flown over the Gope area
- Ground geophysical orientation survey (magnetics and gravity) carried out over five known kimberlites in the Gope area
- Ground follow up on Xcalibur anomalies in progress in the Gope area
- Re-processing of all previous Falcon data to be undertaken
- Drilling planned for the quarter to September 2006

Sierra Leone - Kono project

- Diamond recovery from the first bulk samples expected by June 2006
- Macro diamonds recovered during sampling
- First two bulk sampling intrusion points and shaft areas selected and pre-sinking programme initiated
- Infrastructure for the central production plant and administrative facility completed
- On-site construction of the production plant remains on track and is expected to be completed and commissioned by June 2006; the administrative facilities are already in place

South Africa - Helam, Sedibeng and Star mines

- Revenue recorded of £2.9 million for the quarter (quarter to December 2005: £2.6 million)

- Production from the South African mines of 42,994 carats for the quarter, 131,634 carats for the nine months to March 2006
- Star will fall short of initial target due to focus on the ventilation raise-bore project which will be completed by June 2006; the benefit of this increased ventilation will now assist in tonnage build-up
- The quarter to March was unusually challenging, in that South Africa suffered from exceptionally high rainfall which affected the continuity of production; this is not expected to be experienced from May onwards

DIAMOND SALES SUMMARY			
Quarter to;	Carats sold	Price per carat (average) US\$	Sales US\$ M
31 March 2006	45,349	113.6	5.1
31 December 2005	33,985	134.4	4.6
30 September 2005	44,135	118.6	5.2
12 Months to;			
30 June 2005	141,977	131.1	18.6

DIAMOND PRODUCTION SUMMARY				
Quarter to;	Total Tonnes Hoisted	Tonnes Treated	Total Diamonds Recovered (carats)	Carats per 100 tonnes treated
31 March 2006: ROM	95,364	66,409	38,452	57.90
31 March 2006: Tailings	-	40,635	4,542	11.17
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
12 Months to;				
30 June 2005: ROM & tailings	363,388	269,947	143,673	53.2

CORPORATE

CASH FLOW SUMMARY			
	3 months to 31 March 2006 £'000	3 months to 31 December 2005 £'000	9 months to 31 March 2006 £'000
Net operating cash outflow - South African mines	210	271	438
Net operating cash outflow, excluding exploration activities - Group	466	388	2,017
Exploration activity outflows			
- Botswana	474	422	896
- Sierra Leone	586	1072	2210
CAPEX	892	629	1,819
Net Group cash outflow	2,166	1,047	10,060

Exploration expenses:

- (i) cash outflows are expected to reduce for the Kalahari Diamonds exploration programme in Botswana from July 2006 in line with the refocus of exploration activities as covered under the Review of Operations below;
- (ii) cash outflows with regards to the Kono project in Sierra Leone are expected to reduce from the quarter to June 2006 as the major costs associated with the construction and commissioning of the recovery plant and associated activities have been met.

CAPEX outflows as recorded for the quarters to December 2005 and March 2006 will reduce for the quarter to June 2006 as major CAPEX programmes are nearing completion.

CASH AND STOCK SUMMARY		
	31 March 2006 £ million	31 December 2005 £ million
Cash balance	4.9	7.1
Diamond stock	1.2	1.2
Total	6.1	8.3

Diamond stock is recorded at production cost; the quality of stock held at end March was unusually high and will give rise to significant cash inflows, including the 67.1 carat stone which was sold in April for £405,000 (US\$704,265).

REVIEW OF OPERATIONS

ANGOLA, PROJECT ALTO CUILO

Kimberlite Exploration Programme

Since the Company's last update on 15 March 2006 within the Interim Results Statement, solid exploration progress has been made at Alto Cuilo, with a further increase in the estimated surface area of kimberlitic occurrences to approximately 1,437 hectares.

Ongoing drilling of the anomalies identified by the Midas low level helicopter aeromagnetic survey has now resulted in the identification of a further 5 kimberlitic occurrences with an estimated surface area of approximately 114 hectares. This takes the total to 38 kimberlitic occurrences with an estimated surface area of approximately 1,437 hectares, a significant increase over the results reported by the Company on 15 March 2006. Drilling in excess of 19,196 metres on 140 holes has been undertaken to date, with 104 of these holes intersecting kimberlitic material, an exceptional rate of 74%.

The estimated surface area of the kimberlitic occurrences is based on the interpretation of the magnetic anomalies identified, together with analysis of drilling results.

The third core drill rig, which will serve to further accelerate the rate of discoveries and information flow, is set to arrive on site shortly, two months ahead of schedule. The importance of this third rig is supported by the fact that there are approximately 3,000 hectares of anomalies still to be drilled. Whilst it is unlikely that all of these unexplored anomalies will all be kimberlitic in nature, the size of the area to be investigated and success rate can continue to be viewed as unprecedented with regards to global kimberlite exploration.

The large diameter drill rig and 10 tonne per hour sample plant both remain on track for delivery in June 2006. This rig will initially take a minimum of 200 tonne bulk samples from

the most prospective anomalies and the 10 tonne per hour mobile dense media separation (“DMS”) plant will treat these bulk samples.

Alluvial Exploration Programme

The alluvial pitting and trenching programme continues in order to further evaluate the potential for economically viable alluvial deposits, with 412 pits already completed. An economic feasibility study is underway on an area of specific interest.

BHP Billiton Joint Venture

As at 31 March 2006, BHP Billiton had advanced funding of US\$16.1 million (31 December 2005: US\$13.3 million) to Petra Diamonds Alto Cuilo Limited in respect of exploration at Alto Cuilo.

BOTSWANA, KALAHARI DIAMONDS

Since the acquisition of Kalahari Diamonds Limited by Petra in September 2005, there has been a change in exploration focus from primarily large kimberlites (greater than 20 hectares), to include smaller kimberlites (approx 10 hectares) that would not necessarily be detectable by Falcon airborne gravity under deep (greater than 50 metres) Kalahari cover.

Gope

With the above in mind, a low level (15 metres above ground level) survey was flown over 680 km² of the Gope area, covering an area containing known kimberlites of 10 hectares or less, and the larger part of a historical kimberlitic indicator minerals (“KIM”) anomaly covering approximately 1,000 km². Historical Falcon magnetic data is also in the process of being re-gridded and levelled to enhance anomalies that could represent smaller kimberlites.

In addition to detecting the known kimberlites in the area, the airborne survey identified 25 anomalies from a first pass interpretation, and a further 22 anomalies from more detailed interpretation with similar characteristics to the known kimberlites.

Ground orientation geophysics (magnetics and gravity) has also been undertaken over five of the known kimberlites covered by the Xcalibur survey to assess their magnetic and gravity signatures from ground follow-up work. This will help in assessing and prioritising Xcalibur anomalies during the ground follow-up exploration phase that is currently in progress in the area.

Mabutsane / Tshwaane

The Falcon airborne gravity and magnetic survey of the Tshwaane block to the north of previous Mabutsane flight blocks was completed during the March 2006 quarter, and preliminary gravity and magnetic data was received at the end of that quarter. There were no patently obvious large targets identified from the gravity data, though a number of exciting magnetic anomalies have been identified that will be further assessed once the final data set has been received during the quarter to June. Follow up ground field work is projected to start on this area and the reprocessed Mabutsane flying blocks, during the quarter to June 2006.

The prominent gravity-only circular anomaly of 1.5 kilometre diameter that was drilled during the quarter to December 2005 is still to be adequately explained. The borehole has been re-logged in conjunction with the University of Botswana, and the base of the Kalahari has now been placed at 47 metres. Indicator minerals have been recovered from borehole chips from 0 -130 metres (covering the first and second interpreted positions of the base of the Kalahari), and from 200 metres -240 metres (covering the Beaufort/Ecca contact). Insignificant amounts of KIM's were recovered in all samples, and all potential KIM garnets

from the end of the hole (230 metres -240 metres) were sent to Mineral Services in Cape Town for microprobe analyses; all proved to be non-kimberlitic.

Density measurements of chips taken over the length of the borehole give density ranges typical of normal Karoo sediments, indicating that the source of the anomaly has not yet been tested. Further ground gravity work will be carried out over the anomaly to facilitate more accurate geophysical modelling of the causative body. This anomaly must therefore be further investigated, with the possibility of an intra-formational deep-seated kimberlite still to be tested.

Other Areas

All Falcon data from previous fly-blocks is being re-processed, with the primary aim of enhancing the magnetic data. Interpretation of new data from areas apart from those already mentioned will start with the Orapa South Falcon blocks that lie in close proximity to Orapa and Lethlakane, and straddle the 90 million year kimberlite trend. Preliminary review of this magnetic data reveals anomalies as close as 10 kilometres to the AK6 kimberlite which is presently being appraised by African Diamonds.

Follow up ground field work will commence in the second quarter as the interpretation of the re-processed data proceeds.

SIERRA LEONE - KONO PROJECT

Site establishment

The infrastructure of the central production treatment and administrative facility at the former National Diamond Mining Company facilities in the Yengema Village has been completed. The facility has been positioned centrally between the Lion dykes to reduce the ore transportation distance from the exploration and shaft sites.

The construction of the production plant is well advanced with plant commissioning underway and it is expected that it will be ready for diamond recovery from treatment of initial bulk samples in June 2006.

Exploration developments

Exploration for the intrusion points (shaft sinking sites) on the Kono kimberlite fissures is ongoing. During the quarter, investigation of the Lion 1 intrusion point in the Nimikoro area was suspended because of unsatisfactory results. However, two intrusion points have been selected, one on Lion 5 and one on Lion 3. These sites are being prepared for shaft establishment. It is expected that each shaft will be sunk to a depth of 30 metres, when adits will be driven along strike of the kimberlite fissures to recover in the order of 10,000 tons of kimberlite from each shaft site. These kimberlite bulk samples will be processed in separate batches so that grades and diamond values for each kimberlite fissure can be established to prioritise the full scale mining of the fissures.

Kimberlite fissure exploration is being actively pursued on Lion 1 (Kamao Chiefdom), Lion 5 (Tankoro Chiefdom), the extensions of Lion 5 into the the Nimikoro Chiefdom and the Lion 2 and Lion 3 localities. Kimberlite fissures have been located at many localities and are being systematically opened up and test sampled. Macro diamonds have been recovered from small sample lots at Lion 2 and Lion 3 whilst 6 macro diamonds, totaling approximately 1 carat, have been recovered from the kimberlite fissure selected for the intrusion point at Lion 5.

SOUTH AFRICA

All the operations suffered from the effects of the unusually high rainfall experienced in South Africa for the period mid-February to mid-April.

Star Mine

A total of 8,502 ROM fissure tonnes was delivered to the plant for 3,655 carats, yielding a grade of 42.9 carats per hundred tonnes (“cpht”) for the quarter. In addition 5,253 tonnes of tailings were processed for 905 carats. This resulted in a total of 4,560 carats for the combined operations.

During the quarter the pilot drilling and reaming of the raise-bore ventilation shaft (1.4 metres diameter) was completed. This entailed the drilling of 500 vertical metres of shaft which produced approximately 3,000 additional waste tonnes that had to be hoisted from the mine. Final sealing and support of this shaft is now being undertaken by contractors and should be complete by the time the required return-ventilation airways are complete on 13 level. The time frame for completion is a further two months.

As mentioned in the previous quarter, the upgrade of the plant front-end washing and crushing section is complete and will be commissioned during the quarter to June 2006.

In the Wynandsfontein section 3 new panels have been established on 15 level, utilising the new mining method, and are producing well. The 10 level haulage continues to be problematic, but replacement by the 14 level haulage is on track for commissioning before year-end. Now that the raise-bore project is nearing completion the deepening of the sub-shaft to 16 level will be recommenced.

In the Burns section, 1 one new panel has been established on 15 level, utilising the new mining method and is producing well. Further, 2 new mining method panels are near production on this level. In addition 3 traditional panels are still producing on 14 level. Preparation for the deepening of the main shaft between 12 and 14 levels has progressed well (pilot raising complete). Slyping of these two levels will commence during the quarter whilst the pilot raising of 15 level to 14 level will commence. The preparation (cover drilling) for the sinking to 16 level will also commence during the quarter to June.

Helam Mine

A total of 27,824 ROM fissure tonnes was delivered to the plant for 26,658 carats, yielding a grade of 95.8 cpht for the quarter. In addition 1,386 carats were produced from the tailings operation. This resulted in a total of 28,044 carats for the combined operation.

The slyping and equipping of John Main Shaft to 20 level will be completed shortly. The pilot raising of the main shaft between 21 and 20 level is 50% complete. The location of the transfer belt (west sub shaft) to John Shaft has been re-planned to 22 level (original 21 level). This is being done to utilize primary development rather than doing 120 metres of additional development.

The Second Lease incline has been holed and equipped to 17 level. A loading arrangement is now being prepared and will be commissioned during the quarter. In the interim, ore is being trammed by the traditional tramping route to the east sub shaft.

At John Main Shaft the preparation for skip hoisting has been completed with the loading arrangement and measuring flask on 15 level complete. The skip has been delivered and will be installed shortly. A 1.06 MVA standby generator installation has been acquired and should be commissioned during the next quarter.

At Edward Shaft the sub shaft deepening has reached 25 level. On surface, the ore handling upgrade at Edward Shaft is still on schedule for completion by the end of the next quarter.

Sedibeng Mine

A total of 30,083 ROM fissure tonnes were delivered from the mining operation, which yielded 8,139 carats at a ROM grade of 27.0 cph. In addition 2,251 carats were produced from the Dancarl tailings operation at a grade in excess of 8 cph. This resulted in a total of 10,390 carats for the combined operation.

The above average rainfall stretched pumping systems to the limit at times (3.5 million litres/day) and resulted in some bottom level flooding. This somewhat hampered shaft sinking and bottom level development during the quarter but we will be able to recoup these reversals.

The 20 South drive into the Dancarl section is 90 metres short of being vertically beneath Dancarl main shaft. The planning to initiate a raise-bore holing to the bottom of Dancarl main shaft is in progress so as to open this block of ground for mining.

**JOHAN DIPPENAAR
CHIEF EXECUTIVE OFFICER****Notes**

1. The information in this report 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 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.

For further information, please contact:

Justine Howarth / Annabel Leather
Parkgreen Communications, London

Telephone: +44 (0) 20 7493 3713

Kevin Skinner
Field PR, Adelaide

Telephone: +61 (0) 8 8234 9555
Mobile: +61 (0) 414 822 631

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 March 2006

Consolidated statement of cash flows*

	Current quarter £'000	Year to date £'000 9 Months
Cash flows related to operating activities		
1.1 Net profit/(loss) before taxation	(1,171)	(405)
1.2 <i>Adjustments for:</i>		
- Depreciation and amortisation	806	2,094
- Foreign exchange loss/(gain)	(404)	(3,097)
- Other non cash items	37	95
1.3 <i>Operating profit/(loss) before working capital changes</i>	(732)	(1,313)
1.4 (Increase)/Decrease in trade and other receivables	(281)	(68)
1.5 (Decrease)/Increase in trade payables	673	435
1.6 (Increase)/Decrease in inventories	(47)	(838)
<i>Cash generated(used) in operations</i>	(387)	(1,784)
1.7 Interest paid	(79)	(233)
Net Operating Cash Flows	(466)	(2,017)
Cash flows related to investing activities		
1.8 Payment for		
a) development expenditure	(1,060)	(3,106)
b) instalment for equity and subsidiary investments	-	(3,134)
c) property plant and equipment	(892)	(1,819)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	14	46
1.10 Acquisition of subsidiary net cash	-	3,154
1.11 Interest received	41	210
1.12 Other	-	-
Net investing cash flows	(1,897)	(4,649)
1.13 Total operating and investing cash flows (carried forward)	(2,363)	(6,666)

1.13	Total operating and investing cash flows (brought forward)	(2,363)	(6,666)
Cash flows related to financing activities			
1.14	Subscription for shares and notes – net of costs	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	244	2,638
1.17	Repayment of borrowing – Convertible Notes and other group borrowings	(47)	(5,863)
1.18	Dividends paid	-	-
1.19	Transaction deal costs	-	(169)
Net financing cash flows		197	(3,394)
Net (decrease) increase in cash held		(2,166)	(10,060)
1.20	Cash at beginning of quarter/year to date	7,070	15,375
1.21	Exchange rate adjustments to item 1.20	(47)	12
1.22	Cash at end of quarter	4,857	5,327

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

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available £'000	Amount used £'000
3.1 Loan facilities	900	470
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	£'000
4.1 Exploration and evaluation	200
4.2 Development	250
Total	450

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	807	860
5.2 Deposits at call	4,520	6,210
5.3 Bank overdraft	(470)	-
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4,857	7,070

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 Preference securities <i>(description)</i>				
7.3 *Ordinary securities	148,229,539	148,229,539	-	-
7.4 Changes during quarter				
(a) Increases through new issue	101,563	101,563	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 *Convertible debt securities <i>11% pa Nov 2005</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through conversion and repayment	-	-	-	-
7.7 Options <i>(description and conversion factor – see details below)</i>	6,398,468	NONE	SEE BELOW	
7.8 Issued during quarter	-	-	-	
7.9 Exercised during quarter	(133,334)	-	54.5p	
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
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
500,000	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
200,843	85p	17 June 2006