Petra Diamonds

DELIVERING GROWTH IN DIAMONDS

Petra Diamonds Limited
Annual Report and Accounts 2012

Petra Diamonds is a leading independent diamond mining group and an important supplier of rough diamonds to the international market.

Petra has developed a dynamic company, in which employees are encouraged to fulfil their true potential, and underpinning our success is a 'can do' attitude. Petra conducts all its operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process.

Discover more about Petra
www.petradiamonds.com

Discover Petra Diamonds

Examine
OUR PERFORMANCE

Our business continues to show exceptional growth

P2

Explore
OUR ASSETS

Our portfolio is diverse and we continue to explore

P4

Identify
OUR OPPORTUNITY

There is a positive long-term outlook for rough diamonds

P6

Uncover
OUR STRATEGY

We continue to increase output and optimise recoveries

P8

Examine
OUR PERFORMANCE

FINANCIAL HIGHLIGHTS

- Revenue[1] up 44% to US$316.9 million (FY 2011: US$220.6 million)
- Profit from mining activity[1,2] up 35% to US$103.3 million (FY 2011: US$76.4 million)
- Operating cashflow up 57% to US$79.9 million (FY 2011: US$50.9 million)
- Adjusted EBITDA[3] up 35% to US$90.3 million (FY 2011: US$67.1 million)
- Adjusted EPS[4]: 7.82 cents per share profit (FY 2011: 8.41 cents per share profit)
- Basic EPS[5]: 0.48 cents per share loss (FY 2011: 12.83 cents per share profit)
- Loss after tax: US$2.1 million (FY 2011: US$59.2 million profit), affected by unrealised foreign exchange losses of US$38.6 million and non-recurring transaction costs of US$3.1 million
- Cash at bank[6] (30 June 2012): US$47.3 million (30 June 2011: US$324.9 million)
- Bank debt (30 June 2012): US$65.4 million (FY 2011: US$69.6 million); available but undrawn bank facilities (30 June 2012): US$66.3 million (30 June 2011: US$19.9 million)
- Diamond inventory (30 June 2012): US$24.5 million (30 June 2011: US$13.3 million)

OPERATIONS HIGHLIGHTS

- Production up 98% to 2,208,862 carats (FY 2011: 1,117,795)
- Capex of US$138.8 million (FY 2011: US$110.9 million) (including interest capitalised), within the Company's expectations and in accordance with the roll-out of the Group's expansion programmes
- Large diameter drilling on kimberlite KX36 in Botswana completed; treatment and analysis underway

CORPORATE HIGHLIGHTS

- Completion of the acquisition of world-class Finsch mine for R1.425 billion (circa US$192 million) on 14 September 2011
- Step-up from AIM to the Main Market of the London Stock Exchange in December 2011 and subsequent inclusion in the FTSE 250 Index in March 2012
- Appointment of Dr Patrick Bartlett and Mr Gordon Hamilton as independent Non-Executive Directors and, post year end, appointment of Mr Tony Lowrie as Senior Independent Non-Executive Director
- Additional debt facilities totalling circa US$49.5 million put in place, comprising ZAR200 million (circa US$24.5 million) from RMB and, post year end, US$25 million from IFC; additional working capital facilities of ZAR100 million (circa USS12.2 million) put in place through RMB
- Commencement, post year end, of a public disposal process to sell the Fissure Mines, which are no longer core to Petra's portfolio

OUTLOOK

- Expansion plans on target to increase production to 5 Mcts by FY 2019; Group production expected to increase circa 30% to circa 2.85 Mcts in FY 2013, further to a full year's contribution from Finsch and Williamson, plus increased output at Kimberley Underground
- The review of the Group's debt requirements is progressing well and the syndicate banks have given their provisional commitments (subject to completion of due diligence and legal documentation) to the debt requirements and structure requested by Petra, which will see the Group fully funded through to the conclusion of its expansion programmes; it is expected that the process, including full form signed documentation, will complete in Q2 FY 2013
- Whilst the rough diamond market remains under pressure as the current economic uncertainty continues, Petra believes the medium to long-term outlook remains positive due to the strong supply/demand fundamentals

1. Revenue and profit from mining activity only includes Finsch from 14 September 2011, when the acquisition closed and control passed.
2. Stated before corporate overheads of US$10.0 million (FY 2011: US$8.0 million), exploration expenditure of US$3.0 million (FY 2011: US$1.3 million), net impairment charges and reversals of US$ nil (FY 2011: US$6.5 million), depreciation of US$41.0 million (FY 2011: US$22.4 million), share based expense of US$1.0 million (FY 2011: US$1.9 million), net finance income of US$1.8 million (FY 2011: US$3.5 million expense), unrealised foreign exchange loss of US$38.6 million (FY 2011: US$18.6 million gain) and non-recurring transaction costs (admission to Main Market US$2.7 million and the Finsch acquisition US$0.4 million) (FY 2011: US$0.3 million).
3. EBITDA disclosures are "adjusted EBITDA", being stated before net impairment charges and reversals of US$ nil (FY 2011: US$6.5 million), depreciation of US$41.0 million (FY 2011: US$22.4 million), share based expense of US$1.0 million (FY 2011: US$1.9 million), net finance income of US$1.8 million (FY 2011: US$3.5 million expense), unrealised foreign exchange loss of US$38.6 million (FY 2011: US$18.6 million gain) and non-recurring transaction costs (admission to Main Market US$2.7 million and the Finsch acquisition US$0.4 million) (FY 2011: US$0.3 million).
4. Stated after non-controlling interests (representing the Group's black economic empowerment ("BEE") partners' interests) of US$0.3 million profit (30 June 2011: US$6.0 million) and before unrealised foreign exchange movements and non-recurring transaction costs (admission to Main Market and Finsch acquisition). Refer to note 13.
5. Stated after non-controlling interests (representing the Group's BEE partners' interests) of US$0.3 million profit (30 June 2011: US$6.0 million profit). Refer to note 12.
6. Cash at bank comprises unrestricted cash and restricted cash balances of US$31.3 million and US$16.0 million (rehabilitation deposits) respectively (30 June 2011: US$96.9 million and US$228.0 million (rehabilitation deposits and escrowed Finsch purchase consideration)).

Petra offers an exceptional growth profile, with a core objective to steadily increase annual production to 5 million carats by FY 2019.

The Group has a major resource base in excess of 300 million carats.

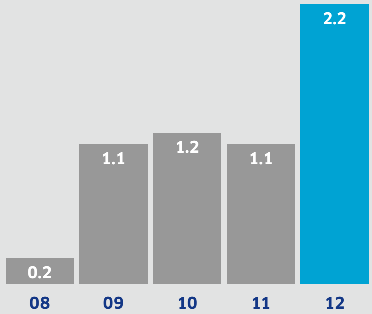
AWARDS RECOGNISING OUR SUCCESS

'Emerging Markets CEO of the Year' Award
Quoted Company Awards 2011

This award recognises the efforts of Johan Dippenaar who, in combination with the Petra team, has led the Company through a period of extraordinary growth, taking Petra's portfolio of producing diamond mines from three to eight and firmly establishing the Company as a leading independent producer. Johan has over 20 years' experience in the leadership and management of producing diamond mining companies, having been CEO of ASX-quoted Crown Diamonds ("Crown") prior to Crown's merger with Petra in 2005. Petra will continue to follow an exceptional growth path as the Company looks to take production from 2.2 million carats in FY 2012 to over 5 million carats in FY 2019.

About the award:
"This award seeks to recognise the CEO who has during the past year created the most value for shareholders from the world's emerging markets, or most astutely positioned his or her business for long-term growth derived from the globe's developing economies."

ROUGH DIAMOND PRODUCTION (GROSS)
MILLION CARATS
2.2 +98%



'New Company of the Year' Award
PLC Awards 2011

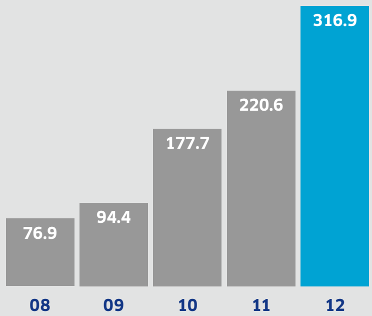
About the award:
"A future company of the year, but one that has too short a track record to be considered for that award. The winner will have gone public in 2011, yet will already have demonstrated that it possesses both growth and management qualities."

Petra's step up from AIM to the Main Market in December 2011 was another important development in the Company's progress, underscoring Petra's transformation from a junior diamond exploration company to a leading independent diamond producer.

The Main Market is the appropriate platform for the Company's continued growth, allowing a broader range of investors seeking direct exposure to the positive long-term fundamentals of the diamond market to invest in Petra.

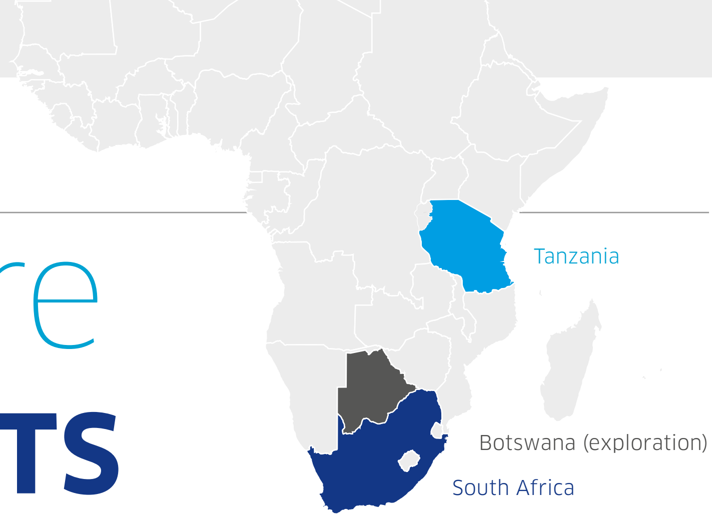
Petra subsequently joined the FTSE 250 Index in March 2012 and is now London's largest quoted diamond mining company.

REVENUE (GROSS)
US$ MILLION
316.9 +44%



OUR ASSETS **P4**

Explore
OUR ASSETS



Finsch

A major diamond producer

A major producer with world-class infrastructure and modern plant

KEY FACTS

- Finsch produces a number of +50 carat stones annually
- Major resource base of 42.3 Mcts, including 23.9 Mcts in reserves
- Expansion plan to increase production from circa 1.4 Mctpa to just under 2 Mctpa by FY 2017 (underground and tailings)
- 18 year initial mine plan

PETRA OWNERSHIP

74%

26% BEE partners (21% Senakha Diamonds Investments (Pty) Ltd, 5% Petra Diamonds Employee Share Trust)

OPERATIONAL REVIEW

FINSCH **P26**

Cullinan

The world's most celebrated diamond mine

Cullinan earned its place in history as the source of the Cullinan diamond in 1905, the largest gem diamond ever at 3,106 carats rough

KEY FACTS

- Renowned for large, top quality gem diamonds – has produced over 750 diamonds of +100 carats and a quarter of all diamonds of +400 carats
- Only reliable source of highly prized, rare blue diamonds
- World-class resource base of 202.1 Mcts (including tailings)
- Expansion plan to increase production from circa 870,000 ctpa to 2.4 Mctpa by FY 2019 (underground and tailings)
- 18 year initial mine plan

PETRA OWNERSHIP

74%

26% BEE partners (14% Thembinkosi Mining Investments (Pty) Ltd, 12% Petra Diamonds Employee Share Trust)

OPERATIONAL REVIEW

CULLINAN **P28**

Koffiefontein

One of the world's top kimberlite mines by average diamond value

Exceptional infrastructure and underground operation

KEY FACTS

- Regularly produces exceptional white diamonds of between five and 30 carats in size
- Resource base of 5.9 Mcts
- Expansion plan to increase production from circa 40,000 ctpa to 100,000 ctpa by FY 2016 (underground and tailings)
- 13 year initial mine plan

PETRA OWNERSHIP

74%

26% BEE partner Re-Teng Diamonds (Pty) Ltd

OPERATIONAL REVIEW

KOFFIEFONTEIN **P30**

Petra has a well-diversified portfolio, with controlling interests in eight producing mines – seven in South Africa and one in Tanzania – and an exploration programme in Botswana.

Focus on Africa: the source of circa 60% of the world's gem diamonds by value.

Kimberley Underground

Kimberley is the heart of South Africa's diamond industry

Operation comprises three mines: Bultfontein, Dutoitspan and Wesselton

KEY FACTS

- Historic source of large diamonds and fancy yellows
- Resource base of 7.1 Mcts
- Expansion plan to increase production from circa 68,000 ctpa to circa 135,000 ctpa by FY 2016
- 10 year initial mine plan

PETRA OWNERSHIP

74% — 26% BEE partner Sedibeng Mining (Pty) Ltd

OPERATIONAL REVIEW

KIMBERLEY UNDERGROUND **P31**

Fissure Mines

Portfolio of three fissure mines: Helam, Sedibeng and Star

Narrow vein, low tonnage 'fissure' mines

KEY FACTS

- Fissures are the narrow root zones of kimberlites (after the main pipe has been eroded away)
- Low tonnage operations but high grade
- Resource base of 5.1 Mcts
- Petra has, along with its BEE partners, commenced a public disposal process in respect of its fissure mine operations, as they are no longer core to the Group's portfolio

HELAM: **74% Petra**, 26% BEE partner Sedibeng Mining (Pty) Ltd

SEDIBENG: **74.5% Petra**, 17.85% BEE partner Sedibeng Mining (Pty) Ltd, 7.65% BEE partner Bokone Properties (Pty) Ltd

STAR: **74% Petra**, 26% BEE partner Sedibeng Mining (Pty) Ltd

Williamson

Tanzania's most important diamond producer

At 146 hectares, Williamson is one of the world's largest kimberlite pipes ever to be mined economically

KEY FACTS

- Renowned for high value 'bubblegum' pink diamonds
- Major resource base of 39.6 Mcts
- Phase 1 development programme completed and production recommenced in Q4 FY 2012
- Production expected to reach 3.6 Mt (circa 216,000 ctpa) by FY 2016
- Petra currently evaluating Phase 2 development to take operation above 3.6 Mtpa
- 18 year initial mine plan

PETRA OWNERSHIP

75% — 25% United Government of the Republic of Tanzania

OPERATIONAL REVIEW

WILLIAMSON **P32**

OUR OPPORTUNITY **P6**

Identify
OUR OPPORTUNITY

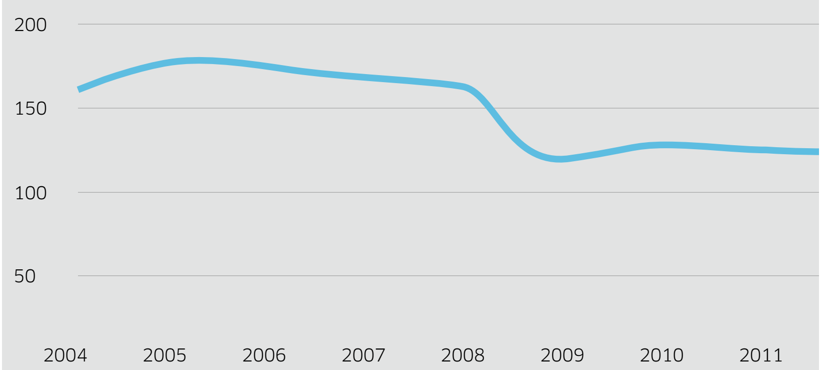
THE DIAMOND MARKET

The diamond market's performance in FY 2012 was characterised by volatility, in line with uncertain global economic conditions. After reaching new highs in June 2011, prices declined from July to December 2011; a temporary recovery was seen in Q3 FY 2012 to 31 March, before prices weakened again towards the year end. Whilst in the short term the market is expected to remain under pressure, due to the prevailing climate of economic uncertainty, the medium to long-term outlook for the supply/demand balance in the rough diamond industry is considered to be robust, with demand generally forecasted by all commentators to exceed supply.

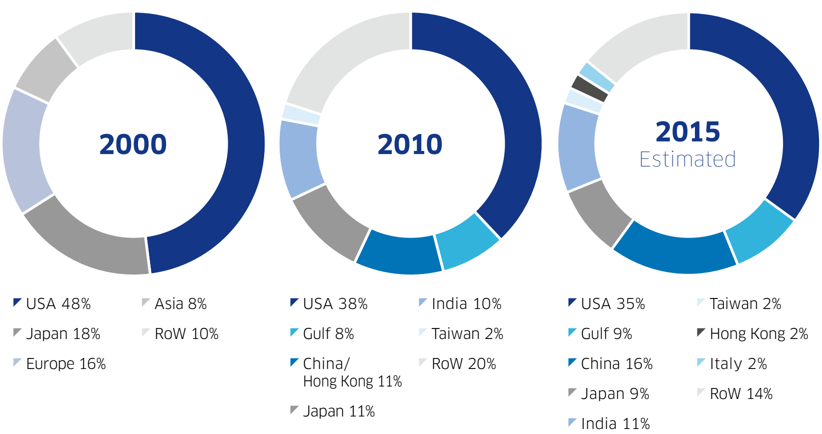
On the supply side, there are fewer than 30 diamond mines of significance in the world today and there have been no important exploration successes since the finds in Canada in the 1990s. The majority of the major diamond producers have now been in operation for decades and cannot maintain previous high levels of output. In certain cases, open pit operations are having to move underground, which naturally limits the volumes that can be extracted from the orebody. In order to extend the lives of these assets, major capital expenditure and development programmes are required.

Whilst certain new mines are planned to come on stream in the next few years, there is nothing of significant size to make up for this downward trend in production, leading some to believe that it will not be possible to again reach the peak production levels of circa 176 million carats achieved in 2005/2006. In 2011, some 124 million carats of rough diamonds were produced globally, a decrease in volume of circa 3% from 2010's total of 128 million carats (source: Kimberley Process Certification Scheme). This is considerably lower than market participants were expecting, suggesting that previous forecasts on future production levels could be optimistic.

DECREASING SUPPLY VOLUME (MILLION CARATS)
GLOBAL DIAMOND PRODUCTION
Source: Kimberley Process Statistics



A SHIFT FROM WEST TO EAST WORLD DIAMOND JEWELLERY SALES
The Far East (classified as China, Hong Kong, Taiwan, India and the Gulf) is expected to account for approximately 40% of global demand by 2015 as consumer demand continues to grow in emerging markets.



Source: RBC Capital Markets/De Beers

There is a positive long-term outlook for the rough diamond market due to inherent production constraints which suggest that supply will struggle to keep pace with demand.

Market's performance in FY 2012 was characterised by volatility in line with uncertain economic conditions.

Whilst demand growth may have slowed for now, demand for diamonds continues to rise in both established markets, such as the US, and new markets, such as China, as global wealth and consumer spending increase. An additional small but growing segment of demand is driven by interest in diamonds as a hard asset investment class, and a number of new investment products have been launched to provide exposure to diamonds.

The table below sets out the diamond prices achieved across Petra's mines in FY 2012 versus FY 2011, as well as the price assumptions that management is using as an annual average for FY 2013 business plans (as set out in the FY 2013 Market Guidance announcement dated 15 August 2012). Following the recent announcement of the sale process, the Fissure Mines have not been included in the table below.

The Company's first tender of FY 2013 was concluded in early September and revenues of US$50.9 million were achieved on the sale of 318,687 carats; a summary of the results achieved by mine is also set out in the table below. The Company's FY 2013 guidance for per carat price assumptions remains in place without revision.

Mine	**FY 2013 actual September tender results US$/ct**	**FY 2013 guidance average US$/ct**	FY 2012[1] actual average US$/ct	FY 2011[1] actual average US$/ct
Finsch	**133**	**129**	138	n/a
Cullinan	**149[2]**	**129**	128	148
Koffiefontein	**566**	**475**	487	564
Kimberley Underground	**236[3]**	**300**	320	333
Williamson	**243**	**220**	236	302[4]

1. All average values are a mix of ROM and tailings production, as Petra tenders production from each mine on a mixed ROM/tailings parcel basis.
2. Included a 69 carat stone sold for $US3.4 million.
3. Wesselton plant in commissioning stage.
4. Williamson FY 2011 value relates to alluvial production only, as there was no ROM production whilst the Phase 1 development programme was underway.

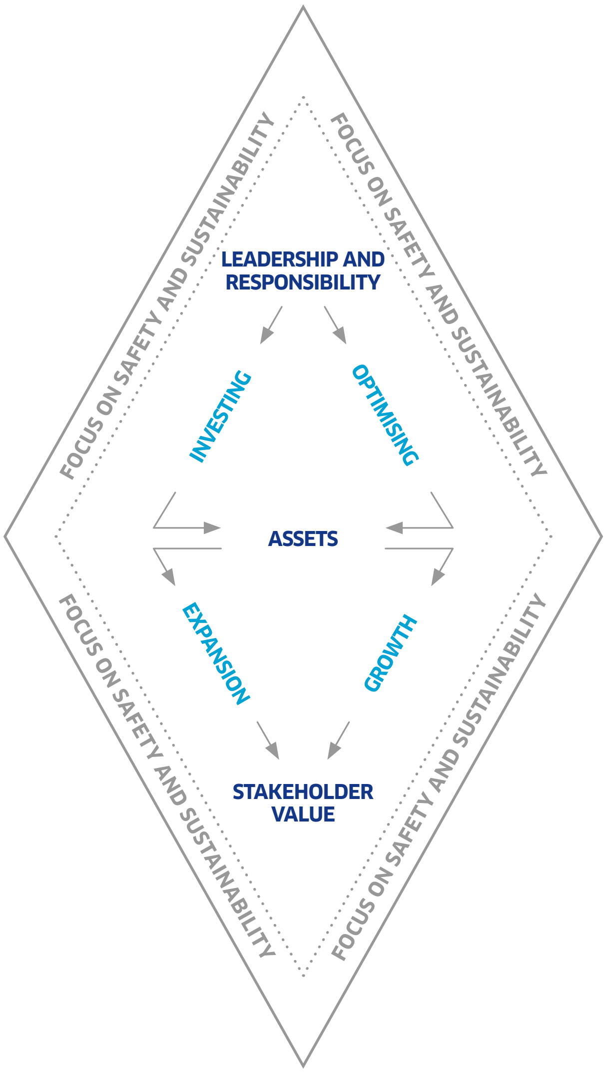
OUR STRATEGY **P8**

Discover Petra Diamonds

Uncover
OUR STRATEGY

Business model

Through its strong and responsible leadership, Petra is investing in the expansion and optimisation of its world-class assets in order to deliver significantly increased production in the years to come. Underpinning Petra's strategy is a focus on safety and sustainability, thereby driving value for all stakeholders.



LEADERSHIP AND RESPONSIBILITY

The Company is committed to the responsible development of its assets, to the benefit of all stakeholders.

FOCUS ON SAFETY AND SUSTAINABILITY

Corporate social responsibility is integral to the way the Group structures and operates its mining, development and exploration projects.

INVESTING

Petra has committed significant capital in order to extend the lives of its mines.

OPTIMISE RECOVERIES

Petra is focused on 'value' as opposed to 'volume' production and plans its mining and processing to capture a mine's optimal rough diamond profile.

WORLD-CLASS ASSETS

Petra has acquired five of the world's important diamond mines and in so doing has compiled a major diamond resource of over 300 million carats.

EXPANSION OF MINES AND EXPLORATION

Petra has expansion plans in place at each of its operations and is seeking to discover new, economic kimberlites through its exploration programme in Botswana.

PRODUCTION GROWTH

Petra has set out a transparent growth path which is expected to see production rising from 2.2 million carats in FY 2012 to 5 million carats by FY 2019.

STAKEHOLDER VALUE

Petra's exceptional growth profile is expected to deliver substantially higher revenues and earnings over time, which will in turn deliver value to all stakeholders.

Our key objectives

The Group is focused on cash-generative diamond production, with a core objective to continue to grow rough diamond output and increase its stature as a leading diamond mining group.

Objectives	FY 2012	Focus for FY 2013
INCREASE OUTPUT Targeting 5 million carats by FY 2019 **KEY PERFORMANCE INDICATORS** ROUGH DIAMOND PRODUCTION **P10** REVENUE **P10**	- Acquired Finsch mine - Recommenced production at Williamson - Group production doubled to 2.2 Mcts	- Production target of 2.85 Mcts - Total tonnages treated to increase from 10 Mt to circa 17 Mt
OPTIMISE RECOVERIES Aiming to improve operating margins at each mine **KEY PERFORMANCE INDICATORS** SAFETY **P10** PROFIT FROM MINING ACTIVITY **P11**	- Focus on recoveries at Finsch saw highest frequency of +50ct stones per million ROM carats since 2003 - Ongoing plant refinements at Wesselton (Kimberley Underground) and Williamson	- Continue to focus on 'value' as opposed to 'volume' production - Ongoing plant refinements at Wesselton (Kimberley Underground) and Williamson - Introduction of re-crush circuit to Cullinan modular tailings plant - Continue to optimise plant processing and security
DRIVE EFFICIENCIES Maintaining a culture of effective cost control **KEY PERFORMANCE INDICATORS** NET OPERATING CASHFLOWS **P11** CAPEX **P11**	- Inflationary cost pressures well controlled - Capex in line with guidance	- Continue to drive efficiencies across the mines - Continue to closely monitor and control Capex

RESPONSIBLE LEADERSHIP AND SUSTAINABILITY UNDERPIN PETRA'S OPERATIONS

KEY PERFORMANCE INDICATORS **P10**

Key Performance Indicators

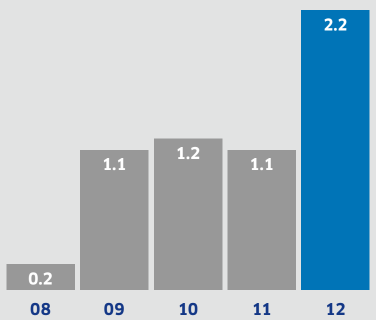
Petra uses various performance measures of both a financial and a non-financial nature to help evaluate the ongoing performance of the business. The following performance measures are considered by management to be some of the most important in terms of evaluating the overall performance of the Group year-on-year.

INCREASE OUTPUT

ROUGH DIAMOND PRODUCTION (GROSS)

MILLION CARATS

2.2



DESCRIPTION

Petra has set out a clear and transparent growth profile, with production expected to rise gradually year-on-year to reach 5 million carats by FY 2019.

PERFORMANCE FOR THE YEAR

Petra effectively doubled production for the year to 2.2 million carats. This growth was mainly further to the acquisition of Finsch, which contributed 1.1 million carats from 14 September 2011 (the date of takeover) to 30 June 2012.

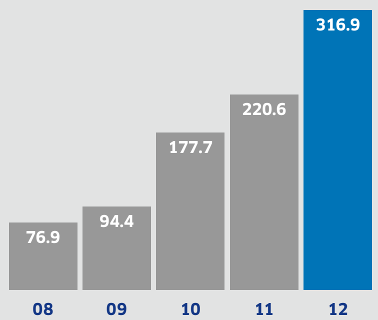
RISK MANAGEMENT

Petra takes great care to set achievable operational targets, based on detailed mine production planning. Production performance throughout the year is monitored closely and if an operation falls behind, remedial steps are taken to help make up lost production.

REVENUE (GROSS)

US$ MILLION

316.9



DESCRIPTION

Petra's growth path will see production rising every year to FY 2019, which is in turn expected (dependent on rough diamond prices) to deliver commensurate growth in revenue.

PERFORMANCE FOR THE YEAR

Revenue grew 44% to US$316.9 million for FY 2012, primarily due to a contribution of US$136.9 million from Finsch, even though the mine acquisition only completed part way through the year on 14 September 2011. The contribution from Finsch was offset by weaker diamond prices experienced during the year.

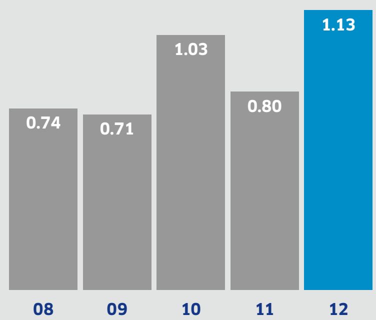
RISK MANAGEMENT

The key factors affecting revenue growth are delivery on production targets and diamond prices, which are both monitored closely by the Group. Petra believes that its method of selling diamonds via competitive tender is the best way to maximise the value of its production.

OPTIMISE RECOVERIES

SAFETY GROUP LOST TIME INJURY FREQUENCY RATE ("LTIFR")

1.13



DESCRIPTION

The safety of employees is Petra's number one priority. LTIFR is defined as an occurrence that resulted in a time lost from work of one day or shift or more and Petra uses this indicator to track the annual Group's performance.

PERFORMANCE FOR THE YEAR

Petra's LTIFR increased slightly for the year. The team is focused on driving improvements, in line with the Group's objective of a zero harm working environment. Very regrettably there was a fatality at the Kimberley Underground mine in January 2012; a full investigation was carried out into the accident.

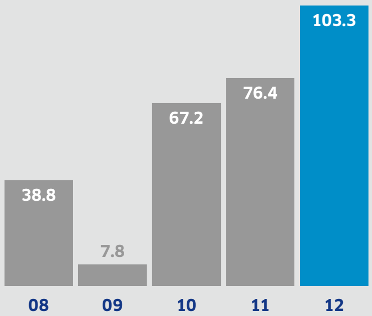
RISK MANAGEMENT

Management's focus on a zero harm environment requires a zero tolerance approach for any action that results in potential injury to employees. In addition to appropriate risk management processes, Petra has strategies, systems and training in place to promote a safe working environment.

DRIVE EFFICIENCIES

PROFIT FROM MINING ACTIVITY
US$ MILLION

103.3



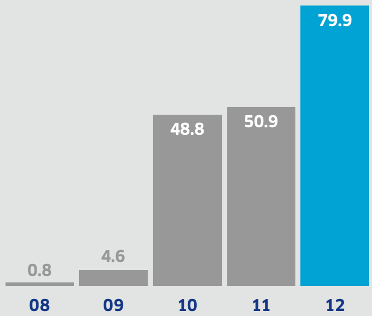
DESCRIPTION
Profit from mining activity reflects the operating margins of Petra's assets. Petra's expansion plans aim to access major undiluted ore blocks; this is expected to substantially increase future margins over time.

PERFORMANCE FOR THE YEAR
Petra's on-mine profit increased 35% to US$103.3 million in FY 2012, reflecting the introduction of Finsch into the Group from 14 September 2011, but partly offset by the weaker diamond prices already noted. This represents an operating margin of circa 33%, achieved against the background of volatile diamond prices.

RISK MANAGEMENT
Rigorous operational and financial discipline is required in order to keep operating costs in check. A comprehensive annual budgeting process covering all expenditure is undertaken and approved by the Board. Monthly reporting highlights variances and remedial action can therefore be taken on a timely basis.

NET OPERATING CASHFLOW
US$ MILLION

79.9



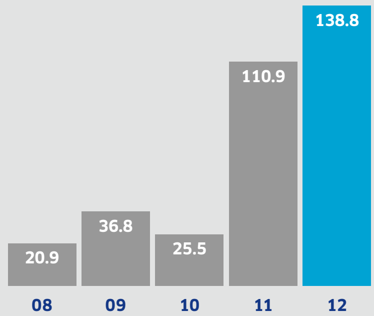
DESCRIPTION
Petra is focused on generating strong operating cashflow. The Group's strategy is to apply these operating cashflows to fund the Group's substantial Capex profile, which will lay the foundations for long-term sustainable production growth.

PERFORMANCE FOR THE YEAR
The Group's net operating cashflow grew by 57% to US$79.9 million in FY 2012, reflecting the quality of the Group's assets and management team, set against a volatile diamond market for the year.

RISK MANAGEMENT
Strong financial and operational management, disciplined monitoring and reporting, long-term cashflow forecasting and strong banking relationships assist the Group in managing liquidity.

CAPEX
US$ MILLION

138.8



DESCRIPTION
It is key to the Group's production expansion that Capex is applied and development rolled out in line with stated business plans.

PERFORMANCE FOR THE YEAR
Capex spend for the year increased to US$138.8 million. This spend was in line with Petra's original guidance, except for an exchange rate adjusted under-spend of circa US$35 million, due to the deferment of the Phase 2 expansion programme at Williamson (see page 32) and the mining scope changes at Finsch (see page 26).

RISK MANAGEMENT
The Group's annual budgeting process includes detailed Capex requirements per operation and is approved by the Board. Capex is monitored and variances noted on a monthly basis. The Group continually reviews its cashflow planning to ensure that Capex plans are adequately financed.

CHAIRMAN'S STATEMENT **P14**

Finsch is a world-class underground block cave diamond mine with state-of-the-art mining infrastructure, including a modern processing plant

BUSINESS REVIEW

"Our balanced and diverse portfolio of mining operations provides important flexibility in terms of how the Group achieves its targets."

"Petra's growth profile requires enormous commitment and dedication and it is our team which is making growth happen each and every day."

Adonis Pouroulis
Non-Executive Chairman

Chairman's statement

Our vision is to further Petra's stature as a diamond mining group of global significance.

Dear Shareholder,

It gives me great pleasure to introduce Petra's 2012 Annual Report. The 2012 financial year was an important period in which the Company consolidated its position as a leading independent diamond producer, further to the acquisition of the world-class Finsch mine and the Company's graduation from AIM to the Main Market of the London Stock Exchange.

Delivering on our strategy

Our vision is to further Petra's stature as a diamond mining group of global significance. The Company has acquired five important 'kimberlite pipe' diamond mines from De Beers since 2007, being (in chronological order) Koffiefontein (South Africa), Cullinan (South Africa), Williamson (Tanzania), Kimberley Underground (South Africa) and Finsch (South Africa). In so doing, the Company has compiled one of the world's largest diamond resources of over 300 million carats.

Our strategy is now to invest in these key assets in order to expand and optimise production at each mine. We have put in place long-term, sustainable mine plans for each operation and have set out a clear path to steadily grow production year-on-year. In FY 2012, Petra effectively doubled production to 2.2 million carats and we have our sights set on reaching 5 million carats per annum by FY 2019. This production growth will be achieved solely through organic growth and will be mainly driven by the deepening of our underground pipe mines to access new, undiluted blocks of ore.

A new flagship

The completion of the acquisition of the Finsch mine in South Africa introduced an additional flagship mine to the Group. Finsch is a long-life, major diamond producer with significant reserves and resources and it has brought a further highly skilled and experienced workforce to Petra. The integration of Finsch progressed very smoothly and the mine contributed over 1.1 million carats to the Group for the period from September 2011 to June 2012.

Number of employees, excluding contractors, as at 30 June 2012

Cullinan
1,081 employees

Finsch
762 employees

Williamson
563 employees

Koffiefontein
460 employees

Kimberley Underground
581 employees

Helam
542 employees

Sedibeng
471 employees

Star
196 employees

Petra Diamonds Botswana
8 employees

Head Office/Group
104 employees

Petra Group
4,768 employees

"Petra is a significant employer in the diamond mining industry and we are committed to playing a positive role in Africa."

Corporate social responsibility

Petra is a significant employer in the diamond mining industry and we are committed to playing a positive role in Africa. Sustainability is at the heart of what we do and our approach is to ensure a long-term future for our assets by planning and structuring our operations to the benefit of all stakeholders. To read more about our commitment to corporate social responsibility, please review our annual Sustainability Report, which is available on the Company's website.

Corporate development

The Company is focused on the important area of Corporate Governance; please see my introduction on page 46 of this report, in which I set out our commitment to this area. I would like to welcome three new independent Non-Executive Directors to the Petra Board, who contribute a wealth of complementary experience in terms of geology, mining, the capital markets, audit and risk management, corporate governance, and Africa as a place to conduct business.

In line with best practice, I moved from Executive to Non-Executive Chairman during the year, though of course my commitment to the Company's success remains unchanged.

Iconic assets mark the Diamond Jubilee

Petra operates iconic and historically significant diamond mines, whose heritage we greatly value. In particular, Cullinan and Williamson have been in the spotlight this year, further to important gems from Queen Elizabeth II's private collection being on display at Buckingham Palace in London to mark her Diamond Jubilee. The collection includes pieces made from the legendary Cullinan Diamond – the world's largest gem diamond, which weighed 3,106 carats as an uncut stone – including the Cullinan III and IV Brooch worn by the Queen at the National Service of Thanksgiving for her 60 year reign. Also included is the Williamson Pink, a flawless pink diamond of 23 carats polished, which is noted by the Royal Collection as "the finest pink diamond in existence".

Looking ahead

FY 2013 is now well underway and we are targeting further production growth to circa 2.85 million carats, due to a full year's contribution from Finsch and Williamson, as well as increased contributions from other operations. We are also looking forward to the ongoing exploration results from KX36 in Botswana, as we continue to evaluate this kimberlite's economic potential.

Whilst this is a challenging time for diamond producers, given the current climate of global economic uncertainty, we have the quality team and assets in place to withstand tough times. We also have a growing production profile, ensuring that the Group is poised to benefit when market conditions improve. Given the very strong supply/demand fundamentals of our industry, the long-term outlook remains positive.

The importance of partnerships

Petra would not be in the position it is today were it not for the strong partnerships we have forged over the years, and I would like to especially thank our host Governments of South Africa, Tanzania and Botswana, as well as our black economic empowerment partners and the Petra Diamonds Employee Share Trust, for their support.

Finally I would like to thank all Petra employees for their hard work throughout the year. The growth profile outlined above requires enormous commitment and dedication and it is our team which is making this growth happen each and every day. We are drawn together with a common purpose – to further establish Petra in all aspects as one of the world's leading diamond mining groups – and we look forward to further delivering on this strategy in FY 2013.

Adonis Pouroulis
Non-Executive Chairman
15 October 2012

Discover Petra Diamonds

8
MINES IN AFRICA

+4,700
EMPLOYEES

2.2m
CARATS: GROSS PRODUCTION IN FY 2012

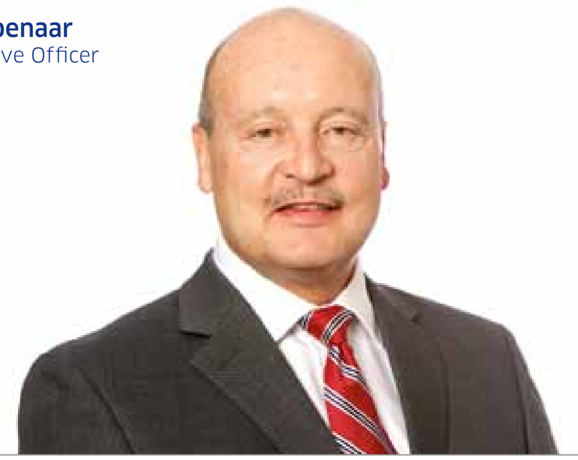
5.0m
CARATS: GROSS PRODUCTION BY FY 2019

300m+
CARATS RESOURCE BASE

FTSE 250
INCLUDED IN MARCH 2012

"FY 2012 was a further year of significant progress for Petra, with the Company delivering strong revenue growth and doubling production to 2.2 million carats."

Johan Dippenaar
Chief Executive Officer



CEO's review

2012 has seen Petra further consolidate its position as London's largest listed diamond mining group.

SUMMARY

- FY 2012 marked two very important milestones in Petra's development, namely the completion of the Finsch acquisition and the step-up from AIM to the Main Market of the London Stock Exchange and subsequent inclusion in the FTSE 250 index.
- We are focused on continuing to increase production, with the ultimate objective of taking annual output to 5 Mcts by FY 2019.
- We have built up a solid track record of meeting our targets; our team's experience and working knowledge of the Group's mines is essential to delivering the Company's future success.
- Petra is well placed to withstand challenging market conditions, due to the quality of our assets and our management team.

FY 2012 was a further year of significant progress for Petra, with the Company delivering strong revenue growth and doubling production to 2.2 million carats ("Mcts"). The year also marked two very important milestones in Petra's development, namely the completion of the acquisition of the Finsch mine in South Africa and the Company's step-up from AIM to the Main Market of the London Stock Exchange and subsequent inclusion in the FTSE 250 index.

Finsch is one of the world's important diamond mines and has brought a further major reserves and resources base to the Group. The integration of the mine into the Petra Group ran smoothly; it is already a major contributor to Petra's total annual production and will contribute significantly to the Company's longer-term target to increase annual production to 5 Mcts by FY 2019.

Accessing deeper, undiluted ore blocks at Finsch, Cullinan and Koffiefontein, from which we expect to deliver substantial increases in production grade, is central to the Group's expansion plans. Mining is a long-term business and our development programmes run over the course of several years. From FYs 2016 and 2017, we expect to start to see the positive effects of the access to undiluted, higher grade ore.

Our balanced and diverse portfolio of mining operations provides important flexibility in terms of how the Group achieves its targets. As with all portfolios, it is important to regularly assess the right mix and balance. Management has increasingly focused time and resources on its flagship operations, the Fissure Mines have become non-core contributors to the Group and we have therefore, since the year end, commenced a sales process.

As previously reported, the Company has been working on restructuring the Group's debt requirements. Most of the Group's current debt facilities were put in place before Finsch was acquired and

“Whilst the current economic climate is challenging, Petra is well placed to withstand market conditions due to the quality of its assets and management team.”

PRODUCTION COMBINED OPERATIONS

	Unit	FY 2012	FY 2011	Variance
Sales				
Revenue	US$m	**316.9**	220.6	+44%
Diamonds sold	Carats	**2,084,429**	1,174,825	+77%
Production				
ROM diamonds	Carats	**1,872,120**	1,027,609	+82%
Tailings and alluvial diamonds	Carats	**336,742**	90,186	+273%
Total diamonds	Carats	**2,208,862**	1,117,795	+98%
Capex[1]				
Expansion	US$m	**108.8**	59.1	+84%
Sustaining[2]	US$m	**29.2**	51.6	-43%
Total	US$m	**138.0**	110.7	+25%

1. Group Capex includes US$11.1 million for the year (FY 2011: US$11.0 million), which was incurred by the Group’s internal projects facility in terms of projects/equipment under construction and which will reflect as ‘on-mine’ Capex once these projects are finalised and invoiced to the respective operation. Therefore the Capex figures stated in the mine by mine tables in the Operational Review from page 24, plus the US$11.1 million internal projects Capex and Fissure Mines Capex, add together to provide the Capex total in the table above.
2. Excludes US$0.8 million of Capex for Group/corporate/exploration that is not given in the mine by mine tables in the Operational Review.


Construction underway of the new modular tailings plant at Cullinan

the cashflows from this mine are highly relevant with regards to debt planning and servicing. At the same time, the volatility in rough diamond prices during FY 2012 and the outlook for the next year or so, when prices are expected to remain flat or show a small increase, means that the Group has reviewed its financing requirements to ensure that it is fully funded to deliver on the capital expansion programmes. The process with the syndicate banks is progressing well and they have given their provisional commitment (subject to completion of due diligence and legal documentation) to the debt requirements and structure requested by Petra, which will see the Group fully funded through to the conclusion of its expansion programmes. The Company will update shareholders once the formal process, including full form signed documentation, has been completed (expected to be in Q2 FY 2013).

In line with our increased stature as a FTSE 250 company and London’s largest listed diamond mining group, Petra continues to evolve corporately. We were delighted to welcome Dr Patrick Bartlett and Mr Gordon Hamilton to the Board during the year as independent Non-Executive Directors, and Mr Tony Lowrie to the Board as

Senior Independent Non-Executive Director following the year end. Petra is grateful for the contribution of its independent Non-Executive Directors and we now benefit from a Board with a broad range of expertise across a range of complementary and highly relevant disciplines.

Production effectively doubled for the year further to the acquisition of Finsch, which contributed 1.1 Mcts in FY 2012, although revenue growth was affected by the volatility of the diamond market and overall weaker prices.

Carats sold were up 77% to 2,084,429 (FY 2011: 1,174,825). Carat sales were lower than carats produced due to the inclusion of Finsch into closing inventory for the first time; going forward the effects of Finsch should level out.

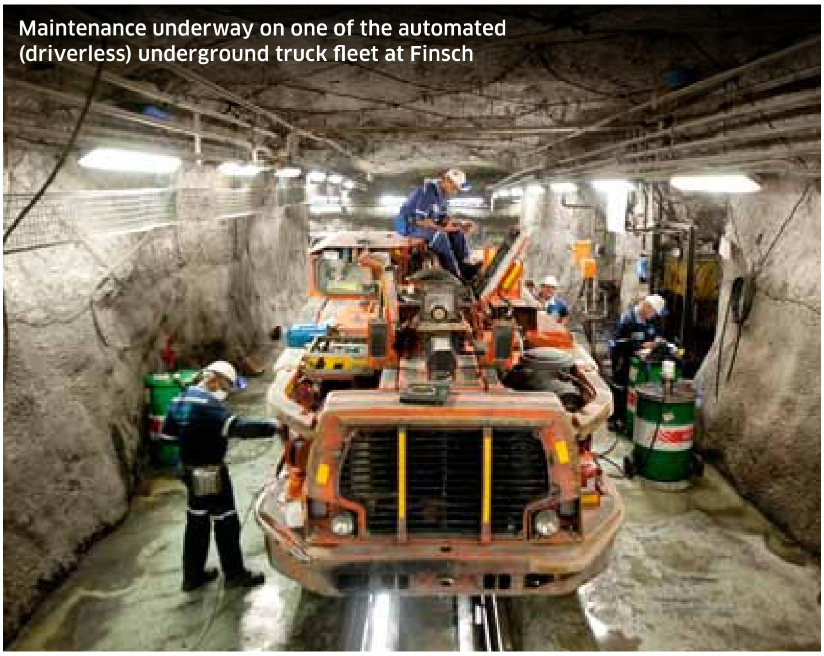
Petra sold eight stones exceeding US$1 million each during the year, for total revenue of US$14.4 million (FY 2011: 12 stones exceeding US$1 million each were sold for a total of US$27.7 million).

The Operational Review to follow on pages 24 to 37 provides more detail on the Group's operational performance for FY 2012 and forms part of this review.

Increase in effective interests in South African operations

As announced in February 2012, the Company has entered into an agreement whereby it can acquire a 49.24% effective interest in Sedibeng Mining (Pty) Ltd ("Sedibeng Mining"). Sedibeng Mining is one of Petra's South African empowerment partners, with varying interests in all of Petra's South African operations.

The total consideration payable by Petra for the acquisition of the effective 49.24% holding in Sedibeng Mining is US$17.8 million. To date, the Company has paid US$17.2 million in respect to this agreement (refer to note 30). It is expected that the agreement will complete in the near future and the balance of the consideration of US$0.6 million will then be paid by the Company.



Maintenance underway on one of the automated (driverless) underground truck fleet at Finsch

Disposals of the Fissure Mines

Post year end on 31 July 2012, the Company announced that it had, in conjunction with its BEE partners, decided to undertake a sale process in respect of the Fissure Mines.

Due to Petra's focus on the development of its major assets, the Group has evolved into a successful producer from underground and surface (Williamson), high-tonnage kimberlite pipe mines. The Fissure Mines have therefore become non-core to the Group, both in terms of their revenues and resource base, and Petra is of the view that the Fissure Mines have the potential to deliver strong returns under the ownership of an operator to whom they would be core assets.

On 7 September 2012 Petra announced that the disposal process had formally commenced and that Petra had appointed QuestCo (Pty) Limited, a South Africa-based corporate finance adviser with prior experience in the successful sale of other diamond assets in South Africa, to manage the sale process. Although in the early stages, the sale process is progressing well and the Company will provide a further update as and when appropriate, although the nature of such sale processes is they run for several months at a confidential level.

Potential transactions arising from the sale process will be subject to detailed scrutiny and, apart from financial objectives, Petra will consider prospective purchasers' approach to employment, health and safety, environmental management and other issues fundamental to the long-term success of the Fissure Mines for all stakeholders.

Given the sale process and the immateriality of the Fissure Mines' numbers to the enlarged Petra Group, detailed reporting of the Fissure Mines' results have not been supplied in the Operational Review to follow.

Safety

The health and safety of all employees remains the Company's number one priority and Petra is highly focused on this area. In addition to appropriate risk management processes, Petra has strategies, systems and training in place to promote a safe working environment. Management's focus on a zero harm environment requires a zero tolerance

approach for any action that results in potential injury to employees and Petra seeks to instill a systemic culture of safety.

It is with deep regret that Petra experienced a fatality on 22 January 2012 at the Kimberley Underground operation. The Company and its management team express their sincere condolences to the family and friends of the deceased.

The Group's Lost Time Injury Frequency Rate ("LTIFR") for the year was 1.13 (FY 2011: 0.80). The Company's ongoing initiatives will endeavour to lower the LTIFR in line with its policy of zero harm.

Petra produces an in-depth report annually on its sustainable development policies and practices, covering areas such as health and safety, environment, community and employment. The 2012 report will be made available once published on the Petra website at www.petradiamonds.com.

South African mining environment

Since year end, labour unrest in South Africa's mining industry has been widely reported in the media. With regards to Petra, it is important to note that the majority of the Group's employees are skilled and semi-skilled workers, as block cave mining is a highly mechanised process.

The Company continues to monitor the situation both within South Africa as a whole and at its specific operations. Petra has a strong record of stable labour relations and remains focused on the ongoing dialogue which the Company has always practised with the representative unions.

Outlook

Whilst the current economic climate is challenging, Petra is well placed to withstand market conditions, due to the quality of its assets and management team. Our focus on the key areas of our business has been honed over many years of operating underground diamond mines, including through other challenging periods in both the diamond and capital markets.

We are focused on continuing to increase production, with the ultimate objective of taking annual output to 5 Mcts by FY 2019. We have built up a solid track record of meeting our targets and our team's experience and working knowledge of the Group's mines is essential to delivering the Company's future success.

Finally, I would like to thank the Petra team for the hard work and resilience which continues to drive the Group forward. I would also like to thank our valued Government and BEE partners, whose support underpins Petra's long-term prospects.

Johan Dippenaar
Chief Executive Officer
15 October 2012

“An adjusted net profit after tax of US$39.2 million was recorded for FY 2012, adjusted for unrealised foreign exchange movements and transaction costs.”

David Abery
Finance Director

Financial review

Petra’s management is focused on cashflow generation from its operations.

SUMMARY

- Revenue rose 44% to US$316.9 million, primarily due to the contribution from Finsch.
- Profit from mining activity increased 35% to US$103.3 million, an on-mine margin of 33%.
- Adjusted EBITDA rose 35% to US$90.3 million; further growth was affected by weaker diamond prices in FY 2012.
- Operating cashflow rose 58% to US$79.9 million, reflecting Petra’s focus on this key area.
- Detailed analyst guidance notes can be downloaded from the Company’s website at www.petradiamonds.com/investors/analysts/analyst-guidance.aspx.

Revenue of US$316.9 million was recorded for the year, an increase of 44% on the US$220.6 million revenue recorded for FY 2011. The increase in revenue was primarily due to the contribution from Finsch, which added an additional US$136.9 million to revenue for the year, even though the Finsch acquisition only completed part way through the year on 14 September 2011. The contribution from Finsch was offset by weaker diamond prices experienced during the year, as covered in The Diamond Market review on pages 6 and 7.

Mining and processing costs

Gross mining and processing cash costs for the South African operations (before diamond royalties and diamond inventory movements), annualised for the inclusion of Finsch from 14 September 2012, increased by 16% on a ZAR basis, due to:

- upwards pressure on electricity and labour costs (9% of the increase); and
- treatment of higher tonnages across the operations versus FY 2011 (7% of the increase).

Certain cost categories in South Africa have increased in excess of South African inflation (South African CPI stood at 5.5% at 30 June 2012). Petra’s cost focus, coupled with higher tonnage throughput, enabled the Group to partially mitigate the direct effect of inflationary pressures. Two key areas where costs escalated at a higher level than South African CPI are electricity and labour.

"Exploration expenditure increased to US$3.0 million due to Petra's work programme at the KX36 kimberlite in Botswana and the surrounding area."

Electricity prices rose by 22% during the year and a further increase of circa 16% has been approved by the South African National Energy Regulator for FY 2013. Petra's electricity usage accounted for approximately 16% of cash on-mine costs. Petra endeavours to manage its electricity consumption as the Group's production profile increases and the Company has achieved good success in this area.

Labour currently accounts for approximately 40% of on-mine cash costs at the South African pipe mines and 59% of on-mine cash costs at the Fissure Mines. Going into FY 2013, the Company anticipates that labour cost increases will continue to be slightly above inflation.

As the bulk of Petra's operating costs are incurred in ZAR, the 11% weakening of the average ZAR exchange rate against the US dollar (FY 2012: R7.7685:US$1 vs FY 2011: R7.0076:US$1) negated some of the increased costs in ZAR terms as mentioned above.

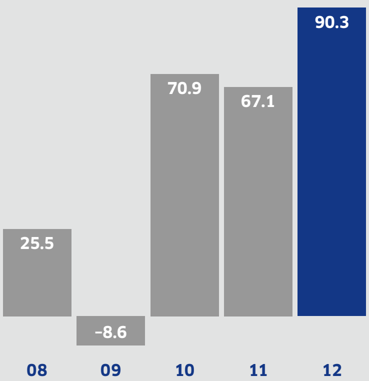
Unit costs on a mine by mine basis are covered in the Operational Review on pages 24 to 37.

The mining and processing costs for the year are, as in past periods, comprised of on-mine cash costs as well as other operational expenses. A breakdown of the total mining and processing costs for the year is set out below.

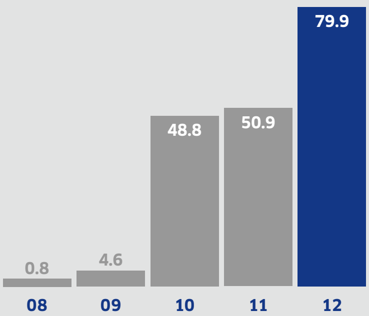
With regards to FY 2013, the Company provided guidance for both tonnages and on-mine cash costs per tonne and depreciation on 15 August 2012, and that guidance can be accessed on the Company's website.

As noted on page 23 under "Cash and diamond inventory", management expects diamond inventories to be circa 20% higher in US dollar terms at the end of FY 2013 versus the end of FY 2012.

ADJUSTED EBITDA
US$ MILLION
90.3



NET OPERATING CASHFLOW
US$ MILLION
79.9



For FY 2013, the Company expects the cost of the Group central technical and support services to be circa R120 million, an increase on FY 2012 (R98.7 million) in line with the increased size of the Group after the acquisition of Finsch and other Group support structures.

Mining profit

The Company's profit from mining activity increased 35% to US$103.3 million (FY 2011: US$76.4 million), reflecting the introduction of Finsch into the Group from 14 September 2011, but mitigated by the weaker diamond prices as already noted. Even though the Group is in expansion and development at some of its operations, profit from mining activity for the Group reflected an overall margin of circa 33% for the year (FY 2011: circa 35%). The margin for FY 2012 was achieved against a background of volatile diamond prices.

Operating cashflow

Petra's management is focused on cashflow generation from its operations. Operating cashflows of US$79.9 million were generated for the year (FY 2011: US$50.9 million).

Exploration

Petra maintained its focused exploration programme in Botswana. Exploration expenditure (before depreciation) for the year of US$3.0 million (FY 2011: US$1.3 million) increased due to Petra's work programme at the KX36 kimberlite and the surrounding area. Refer to the Botswana operations section in this report for comment on exploration activities.

The Company currently expects exploration spend in Botswana to be circa US$5 million in FY 2013.

FY 2012 – BREAKDOWN OF MINING AND PROCESSING COSTS

On-mine cash cost US$ million	Diamond royalties US$ million	Inventory movement US$ million	Centralised operating cost US$ million	Other US$ million	Sub-total mining and processing cost US$ million	Depreciation US$ million	Share-based expense US$ million	Total mining and processing costs US$ million
234.3	1.4	(19.4)	11.6	(5.3)	222.6	40.7	0.6	263.9

"An increased cash Capex spend of US$138.8 million reflects the progression of the Company's development programmes."

PROFIT FROM MINING ACTIVITY
US$103.3m

ADJUSTED EBITDA
US$90.3m

OPERATING CASHFLOWS GENERATED
US$79.9m

ADJUSTED GROUP PROFIT
US$39.2m

Corporate overhead – general and administration

Corporate overhead increased to US$10.0 million for the year (FY 2011: US$8.0 million). The increase over the prior year is due to staff costs, general corporate costs and professional fees commensurate with the Group's enlarged size.

For FY 2013, the corporate overhead is expected to remain at circa US$10 million and management will continue to keep these central costs well controlled and managed.

Transaction costs

Transaction costs, which were of a non-recurring nature, incorporate the professional fees and expenses associated with the Main Market step-up (US$2.7 million) and the Finsch acquisition (US$0.4 million).

Depreciation

Depreciation for the year was US$41.0 million (FY 2011: US$22.4 million). The increase was mainly attributable to nine months of depreciation on the Finsch assets (US$14.2 million), Kimberley Underground's increased production (US$2.0 million) and commissioning of the rebuilt plant at Williamson (US$1.5 million).

Net unrealised foreign exchange loss

Net unrealised foreign exchange losses of US$38.6 million (FY 2011: US$18.6 million gain) are mainly due to unrealised foreign exchange movements on the retranslation of foreign subsidiary intercompany loans as a result of the significant movement in ZAR/US$ rate from R6.84 at the start of the year to close at R8.16 at the end of the year.

The Group's foreign subsidiary intercompany loan balances are substantial due to the funding provided by the holding company to its subsidiaries, mainly with regards to the acquisition consideration of the Cullinan and Finsch mines. Under IFRS, foreign exchange movements on loans that management do not consider will be repaid in the medium term are recorded to equity within the Foreign Currency Translation Reserve, whilst other foreign exchange movements are taken to the Consolidated Income Statement.

Net finance income

Net finance income of US$1.8 million (FY 2011: US$3.5 million expense) is comprised of interest received on the Group's cash balances, net of interest receivable from BEE partners' loans of US$3.0 million and net realised foreign exchange gains of US$7.4 million, offset by various finance expenses, being:

- a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US$5.9 million;
- interest on i) the Group's working capital facility of US$1.9 million, ii) the Group's IFC/RMB debt facilities of US$1.4 million (stated after the capitalisation of interest of US$6.3 million associated with the funding of assets under development) and iii) the Al Rajhi/Cullinan deferred cash consideration (amount outstanding fully settled in March 2012) of US$0.1 million; and
- interest accretion on the Al Rajhi/Cullinan deferred cash consideration of US$1.1 million.

Tax charge

The tax charge of US$10.5 million (FY 2011: charge of US$5.2 million) arises due to deferred tax (net of charges and credits), reflecting the utilisation of certain capital allowances during the year.

Adjusted Group profit

An adjusted net profit after tax of US$39.2 million (refer to note 13) was recorded for the year (FY 2011: US$34.9 million), adjusted for unrealised foreign exchange movements and transaction costs. The Company recorded an adjusted profit of 7.82 cents per share (FY 2011: 8.41 cents per share). The adjusted results before the non-cash unrealised foreign exchange movements and non-recurring transaction costs is considered to be more appropriate in comparing results year-on-year.

Group loss

A net loss after tax of US$2.1 million was recorded for the year (FY 2011: US$59.2 million profit). These results were substantially impacted by the non-cash, unrealised loss on foreign exchange (US$38.6 million), which is why the Company considers that the adjusted Group profit of US$39.2 million

"The review of the Group's debt requirements is progressing well, with the syndicate banks having given their provisional commitments."

(FY 2011: US$34.9 million) (refer note 13) provides for greater comparability year-on-year of underlying performance.

Cash and diamond inventory

As at 30 June 2012, Petra had cash in hand of US$47.3 million (30 June 2011: US$324.9 million). The movement in cash balances over the year is primarily attributable to:

(i) settlement of the Finsch acquisition purchase price of US$192 million;

(ii) cash Capex spend of US$135.5 million; and

(iii) settlement of the Al Rajhi deferred consideration of US$20 million,

offset by the positive net cash generated from operations of US$79.9 million.

US$31.3 million is held as unrestricted cash, US$10 million is held by Petra's reinsurers as security deposits on the Group's cell captive insurance structure (with regards to the Group's environmental guarantees) and US$6.0 million is held by Petra's bankers as security for other environmental rehabilitation bonds which are lodged with the Department of Mineral Resources in South Africa.

As at 30 June 2012, the Company had diamond inventories of circa US$24.5 million (2011: US$13.3 million). The production cut-off for the last tender of the year was the end of May 2012 and it will be a similar date going forward. However, due to the expected increase in production for FY 2013, some of which will be back ended to the second half of the year, diamond inventories are expected to be circa 20% higher in US dollar terms at the end of FY 2013 versus FY 2012.

BEE loans receivable

The BEE loans of US$89.4 million (FY 2011: US$50.9 million) due to Petra arise from:

- Petra having financed the BEE partners' share of the purchase considerations of the Finsch, Cullinan, Koffiefontein and Kimberley Underground acquisitions; and
- Petra having financed the BEE partners' share of the working and development capital that has been required for certain of the mines.

The increase in the BEE loans over FY 2012 is mainly due to Petra having financed the BEE partners' share of the purchase consideration of the Finsch mine during the year.

All BEE loans are repayable out of free cashflow from the operations, with Petra having the first call on such cash until the BEE loans are repaid. The BEE loans are included in "Loans and other receivables" under "Non-current assets" on the face of the Consolidated Statement of Financial Position.

Loans and borrowings

Loans and borrowings at 30 June 2012 (current and non-current) were US$69.0 million (FY 2011: US$90.1 million), comprising drawn-down IFC/RMB facilities of US$65.4 million (IFRS 2 adjusted for facility and warrant costs) (US$69.2 million gross before IFRS 2 adjustment) and loans due to associates of US$3.6 million (2011: US$1.8 million).

During the year, the Company settled the Al Rajhi deferred consideration liability of US$20.1 million (US$20 million capital and US$0.1 million interest).

At the end of November 2011, Petra put in place further debt facilities of circa US$37 million with RMB. The facilities comprise a revolving credit facility of R200 million (US$24.5 million) and a working capital facility of R100 million (circa US$12.2 million). Post year end, an additional US$25 million revolving credit facility was put in place with IFC, also secured on Finsch, so that the lenders together provided circa US$50 million in revolving credit facilities to Petra (refer to notes 22 and 29 for details).

Other than the revolving credit and working capital facilities above, Petra also has working capital (overdraft) facilities with RMB/FirstRand Bank Limited of approximately US$9.8 million (R80 million).

As at 30 June 2012, undrawn bank facilities of US$66.3 million (FY 2011: US$19.9 million) were available to the Group.

An update with regards to the review of Petra's longer-term debt requirements is covered in the CEO's Review on pages 16 to 19.

Other liabilities

Other than trade and other payables of US$49 million (comprising US$17.2 million trade creditors, US$18.8 million employee-related accruals and US$13.0 million other payables) (these balances all increased substantially due to the acquisition of Finsch), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, amounts owing due to the financing of the minorities, post-retirement employee-related provisions and deferred tax.

Capital expenditure

Capex for the year was US$138.8 million (FY 2011: US$110.9 million), being cash Capex of US$135.5 million (refer to the Production section in the Operational Review on pages 24 to 37 for Capex spend by operation) and non-cash items mainly in respect of the capitalisation of Capex-related borrowing costs of US$3.3 million. This increased cash Capex spend reflects the progression of the Company's development programmes, most notably at Cullinan, Finsch, Kimberley Underground and the commissioning of the Williamson plant.

Petra's guidance for FY 2012 (issued September 2011) was total Capex of US$188.9 million, split as to expansion/projects Capex of US$166.6 million and sustaining Capex of US$22.3 million. The underlying cash spend is mainly rand-based at the Group's South African projects; guidance was calculated at R6.75:US$1 but the actual average rate for the year of R7.77:US$1 led to an exchange rate saving on guidance of US$18.2 million.

The exchange rate adjusted under-spend of circa US$35 million was mainly due to the deferment of the Phase 2 expansion programme at Williamson and US$14 million due to the mining scope changes at Finsch.

David Abery
Finance Director
15 October 2012

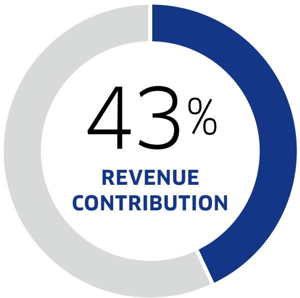
A LHD feeds ore into an underground tip at Cullinan, where the ore is broken up into a manageable size for handling underground

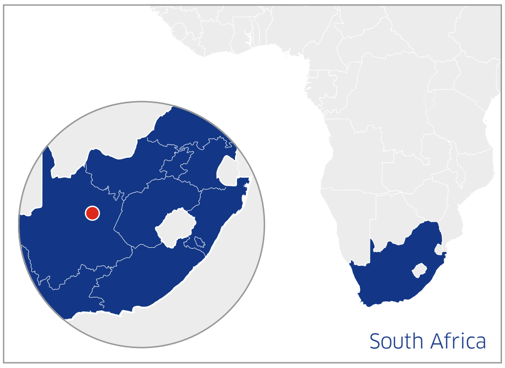
OPERATIONAL REVIEW

"Accessing deeper, undiluted ore blocks is central to the Group's expansion plans."

Finsch

One of the world's major diamond mines, Finsch benefits from state-of-the-art mining infrastructure including a modern processing plant which was recently upgraded.





PERFORMANCE SUMMARY

- Finsch performed very well in FY 2012, contributing half of Petra's production by volume and 43% by value.
- Petra's focus on recoveries saw the highest frequency of +50 carat stones per million ROM carats recovered since 2003.
- The treatment of the Pre-79 tailings dumps yielded a grade of 17.0 Cpht, in line with expectations.

Finsch performed well during the year, contributing to half of Petra's production by volume and 43% by value, a solid result given management of the mine was only assumed during September 2011. The mine produces a regular proportion of high quality gem diamonds, including fancy colours. During the year, two stones were sold in excess of US$1 million each, being a 32.0 carat diamond which sold for US$1.56 million and a 57.3 carat diamond which sold for US$1.49 million.

Production during the year focused on mining ore from the existing Block 4 horizon. With Petra's experience and focus on diamond recoveries, a ROM grade of 36.8 Cpht was achieved for the year. Similarly, the Company was encouraged that the mine recorded the highest frequency of +50 carat stones per million ROM carats recovered since 2003; this is an important reflection of Petra's focus on recoveries and 'value production'.

For FY 2013 and FY 2014, the block depletion model indicates that the Block 4 ROM grades are expected to vary due to the increased dilution of this mature mining area. Petra will manage the expected reduction in grade during this period by supplementing Block 4 tonnages with higher grade material from the Block 4 pillars and the early sub level cave ("SLC") development tonnes, with an overall expected ROM grade at Finsch for these years of circa 30 Cpht.

The treatment of the Pre-79 tailings dumps yielded a grade of 17.0 Cpht, in line with expectations. Petra is currently ramping up the tailings programme from 2.8 Mt in FY 2013 to 3.5 Mtpa by FY 2014. Treatment of the Pre-79 dumps is planned to continue until FY 2015/FY 2016, followed by treatment of the Post-79 dumps until FY 2020, which would be at a lower estimated grade of approximately 10 Cpht.

Costs

The weighted average unit operating costs of R134 per tonne ("/t") at Finsch are in line with management's expectations.

REVENUE

US$136.9m

DIAMONDS SOLD

989,101 carats

AVERAGE PRICE PER CARAT

US$138

Petra has a 74% interest in Finsch; BEE partners 26%

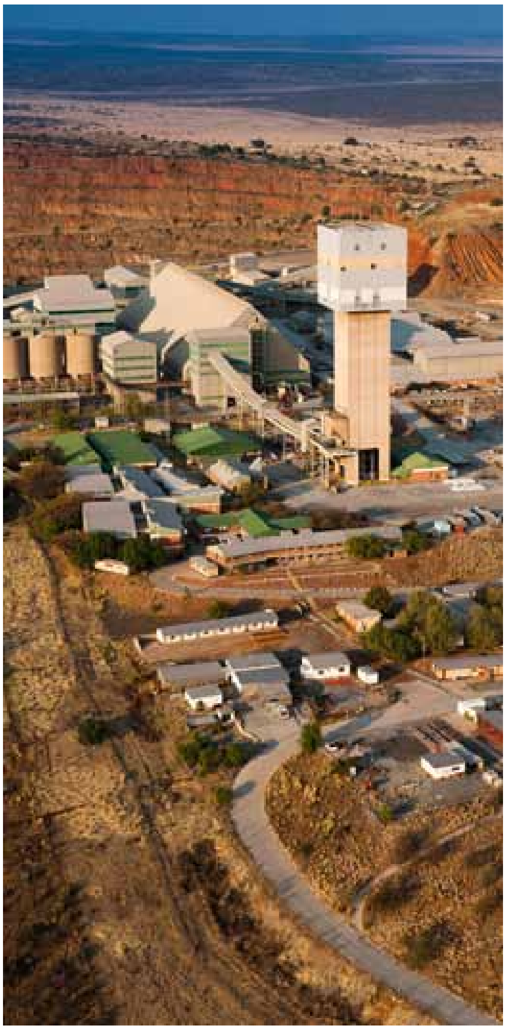
FY 2012 – GROSS NUMBERS

	Unit	FY 2012 actual	FY 2011 actual
Sales			
Revenue	US$m	**136.9**	n/a
Diamonds sold	Carats	**989,101**	n/a
Average price per carat	US$	**138**	n/a
ROM production			
Tonnes treated	Tonnes	**2,260,842**	n/a
Grade	Cpht	**36.8**	n/a
Diamonds produced	Carats	**832,396**	n/a
Tailings production			
Tonnes treated	Tonnes	**1,600,170**	n/a
Grade	Cpht	**17.0**	n/a
Diamonds produced	Carats	**272,222**	n/a
Total production			
Tonnes treated	Tonnes	**3,861,012**	n/a
Diamonds produced	Carats	**1,104,618**	n/a
Costs			
On-mine cost per total tonne treated	ZAR	**134**	n/a
Capex			
Expansion Capex	US$m	**8.7**	n/a
Sustaining Capex	US$m	**3.3**	n/a
Total Capex	US$m	**12.0**	n/a

The acquisition of the Finsch mine completed on 14 September 2011; therefore there are no results for FY 2011.


The production control room at Finsch

Petra is implementing an expansion plan to take production to nearly 2 Mctpa by FY 2017 by accessing the undiluted orebody below the current Block 4 and ramping up a tailings programme



Development plan

Petra is implementing an expansion plan at Finsch to take production from circa 1.4 million carats per annum ("Mctpa") to nearly 2 Mctpa by FY 2017. This will be achieved by accessing the undiluted orebody below the current Block 4, as well as the ramp-up of the tailings treatment programme.

Whilst the key objective of this expansion plan has not changed, in August 2012 Petra announced a revision of the short-term mining approach at Finsch (covering years FY 2013 to FY 2016), as management had used on-the-ground experience gained from operating the mine since the time of the takeover to reconsider the provisional plans arrived at during the due diligence period.

The Company's geotechnical studies have concluded that instead of mining the South West Precursor (which would have increased geotechnical risks to the current Block 4 cave), the footprint of the SLCs should be enlarged, thereby increasing tonnes to be mined from the SLCs from circa 4 Mt to 10 Mt. Petra will gain access to development tonnes from the SLCs in FY 2014, with first production from FY 2015, ramping up to full production by FY 2017. This change of scope will result in earlier access to undiluted ore, improving the mine's long-term economics and optimising the production plan from a geotechnical and mining perspective. It has the additional benefit of reducing expansion Capex at Finsch by circa R570 million (circa US$71 million) (in comparable FY 2013 money terms) for the period to FY 2016.

As the main Block 4 production area depletes it will gradually be replaced by the SLCs with grades expected to gradually increase to circa 33 Cpht (FY 2015), circa 40 Cpht (FY 2016), and then increasing further to circa 47 Cpht when ROM ore is primarily drawn from the undiluted Block 5 SLCs.

This change of scope has enabled the deferral of the development of the Block 5 cave, which will now be established at circa the 900m level ("mL") (rather than at 880 mL as previously planned) and will be operating at full capacity from FY 2020 (rather than FY 2017). The deferral of the Block 5 cave is more than compensated by accessing Block 5 SLC tonnages, which will provide earlier access to undiluted ore and which are therefore expected to operate at a similar grade to the Block 5 cave.

Petra has mobilised contractors to commence with development of the declines. The shaft deepening tender process has progressed and this contract will be awarded shortly.

With gross resources of 42.3 million carats, Petra's initial mine plan has a life of 18 years, but resources in residual Block 6 and the Precursor kimberlite are expected to prolong the actual life of mine ("LOM") for considerably longer.

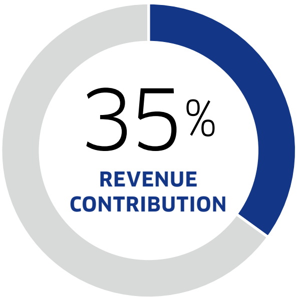
Capex

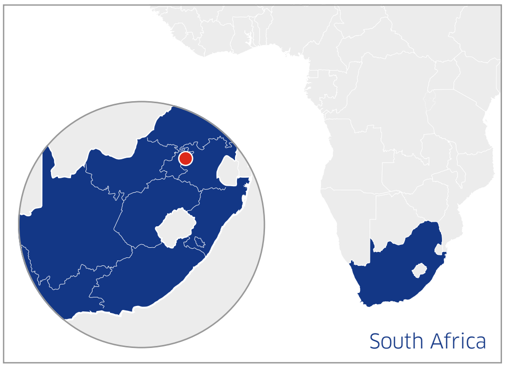
Capex of US$12.0 million for the year mainly entailed investment in mining and development equipment and was an exchange rate adjusted under-spend of circa US$14 million due to the mining scope changes.

The capital spend will increase with the progression of the expansion project and associated underground development in FY 2013. Detailed guidance with regards to future Capex at Finsch as well as Petra's other operations is available on the Company's website at http://www.petradiamonds.com/investors/analysts/analyst-guidance.aspx.

Cullinan

Renowned as an important source of large and high value Type II diamonds. In FY 2012, five stones from Cullinan sold for in excess of US$1 million each; such stones are regarded as a regular feature of Cullinan's production profile.





PERFORMANCE SUMMARY

- Cullinan's revenue decreased due to lower diamond prices and a 7% reduction in the number of carats sold.
- Petra established 11 additional drawpoints in the AUC South production area.
- The ramp-up of Cullinan's tailings programme continued, with a 16% increase in volumes achieved.

Cullinan's revenue decreased to US$112.0 million (FY 2011: US$140.2 million) due to lower diamond prices for the year and a 7% reduction in the number of carats sold.

Cullinan is renowned as an important source of large and high value Type II diamonds and in its history has produced four of the world's top 20 high quality large diamonds, over 750 stones of +100 carats and more than a quarter of all diamonds of +400 carats. In FY 2012, the following diamonds were each sold for more than US$1 million:

- a 129.6 carat white diamond (sold for US$3.35 million);
- a 61.7 carat white diamond (sold for US$2.60 million);
- a 208.0 carat white diamond (sold for US$1.75 million);
- a 4.8 carat blue diamond (sold for US$1.45 million, being US$301,500 per carat); and
- a 124.2 carat white diamond (sold for US$1.06 million).

As part of Petra's strategy to maintain underground production until the expansion programme opens up a new block of undiluted ore, the Company has established 11 additional drawpoints in the AUC South production area. ROM grade for the year decreased to 33.3 Cpht (FY 2011: 36.6 Cpht), due to the ongoing dilution of the current working areas. This lower ROM grade was partially addressed by an 8% increase in throughput of ROM tonnes (2.5 Mt in FY 2012 versus 2.3 Mt in FY 2011).

ROM grades at Cullinan are expected to remain between 34 and 36 Cpht until Petra's expansion programme delivers access to undiluted ore. For the period until FY 2016, Petra's strategy to manage this is to continue to treat higher ROM tonnages (giving a cumulative increase from FY 2013 to FY 2016 of circa 1 Mt). Grades will start to gradually increase from FY 2016 to in excess of 50 Cpht by FY 2018, when the new C-Cut block cave will be fully established.

REVENUE
US$112.0m ▼ –20%

DIAMONDS SOLD
876,384 carats ▼ –7%

AVERAGE PRICE PER CARAT
US$128 ▼ –14%

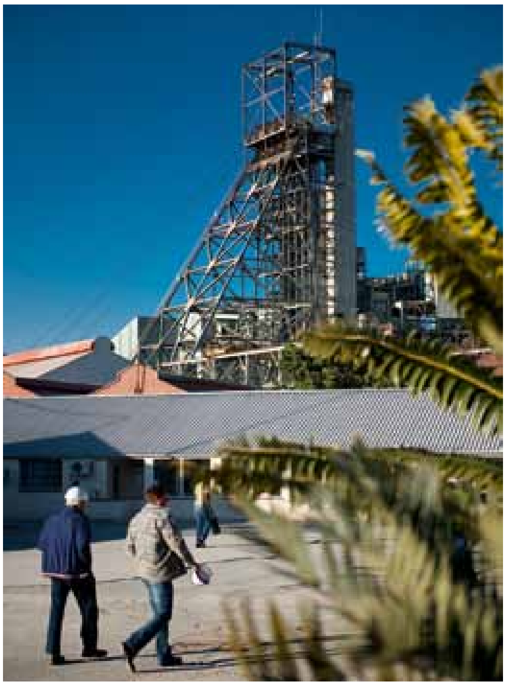
Petra has a 74% interest in Cullinan; BEE partners 26%

FY 2012 – GROSS NUMBERS

	Unit	FY 2012 actual	FY 2011 actual	Variance
Sales				
Revenue	US$m	**112.0**	140.2	-20%
Diamonds sold	Carats	**876,384**	944,405	-7%
Average price per carat	US$	**128**	148	-14%
ROM production				
Tonnes treated	Tonnes	**2,504,137**	2,323,403	+8%
Grade	Cpht	**33.3**	36.6	-9%
Diamonds produced	Carats	**833,285**	851,193	-2%
Tailings production				
Tonnes treated	Tonnes	**668,534**	575,605	+16%
Grade	Cpht	**5.2**	7.7	-32%
Diamonds produced	Carats	**34,495**	44,246	-22%
Total production				
Tonnes treated	Tonnes	**3,172,671**	2,899,008	+9%
Diamonds produced	Carats	**867,780**	895,439	-3%
Costs				
On-mine cost per total tonne treated	ZAR	**177**	164	+8%
Capex				
Expansion Capex	US$m	**46.9**	11.5	+308%
Sustaining Capex	US$m	**7.5**	22.4	-67%
Total Capex	US$m	**54.4**	33.9	+60%

Underground development work at Cullinan

Cullinan contains a world-class diamond resource of 202.1 million carats (including 16.5 million carats in tailings) and the Company is capitalising on this by undertaking an expansion programme at the mine to take annual production to 2.4 Mcts by FY 2019



The ramp-up of Cullinan's tailings programme continued, with a 16% increase in volumes achieved. However, the number of carats recovered reduced, further to the decreased grade. The grade is expected to increase to circa 10 Cpht by FY 2014, once a re-crush system of material larger than 6mm has been incorporated into the operation.

Costs

Unit cash operating costs at Cullinan increased by 8% to R177/t (FY 2011: R164/t), indicating firm cost control in the South African inflationary environment. Longer-term, once the development plan has significantly progressed in the years to come, unit cost efficiencies are expected to be driven by initiatives such as a simplified ore-handling system underground and further streamlining of the plant.

Development plan

Cullinan contains a world-class diamond resource of 202.1 Mcts (including 16.5 Mcts in tailings) and the Company is capitalising on this by undertaking an expansion programme at the mine to take annual production to 2.4 Mcts by FY 2019 (comprising 2.0 Mcts ROM and 0.4 Mcts tailings). This expansion plan will establish a new block cave on the western side of the orebody in the upper portion of the major C-Cut resource (estimated to contain some 133 Mcts in total) and will also involve a large tailings operation. Petra's current mine plan has a life of 18 years, but the actual LOM could be in excess of 50 years, given the major residual resources.

The C-Cut development programme is on track and the shaft deepening contractor, Murray & Roberts Cementation, has commenced work on site. Petra has advanced the South Decline to access the new production levels and work on the North Decline has commenced; the additional decline has the potential to fast-track the kimberlite development of the new block cave and subsequent production build-up.

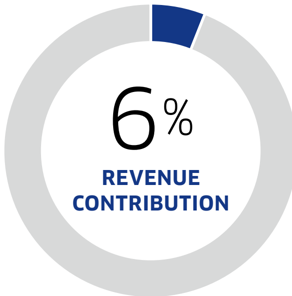
Petra is ramping up the tailings operation at Cullinan to treat the 165 Mt tailings deposit. The commissioning of the new tailings plant has commenced, with the re-crush section to follow later in FY 2013. The Company plans to treat 2.7 Mt in FY 2013, gradually increasing to circa 4 Mt from FY 2015 (a year later than originally planned due to the later introduction of the re-crush circuit).

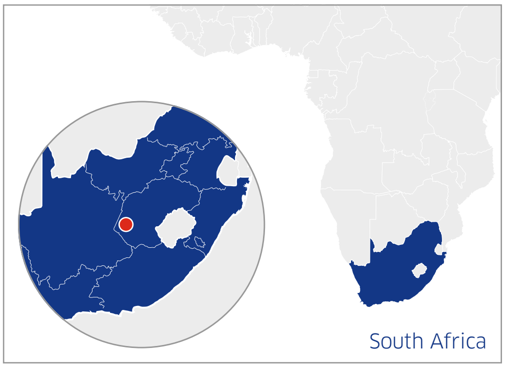
Capex

Capex of US$54.4 million for the year was in line with the progression of Cullinan's development programme. The majority of the capital was spent on underground development and infrastructure, the commencement of the shaft deepening project and the continued construction of the tailings treatment facility.

Koffiefontein

One of the world's top kimberlite mines by value, achieving US$487 per carat for FY 2012. During the year, a 63.3 carat white diamond sold for US$1.1 million.





PERFORMANCE SUMMARY

- Revenue decreased due to the weaker diamond market and lower ROM production.
- Lower underground tonnages were offset by increased production from surface resources (Ebenhaezer open pit satellite pipe and tailings).
- The development plan will in time provide access to undiluted ore.

Koffiefontein is one of the world's top kimberlite mines by average value per carat, achieving US$487 for FY 2012, despite the fact that the overall average has to some extent been reduced by the higher proportion of lower value tailings production in the total sales mix. During the year, a 63.3 carat white diamond was sold for US$1.1 million.

Revenue for FY 2012 fell by 39% to US$18.9 million, due to the weaker diamond market during the year and lower ROM production. ROM production levels were reduced in line with Petra's business plan to address higher levels of dilution in the current underground mining areas, while developing access to the new blocks. Lower underground tonnages were offset by increased production from surface resources (Ebenhaezer open pit satellite pipe and tailings) utilising available plant capacity.

Costs

Increased production from the lower-cost Ebenhaezer open pit saw cash operating unit costs of R125/t, despite production constraints and cost pressures associated with electricity and labour increases.

Development plan update

Similar to Cullinan, Petra's development plan at Koffiefontein will in time establish new production levels where the Company will have access to undiluted ore. Once this has been achieved, Petra expects the overall ROM grade at Koffiefontein to improve to circa 8 Cpht.

Due to increased tonnages from Ebenhaezer in FY 2013 to FY 2015, the combined Ebenhaezer and tailings grade is expected to improve to circa 2.6 Cpht, reducing again to 2.0 Cpht from FY 2016, when only tailings tonnages will be mined.

Petra's expansion plan at Koffiefontein is expected to increase production from circa 40,000 carats per annum ("ctpa") in FY 2012 to circa 100,000 ctpa (ROM and tailings) by FY 2016. Petra will therefore be ramping up ROM production from circa 0.26 Mt in FY 2013 to 1 Mtpa by FY 2016 and on to 1.2 Mtpa by FY 2018. The current mine plan has a life of 13 years, but the orebody remains open at depth so the actual LOM could be considerably longer.

Capex

Capex for the year of US$11.5 million was primarily focused on underground development and purchasing of plant, mining and surface equipment.

REVENUE
US$18.9m ▼ –39%

DIAMONDS SOLD
38,798 carats ▼ –29%

AVERAGE PRICE PER CARAT
US$487 ▼ –14%

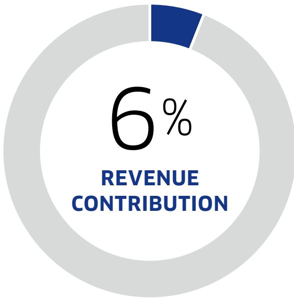
Petra has a 74% interest in Koffiefontein; BEE partners 26%

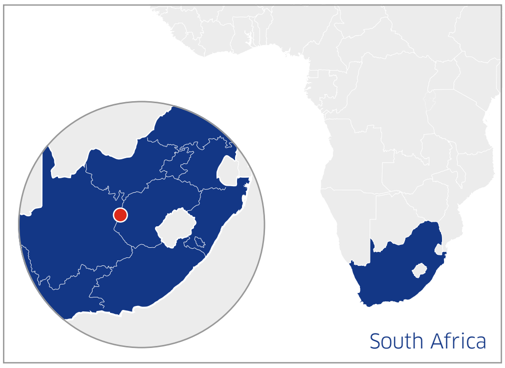
FY 2012 – GROSS NUMBERS

	Unit	FY 2012 actual	FY 2011 actual	Variance
Sales				
Revenue	US$m	**18.9**	30.8	-39%
Diamonds sold	Carats	**38,798**	54,640	-29%
Average price per carat	US$	**487**	564	-14%
ROM production				
Tonnes treated	Tonnes	**498,412**	712,988	-30%
Grade	Cpht	**4.9**	4.9	–
Diamonds produced	Carats	**24,569**	35,139	-30%
Tailings/Ebenhaezer production				
Tonnes treated	Tonnes	**967,538**	675,147	+43%
Grade	Cpht	**1.6**	1.9	-16%
Diamonds produced	Carats	**15,548**	12,817	+21%
Total production				
Tonnes treated	Tonnes	**1,465,950**	1,388,135	+6%
Diamonds produced	Carats	**40,117**	47,956	-16%
Costs				
On-mine cost per total tonne treated	ZAR	**125**	115	+9%
Capex				
Expansion Capex	US$m	**6.1**	–	n/a
Sustaining Capex	US$m	**5.4**	11.0	-51%
Total Capex	US$m	**11.5**	11.0	5%

Kimberley Underground

Kimberley Underground comprises three mines – Bultfontein, Dutoitspan and Wesselton – which were at the heart of South Africa's early diamond rush in Kimberley.





PERFORMANCE SUMMARY

- The Company was again particularly encouraged by the high value of Kimberley Underground's production.
- The scrubber section of the Joint Shaft plant is now operational and the new main plant at Wesselton is in the commissioning phase.
- A substantial stockpile of ore (circa 700,000 tonnes) has been built up while the treatment plants were being constructed.

The Kimberley Underground operation comprises three kimberlite pipe mines: Bultfontein and Dutoitspan (serviced by Joint Shaft and the newly built Joint Shaft plant) and Wesselton (serviced by the Wesselton Shaft, where a new main plant is currently in the commissioning phase). A substantial stockpile of ore at each plant, estimated to be circa 700,000 tonnes combined, has been built up while the Joint Shaft and Wesselton treatment plants were being constructed.

Despite the weaker diamond market during the year, the Company was again particularly encouraged by the high value of Kimberley Underground's production, with prices only down 4% on FY 2011.

Tonnages treated and grades for the year were affected due to the plant processing constraints. In order to address this, the scrubber section of the Joint Shaft plant is now operational and the new main plant at Wesselton will enable higher throughput.

In FY 2013, mining will continue at both Wesselton and Joint Shaft at a combined rate of circa 760,000 tonnes per annum ("tpa"), with underground mining ramping up steadily to 1 Mtpa from FY 2016 onwards. Ore treatment in FY 2013 will be circa 370,000 tpa higher than tonnages mined, due to the treatment of the ROM stockpiles. The remaining 330,000 tonnes of stockpile will be treated by FY 2015.

Costs

Unit costs of R295/t were significantly higher due to the increased cost base and lower tonnages being treated versus the FY 2012 business plan. Management expects the unit costs to improve once the Wesselton plant is fully operational; an increase in tonnages treated in FY 2013 is expected to lead to a significant decline in unit costs to below R200/t.

Development plan

Petra is implementing a development plan at Kimberley Underground that is expected to take production from 68,000 ctpa in FY 2012 to an annual average steady state of circa 135,000 ctpa by FY 2016. The Company's mine plan has a life of ten years, but the residual resource could further extend the LOM.

Capex

The majority of the Capex for the year related to the construction of the main plant at Wesselton and underground development. Over and above the on-mine Capex stated in the table below, a further US$8.85 million was incurred during the year at Petra's projects division (based at the Helam mine) for the construction of the main plant. This expenditure will be transferred to Kimberley Underground when the commissioning of the Wesselton main plant is completed.

REVENUE

US$19.8m +9%

DIAMONDS SOLD

61,895 carats +13%

AVERAGE PRICE PER CARAT

US$320 –4%

Petra has a 74% interest in Kimberley Underground; BEE partners 26%

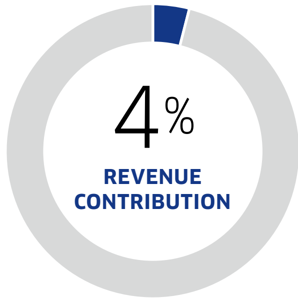
FY 2012 – GROSS NUMBERS

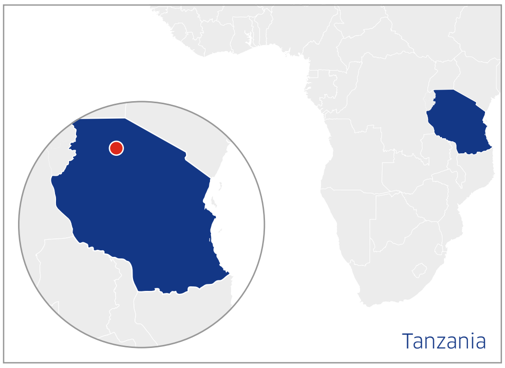
	Unit	FY 2012 actual	FY 2011 actual	Variance
Sales				
Revenue	US$m	**19.8**	18.2	+9%
Diamonds sold	Carats	**61,895**	54,733	+13%
Average price per carat	US$	**320**	333	-4%
ROM production (all ROM)				
Tonnes treated	Tonnes	**587,065**	443,655	+32%
Grade	Cpht	**11.7**	12.9	-9%
Diamonds produced	Carats	**68,422**	57,402	+19%
Costs				
On-mine cost per total tonne treated	ZAR	**295**	191	+54%
Capex				
Expansion Capex	US$m	**15.4**	1.8	+756%
Sustaining Capex	US$m	**5.6**	11.2	-50%
Total Capex	US$m	**21.0**	13.0	+62%

On-mine cash costs exclude costs assigned to ROM stockpiles.

Williamson

Petra has successfully completed the Phase 1 development programme at Williamson and production recommenced in Q4 FY 2012.





PERFORMANCE SUMMARY

- The Phase 1 development programme involved a substantial rebuild of the existing plant and major pit reshaping work.
- The overall quality of the production observed to date was encouraging.
- A re-crush circuit in the plant will commence commissioning in Q2 FY 2013.

Williamson is an open pit operation, based upon the mining of the 146 hectare Mwadui kimberlite. Over the past two years, Petra has been implementing the Phase 1 development programme, which involved a substantial rebuild of the existing plant and major pit reshaping work, and the Company successfully recommenced production at Williamson in Q4 FY 2012.

For the brief operating period in FY 2012, the mine contributed 42,855 carats from the main pit at a grade of 5.2 Cpht. Although the initial ROM grade is lower than management's expectations (6.0 Cpht), the overall quality of the production observed to date was encouraging. The re-crush circuit in the plant will commence commissioning in Q2 FY 2013 and it is anticipated that this, along with other continual improvements in plant efficiency, will lead to an improvement in ROM grade.

Production guidance for Williamson (excluding alluvials) is circa 2.5 Mtpa for FY 2013, climbing to 3.6 Mtpa by FY 2016. Contract mining of alluvial diamonds is planned to contribute circa 14,000 carats for FY 2013, with production levels thereafter to be reviewed annually.

Tonnes treated will exceed tonnes mined from FY 2013 to FY 2016 further to the processing of the ROM stockpile (estimated to be circa 700,000 tonnes and to contain circa 40,000 carats), which was established by Petra during the pit-shaping operations of the Phase 1 development plan.

Costs

Petra achieved a cost of US$18/t during the initial start-up period, but this is anticipated to reduce to US$11/t in FY 2013. Longer-term, operating costs are expected to reduce to US$9.5/t from FY 2014 and US$9/t from FY 2017 onwards due to increased tonnages diluting the mine's fixed cost base.

REVENUE
US$11.6m ▲+22%

DIAMONDS SOLD
49,153 carats ▲+56%

AVERAGE PRICE PER CARAT
US$236 ▼–22%

Petra has a 75% interest in Williamson; Government of the United Republic of Tanzania 25%

FY 2012 – GROSS NUMBERS

	Unit	FY 2012	FY 2011[1]	Variance
Sales				
Revenue	US$m	**11.6**	9.5	+22%
Diamonds sold	Carats	**49,153**	31,555	+56%
Average price per carat	US$	**236**	302	-22%
ROM production				
Tonnes treated	Tonnes	**826,699**	n/a	n/a
Grade	Cpht	**5.2**	n/a	n/a
Diamonds produced	Carats	**42,855**	n/a	n/a
Alluvial production				
Tonnes treated	Tonnes	**278,328**	530,689	-48%
Grade	Cpht	**5.1**	5.6	-9%
Diamonds produced	Carats	**14,195**	29,510	-52%
Total production				
Tonnes treated	Tonnes	**1,105,027**	530,689	+108%
Diamonds produced	Carats	**57,050**	29,510	+93%
Costs				
On-mine cost per total tonne treated[2]	US$	**18**	n/a	n/a
Capex				
Expansion Capex	US$m	**20.6**	34.8	-41%
Sustaining Capex	US$m	**1.6**	1.8	-11%
Total Capex	US$m	**22.2**	36.6	-39%

1. Further to the development programme underway at Williamson for the last few years, only alluvial production was carried out during FY 2011; ROM production operations recommenced in Q4 FY 2012.
2. On-mine cash costs exclude costs assigned to ROM stockpiles.


The Williamson team is focused on ramping up the operation to 3.6 Mtpa by FY 2016

Petra's current mine plan for Williamson has a life of 18 years but, given that the Mwadui kimberlite hosts a major resource of 39.6 million carats, there is potential to extend the life of mine considerably

Development plan

Petra's current mine plan at Williamson is to ramp up ROM production from circa 2.5 Mt in FY 2013 to circa 3.6 Mt by FY 2016, following the introduction of a re-crush system into the plant circuit.

The mine's Phase 2 expansion project, which was initially planned to take the mine to 10 Mtpa, is currently on hold, though Petra continues to consider approaches to further significantly increase production beyond 3.6 Mtpa. An expansion plan above this level will be dependent upon appropriate electricity and water supply, as well as the results recorded from treatment by the rebuilt plant of main pit material over the medium term. The Company will update the market in due course when its internal studies are completed.

Petra's current mine plan for Williamson has a life of 18 years but, given that the Mwadui kimberlite hosts a major resource of 39.6 Mcts, there is potential to extend the LOM considerably.

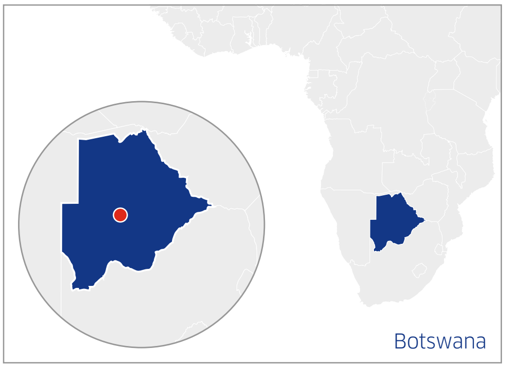
Capex

Expansion Capex of US$20.6 million for the year was predominantly spent on finalising the rebuilt plant and on other production-related activities, including pit shaping/shale removal, haul road construction and slimes/tailings handling facilities. Due to the deferral of the Phase 2 expansion, circa US$25 million of previously planned Capex was not spent in FY 2012.

The deferral of the original Phase 2 expansion programme has also resulted in expansion Capex savings in FY 2013 of circa US$29 million (in comparable FY 2013 money terms).

Exploration

Petra's exploration activities are focused in Botswana, the world's largest diamond producer by value and host to two of the world's biggest diamond mines, Orapa and Jwaneng.



PERFORMANCE SUMMARY

- Petra focused on evaluating the KX36 kimberlite discovery and its surrounding area.
- Results from the initial drilling and microdiamond sampling were very encouraging.
- A follow-up mini bulk sample has now been completed and results are being analysed.

Technical Director Jim Davidson and Botswana Country Manager Tobias Hough at the KX36 discovery

Botswana offers an exceptional basis for diamond exploration in that it ranks highly with regards to prospectivity, has a low risk profile and an attractive fiscal regime. The Company has diamond prospecting licences in country covering approximately 12,725km^2, all of which are 'on craton'.

Petra's focus at present is to evaluate the KX36 kimberlite discovery. Results from an initial drilling and microdiamond sampling campaign were highly encouraging, with indications of a potentially high grade (between 75 and 180 Cpht at a bottom-cut of 1mm) and a relatively coarse diamond size distribution. The kimberlite is estimated to have a surface area of circa 5 hectares under circa 78m of Kalahari overburden, hosting a potential deposit of between 28 Mt and 34 Mt to a vertical depth of 516m below surface.

The next phase in the work programme was a 1,550m large diameter drilling ("LDD") programme which commenced in early May 2012 (comprising five 24-inch vertical holes down to a depth of 310m), to obtain an initial mini-bulk sample and to ascertain further information with regards to grade and an indication of diamond value.

As at the date of this report, all five LDD boreholes had been completed (circa 818 tonnes of kimberlite) and the bulk sample material has been transported to Petra's bulk sampling plant in Kimberley, South Africa. Preliminary results from analysis of the bulk sampling material are expected in Q2 FY 2013.

The first phase (shallow) of a narrow diameter drilling programme, designed to improve on current geological and geotechnical information, has been completed (circa 1,170m) and the results will now be modelled.

Based on the premise that KX36 might be one of several kimberlites within a new kimberlite field (given that kimberlites generally occur in clusters), a high resolution regional soil sampling programme (250m by 250m grid) covering kimberlite KX36 and its immediate surrounds has commenced. To date, 818 heavy mineral samples have been collected and despatched for analysis. The first results are expected to become available H1 FY 2013.

Following positive results obtained from several ground electromagnetic ("EM") surveys conducted over kimberlite KX36, a decision was also taken to deploy an airborne EM survey in the KX36 region. This survey will cover an area of circa 300 to 400km^2 and is expected to be completed by the end of Q3 FY 2013.

In the Lebu West project area, a 29,200 line kilometre Hi-Res Airborne Magnetic Gradiometer Survey covering some 2,656km^2 was successfully completed at the end of Q1 FY 2012. Following the interpretation of this high quality data, 24 priority targets were identified, of which six have been drilled with negative results. The remaining targets will be systematically followed up.

During the year, the Company was granted a six-month extension for a part of the prospecting licence hosting kimberlite BK1S (the portion of the kimberlite body BK1 (15%–20%) that falls outside the Debswana Mining Lease and within Petra's prospecting licence). Following discussions with regards to the analysis and evaluation of this shared orebody, a decision was taken to formally relinquish this licence on expiry as it is not considered to offer economic potential as a stand-alone operation.

2012 Resource statement

The careful management of Petra's major diamond resource will ensure sustainable, long-life mining operations for the Group for many years to come.

Jim Davidson
Technical Director

The Petra Group controls one of the world's largest diamond resources. This major resource suggests that the potential mine lives of Petra's assets could be considerably longer than the current mine plans in place at each operation.

Gross reserves and resources

As at 30 June 2012, the Group's gross diamond resources (inclusive of reserves) were 302.1 Mcts; diamond resources were significantly boosted during the year by the acquisition of Finsch, which contributed an additional 42.3 Mcts.

The Group's gross diamond reserves have increased to 47.6 Mcts, again primarily due to the acquisition of Finsch.

Attributable reserves and resources

As at 30 June 2012, the Group's attributable total diamond resources (inclusive of reserves) were 224.0 Mcts and the attributable total diamond reserves were 35.2 Mcts.

The following table summarises the reserves and resources status of the combined Petra Group operations as at 30 June 2012:

	Gross			Net attributable		
Category	Tonnes (millions)	Grade (Cpht)	Contained diamonds (Mcts)	Tonnes (millions)	Grade (Cpht)	Contained diamonds (Mcts)
Reserves						
Proved	14.423	7.25	1.045	10.676	7.25	0.774
Probable	111.967	41.54	46.507	82.857	41.54	34.416
Subtotal	**126.390**	**37.62**	**47.552**	**93.533**	**37.62**	**35.190**
Resources						
Measured	15.052	8.46	1.274	11.140	8.47	0.944
Indicated	460.166	48.13	221.458	341.503	48.00	163.929
Inferred	1250.847	6.35	79.405	934.489	6.33	59.108
Total Resources inclusive of Reserves	**1726.065**	**17.50**	**302.137**	**1287.132**	**17.40**	**223.981**

1. For further information, refer to the Reserves and Resources tables of the individual operations to follow.

Finsch

	Gross			Net attributable		
Category	Tonnes (millions)	Grade (Cpht)	Contained diamonds (Mcts)	Tonnes (millions)	Grade (Cpht)	Contained diamonds (Mcts)
Reserves						
Proved	–	–	–	–	–	–
Probable	56.763	42.16	23.930	42.005	42.16	17.708
Subtotal	**56.763**	**42.16**	**23.930**	**42.005**	**42.16**	**17.708**
Resources						
Measured	–	–	–	–	–	–
Indicated	50.827	49.37	25.095	37.612	49.37	18.570
Inferred	41.314	41.65	17.206	30.572	41.65	12.732
Total Resources inclusive of Reserves	**92.141**	**45.91**	**42.301**	**68.184**	**45.91**	**31.302**

1. Resource bottom cut-off: 1.5mm.
2. Reserve bottom cut-off: 1.5mm.
3. Resource tonnes and grade are based on block cave depletion modelling and include external waste.
4. Changes in Reserve and Resource figures due to mining depletions and re-calibration of the Block 4 depletion model.

Operational Review

Cullinan

Category	Gross Tonnes (millions)	Gross Grade (Cpht)	Gross Contained diamonds (Mcts)	Net attributable Tonnes (millions)	Net attributable Grade (Cpht)	Net attributable Contained diamonds (Mcts)
Reserves						
Proved	–	–	–	–	–	–
Probable	41.944	48.06	20.160	31.039	48.06	14.918
Subtotal	**41.944**	**48.06**	**20.160**	**31.039**	**48.06**	**14.918**
Resources						
Measured	–	–	–	–	–	–
Indicated	262.873	70.43	185.143	194.526	70.43	137.006
Inferred	169.344	10.04	17.002	125.315	10.04	12.582
Total Resources inclusive of Reserves	**432.217**	**46.77**	**202.145**	**319.841**	**46.77**	**149.588**

1. Resource bottom cut-off: 1.0mm.
2. Reserve bottom cut off: 1.0mm.
3. Resource tonnes and grade are based on block cave depletion modelling and include external waste.
4. Reserve carats and grades are factorised as per the following resource to reserve liberation factors: 'Brown' kimberlite 75.8%, 'Grey' kimberlite 71.4%, and 'Hypabyssal' kimberlite 71.8%.
5. Changes in Reserve and Resource figures due to mining depletions and the addition of 19 new drawpoints in the BAW Phase 1 and AUC South mining areas.

Koffiefontein

Category	Gross Tonnes (millions)	Gross Grade (Cpht)	Gross Contained diamonds (Mcts)	Net attributable Tonnes (millions)	Net attributable Grade (Cpht)	Net attributable Contained diamonds (Mcts)
Reserves						
Proved	12.961	2.69	0.348	9.591	2.69	0.258
Probable	8.022	9.57	0.768	5.936	9.57	0.568
Subtotal	**20.983**	**5.32**	**1.116**	**15.527**	**5.32**	**0.826**
Resources						
Measured	14.507	3.02	0.438	10.735	3.02	0.324
Indicated	38.039	7.94	3.019	28.149	7.94	2.234
Inferred	96.278	2.55	2.455	71.245	2.55	1.817
Total Resources inclusive of Reserves	**148.824**	**3.97**	**5.912**	**110.129**	**3.97**	**4.375**

1. Resource bottom cut-off (Koffiefontein underground and Ebenhaezer): 0.5mm.
2. Resource bottom cut-off (Eskom tailings): 1.0mm.
3. Reserve bottom cut-off: 1.0mm.
4. Changes in Reserve and Resource figures due to mining depletions and planning on the 60 level sub level cave and the Ebenhaezer open pit.

Kimberley Underground

Category	Gross Tonnes (millions)	Gross Grade (Cpht)	Gross Contained diamonds (Mcts)	Net attributable Tonnes (millions)	Net attributable Grade (Cpht)	Net attributable Contained diamonds (Mcts)
Reserves						
Proved	–	–	–	–	–	–
Probable	3.181	12.80	0.407	2.354	12.80	0.301
Subtotal	**3.181**	**12.80**	**0.407**	**2.354**	**12.80**	**0.301**
Resources						
Measured	–	–	–	–	–	–
Indicated	9.653	18.59	1.794	7.143	18.59	1.328
Inferred	56.204	9.44	5.306	41.591	9.44	3.926
Total Resources inclusive of Reserves	**65.857**	**10.78**	**7.100**	**48.734**	**10.78**	**5.254**

1. Resource bottom cut-off (Dutoitspan West Extension): 1.0mm.
2. Resource bottom cut-off (all other underground blocks): 0.5mm.
3. Reserve bottom cut-off: 1.5mm.
4. Changes in Reserve and Resource figures due to mining depletions and a reassessment of Reserves on Dutoitspan and Bultfontein.

Fissure Mines combined (Helam, Sedibeng, Star)

Category	Gross			Net attributable		
	Tonnes (millions)	Grade (Cpht)	Contained diamonds (Mcts)	Tonnes (millions)	Grade (Cpht)	Contained diamonds (Mcts)
Reserves						
Proved	1.463	47.66	0.697	1.085	47.61	0.517
Probable	2.057	60.40	1.243	1.524	60.36	0.920
Subtotal	**3.520**	**55.11**	**1.940**	**2.609**	**55.05**	**1.437**
Resources						
Measured	0.545	153.39	0.836	0.404	153.16	0.619
Indicated	0.810	186.61	1.512	0.600	186.45	1.119
Inferred	1.705	161.13	2.748	1.263	161.02	2.034
Total Resources inclusive of Reserves	**3.060**	**166.49**	**5.096**	**2.267**	**166.35**	**3.772**

1. Resource bottom cut-off: 1.0mm.
2. Reserve bottom cut-off: 1.0mm.
3. Measured Resources are classified as one level below current workings or where a block is bounded above and below by current workings.
4. Indicated Resources are classified as two levels below measured Resources.
5. Inferred Resources are classified as three levels below Indicated Resources or inaccessible mined out areas, or as extensions along strike from existing Resource blocks where exploration information allows.
6. Measured and Indicated Resources have been converted to Reserves by applying historically derived external dilution and in-stope loss factors to resource tonnages and grades.

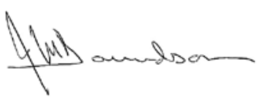
Williamson

Category	Gross			Net attributable		
	Tonnes (millions)	Grade (Cpht)	Contained diamonds (Mcts)	Tonnes (millions)	Grade (Cpht)	Contained diamonds (Mcts)
Reserves						
Proved	–	–	–	–	–	–
Probable	–	–	–	–	–	–
Subtotal	**–**	**–**	**–**	**–**	**–**	**–**
Resources						
Measured	–	–	–	–	–	–
Indicated	97.963	5.00	4.896	73.473	5.00	3.672
Inferred	886.003	3.92	34.689	664.502	3.92	26.017
Total Resources inclusive of Reserves	**983.966**	**4.02**	**39.585**	**737.975**	**4.02**	**29.689**

1. Resource bottom cut-off: 1.0mm.
2. Resource depletion calculated from in-pit survey.
3. Includes stockpile of 727,000 tonnes of resedimented volcaniclastic kimberlite and brecciated volcaniclastic kimberlite accumulated since previous plant shutdown in March 2010.

General notes on reporting criteria

1. Resources are reported exclusive of reserves.
2. Tonnes are reported as millions; contained diamonds are reported as million carats.
3. Tonnes are metric tonnes and are rounded to the nearest 1,000 tonnes; carats are rounded to the nearest 1,000 carats; rounding off numbers may result in minor computational discrepancies.
4. Resource tonnages and grades are reported exclusive of internal waste, unless where otherwise stated.
5. Reserve tonnages and grades are reported inclusive of external waste, mining and geological losses and plant modifying factors; reserve carats will generally be less than resource carats on conversion and this has been taken into account in the applicable statements.
6. Reserves and Resources have been reported in accordance with the South African code for the reporting of mineral reserves and mineral resources (SAMREC 2007).
7. The Petra 2012 Resource Statement as shown above is based on information compiled internally within the Group under the guidance and supervision of Jim Davidson, Pr. Sci. Nat. (reg. No.400031/06). Jim Davidson has over 30 years' relevant experience in the diamond industry and is a full-time employee of Petra.
8. All Reserves and Resources have been independently reviewed and verified by John Kilham, Pr. Sci. Nat. (reg. No. 400018/07), a competent person with 32 years' relevant experience in the diamond mining industry, who was appointed as an independent consultant by the Company for this purpose.



Jim Davidson
Technical Director
15 October 2012


TECHNICAL
TRAINING
CENTRE

The technical training team at Finsch provides a wide array of training that covers all technical disciplines and ensures operational excellence

CORPORATE GOVERNANCE

"We are committed to maintaining the highest standards of business conduct and ethics."

Risk management

The Group is exposed to a number of risks and uncertainties which could have a material impact on its long-term development. Performance and management of these risks is an integral part of the management of the Group. The Board has identified the following as being the principal strategic, financial, external and operational risks (in no order of priority).

Strategic risks

Retention of Key Personnel

Board Responsibility: the Executive Committee; the Remuneration Committee; the Nomination Committee

The successful achievement of the Group's strategies, business plans and objectives depends upon its ability to attract and retain key personnel.

MITIGATION/COMMENTS

Part of Petra's success is due to the fostering of a management culture where management is empowered and where innovation and creativity in the workplace is encouraged. Petra's employment terms and incentivisation structures are designed to attract, incentivise and retain individuals of the right calibre.

Financial risks

Financing Risks

Board responsibility: the Executive Committee; the Audit Committee

Petra has a significant Capex programme over the years to FY 2019, with Capex forecast to peak in FYs 2013 and 2014. The Company plans to finance this Capex from operating cashflows and Group debt facilities. Lack of adequate available cashflows could delay development work.

MITIGATION/COMMENTS

Whilst management prepares detailed plans, the actual Capex may differ from estimates. In order to mitigate this, Capex requires a tiered level of approval and variances to Capex plans are monitored on a timely basis. The Company continually and regularly reviews its cashflow planning to ensure that Capex plans are adequately financed.

External risks

Diamond Price Risk

Board responsibility: the Executive Committee

The Company's financial performance is closely linked to the price of diamonds which are influenced by numerous factors beyond the Company's control, including international economic conditions, world diamond production levels and consumer trends.

MITIGATION/COMMENTS

Management closely monitors developments in the international diamond market (across the pipeline from the rough market to the retail consumer market) to be in a position to react in a timely manner to changes in rough diamond prices and demand.

Currency Risk

Board responsibility: the Executive Committee; the Audit Committee

With Petra's operations mainly in South Africa, but diamond sales based in US dollars, the volatility and movement in the rand is a significant factor to the Group. Also, the Group undertakes transactions in a number of different currencies. Fluctuations in these currencies may have a significant impact on the Group's performance.

MITIGATION/COMMENTS

The Group continually monitors the movement of the rand against the dollar and takes expert advice from its bankers in this regard. It is the Group's policy to hedge a portion of future diamond sales when weakness in the rand deems it appropriate. Such contracts are generally short-term in nature. Management seeks to mitigate other transaction risks by matching assets and liabilities in the same currency and where appropriate hedging material exposure.

Country and Political Risk

Board responsibility: the Executive Committee; the Audit Committee

Petra's operations are predominantly based in South Africa, with lesser exposure to Tanzania and Botswana. Emerging market economies are generally subject to greater risks, including legal, regulatory, economic and political risks, and are potentially subject to rapid change. Please also specifically refer to the commentary on the South African mining environment in the CEO's Review.

MITIGATION/COMMENTS

The Petra team is highly experienced at operating in Africa. Petra routinely monitors political and regulatory developments in its countries of operation. In addition the Company actively engages in dialogue with relevant Government representatives in order to keep abreast of all key legal and regulatory developments applicable to its operations. Petra has a number of internal processes and checks in place to ensure that it is wholly compliant with all relevant regulations in order to maintain its mining or exploration licences within each country of operation.

Operational risks

Mining and Production Risks

Board responsibility: the Executive Committee

The mining of diamonds from kimberlite deposits involves an intrinsic degree of risk from various factors, including geological, geotechnical and seismic factors, industrial and mechanical accidents, unscheduled plant shutdowns, technical failures, ground or water conditions and inclement or hazardous weather conditions.

MITIGATION/COMMENTS

All of Petra's existing kimberlite operations have long histories of production and therefore the geology and economics of each mine are well understood. This detailed knowledge of the deposits allows management to eliminate much of the risk associated with developing a new diamond mine.

Exploration Risk

Board responsibility: the Executive Committee

Mineral exploration is speculative in nature and is frequently unsuccessful. If Petra's exploration programme in Botswana does identify a potentially economic orebody, it could take a number of years from the early phases of exploration until production is possible, during which time the economic feasibility of the project may be subject to change.

MITIGATION/COMMENTS

Petra operates a small but highly focused exploration programme in Botswana. Whilst the Company's exploration budget is expected to increase as appraisal work on KX36 progresses, the team will maintain rigorous and focused cost control. Results from KX36 will be continually evaluated in order to assess the benefits to shareholders.

Expansion and Project Delivery Risks

Board responsibility: the Executive Committee

Petra has set out a clear and transparent growth profile to increase annual production to 5 million carats by FY 2019. Actual production may vary from estimates of future production for a variety of reasons and it should be noted that long-term assumptions may be subject to change as the Company continually evaluates its projects to optimise efficiency and production profitability.

MITIGATION/COMMENTS

Petra has an enviable track record in the management of underground diamond operations and is respected as one of the 'best in class' teams in the diamond mining industry. With regards to potential budget or time overruns which could impact the completion of these expansion projects, the Group has established procedures to control, monitor and manage the roll-out of its development plans. Petra operates eight producing mines, which provides flexibility in terms of overall portfolio performance.

Social, Safety and Environmental

Board responsibility: the Executive Committee; the HSSE Committee

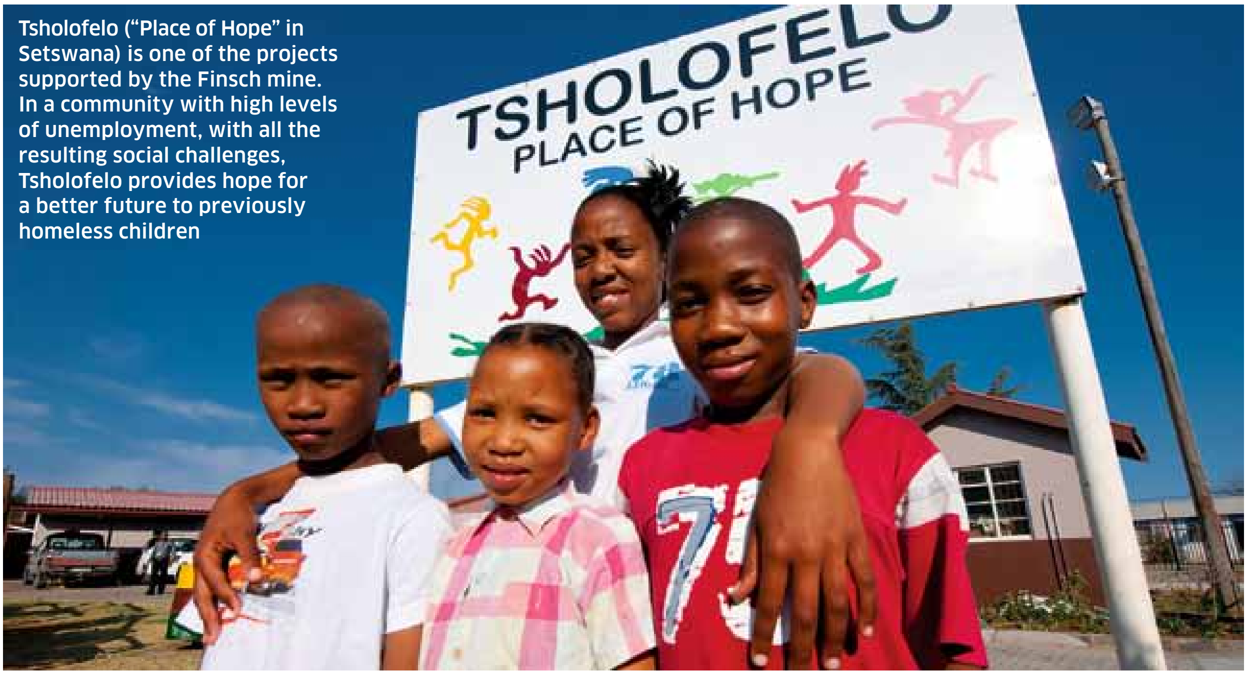
The Group's success may depend upon its safety, social and environmental performance, as failures or violations of relevant legislation in South Africa, Tanzania and Botswana could lead to delays or suspension of its mining activities.

MITIGATION/COMMENTS

The Group takes its responsibilities in these areas seriously and monitors its performance across these areas on a regular basis. The HSSE Committee assists the Board in obtaining assurance that appropriate systems are in place to deal with the management of health, safety, social and environmental risks.

Our commitment to sustainability

Petra Diamonds is committed to the responsible development of its assets to the benefit of all stakeholders. The Company operates according to the highest ethical and corporate governance standards and seeks to achieve leading environmental, health and safety performance.



Tsholofelo ("Place of Hope" in Setswana) is one of the projects supported by the Finsch mine. In a community with high levels of unemployment, with all the resulting social challenges, Tsholofelo provides hope for a better future to previously homeless children

Petra's strategy is to create value by optimising and extending the lives of its world-class diamond mines to deliver sustainable, long-term operations and significantly increased production. This strategy will ensure stable employment for the Company's workforce, which now encompasses over 4,700 people in South Africa, Tanzania and Botswana. Corporate social responsibility is integral to the way the Group structures and operates its mining, development and exploration projects, and this strategy will therefore also provide continued benefits for Petra's local communities for many years to come.

Governance

The Company's Health, Safety, Social and Environmental Committee ("the HSSE Committee"), is a Board-represented committee chaired by the Company's Chief Executive Officer, Johan Dippenaar. The HSSE Committee's purpose is to drive the development of the Group's policies on all relevant health, safety, social and environmental issues and to ensure that the Board is cognisant of, and takes account of, mining corporate social responsibility best practice.

As a company which has grown rapidly over the last five years by acquisition, the HSSE Committee has identified the need to review the Group's existing sustainability policies. The HSSE Committee has therefore begun a process to develop an overarching series of Group-level strategic policies, which will aim to ensure consistent and improving standards across the Group's operations, whilst also taking account of international best practice. More information on the HSSE Committee is available on page 56 of this report.

Health and safety

During FY 2012, it was with deep regret that a fatality occurred at the Kimberley Underground operation. A full investigation was carried out into the fatal accident in conjunction with the Department of Mineral Resources in South Africa. Petra's management would like to extend its sincere condolences to the family and friends of the deceased.

The key performance indicator that Petra uses to track its overall safety performance on an annual basis is the Lost Time Injury Frequency Rate ("LTIFR"). Petra's LTIFR for FY 2012 was 1.13, in comparison to 0.80 for FY 2011.

Whilst the Company is committed to improving this performance, in line with its policy of zero harm, it should be noted that the severity rate of incidents for the year was mostly low.

Generally there is a high level of health and safety performance across Petra's operations. Both Finsch and Cullinan are OHSAS 18001 accredited and the Company expects to implement this standard across all the mines in due course.

The health and safety of employees will always be Petra's top priority and the Company is striving every day to build upon its systemic culture of safety. In addition to appropriate risk management processes, Petra has strategies, systems and training in place to promote a safe working environment. Management's focus on a zero harm environment requires a zero tolerance approach for any action that results in potential injury to employees.

People and communities

Petra recognises that its greatest asset is its people. The Company encourages diversity in the workforce and treats employees, contractors and

The Mwadui Primary School is owned and operated by Williamson and provides free education to 460 learners

all other stakeholders with respect and dignity, whilst upholding their basic human rights.

Petra believes that employees who are empowered and accountable for their actions work to the best of their ability, and the Company has therefore fostered a culture whereby innovation and creativity in the workplace is encouraged and rewarded. The result is motivated and engaged employees who feel that they have a role to play in the Company's continued development and success.

A key focus for Petra is skills transfer and training to ensure that employees continue to develop throughout their careers and progress within the organisation, whilst also helping to drive operational improvements. In FY 2012, Petra commenced a formal skills audit to accurately gauge skills levels across the Group so that the Company can develop future training and development plans for its employees. This process will continue into FY 2013.

Petra is committed to identifying sustainable projects in conjunction with local authorities, as the elected representatives of the communities affected by our operations. The Group takes a holistic and structured approach to corporate social responsibility and contributes to its local communities through a variety of initiatives which address poverty alleviation, job creation and local economic development.

Environment

During FY 2012, Petra finalised and implemented a Group-level Environmental Policy and Strategy, which formalised Petra's commitment to conduct environmentally sustainable prospecting, mining and related activities.

The Company's operations are subject to significant environmental regulation under international and local law and Petra has an Environmental Management Programme in place for each of its operations.

Environmental responsibility is integrated into strategic planning, management systems and daily activities and Petra conducts regular internal and external audits of its operations. The Company is committed to achieving a high standard of environmental performance.

Product assurance

As an independent producer, outside of the formal supply channels of the majors, Petra plays an important role in providing a dependable and increasing supply of high quality rough diamonds to the market. The Company operates in a transparent manner, according to high ethical standards, and in this way its clients can be assured that the Petra product is of impeccable origin.

Petra will only ever operate in countries which are members of the Kimberley Process. The Kimberley Process is a collaboration between Governments, NGOs and the diamond industry, who joined together to stem the flow of 'conflict diamonds' – rough diamonds used by rebel movements to finance wars against legitimate governments. The Kimberley Process Certification Scheme imposes extensive requirements on its members to enable them to certify shipments of rough diamonds as conflict free.

Petra reports in detail on its sustainability performance annually. The Group's Sustainability Report is available on the Petra corporate website.

Board of Directors

Adonis Pouroulis (42)
Non-Executive Chairman

Role Mr Pouroulis leads the Board with focus on key strategic and corporate governance issues
Committees Chairman of the Nomination Committee
Date of Appointment 1997
Qualifications Mining Engineer – University of Witswatersrand, South Africa

Profile Mr Pouroulis is a mining entrepreneur whose expertise lies in the discovery and exploration of natural resources across Africa, including diamonds, precious/base metals, coal and oil and gas, and bringing these assets into production. Mr Pouroulis founded Petra Diamonds in 1997 and it became the first diamond company to float on AIM. He has since chaired Petra as it has developed into a mid-tier diamond producer of global significance and London's largest quoted diamond mining group.

External appointments Chairman of Chariot Oil & Gas plc

Johan Dippenaar (55)
Chief Executive Officer

Role Mr Dippenaar leads the management of the Group, implements the agreed strategy and runs the business on a day-to-day basis
Committees Member of the Executive Committee and Chairman of the HSSE Committee
Date of Appointment 2005
Qualifications Chartered Accountant – member of the South African Institute of Chartered Accountants

Profile Mr Dippenaar has over 20 years' experience in the leadership and management of diamond mining companies. Prior to his appointment as CEO of Petra, he was CEO of ASX-quoted Crown Diamonds which merged with Petra in 2005. Since the merger, Mr Dippenaar has led Petra through a period of significant growth, taking the Company's annual production from circa 175,000 carats in FY 2006 to 2.2 million carats in FY 2012, and establishing the Company as a leading independent producer.

External appointments None

David Abery (49)
Finance Director

Role Mr Abery leads the financial management of the Group and is responsible for financing, treasury, financial controls, reporting, legal, investor relations, compliance and corporate governance
Committees Member of the Executive Committee
Date of Appointment 2003
Qualifications Chartered Accountant – ICAEW

Profile Mr Abery has over 17 years' experience as a chief financial officer in both the South African and UK business environments. He has been integral to the structuring and delivery of strategic group corporate development and acquisitions at Petra, as well as the instigation of a number of innovative financing transactions. Mr Abery is responsible for all matters pertaining to Petra's UK listing.

External appointments None

Jim Davidson (67)
Technical Director

Role Mr Davidson leads the technical management team and is responsible for the direction and implementation of the Group's technical and exploration programmes
Committees Member of the Executive Committee
Date of Appointment 2005
Qualifications Geologist – member of the Geological Society of South Africa and registered with the South African Council for Natural Scientific Professions

Profile Mr Davidson is an acknowledged world authority on kimberlite geology and exploration, as well as an expert on the optimal recovery of diamonds through plant processes and other automated methods. He has spent in excess of 30 years associated with diamond exploration and mining, of which over 20 years have included mine management in South Africa, and was formerly head of diamond exploration in southern Africa for BP Minerals (subsequently Rio Tinto) before joining Crown Diamonds.

External appointments None

Tony Lowrie (70)
Senior Independent Non-Executive Director

Committees Member of the Audit, Remuneration and Nomination Committees
Date of Appointment 12 September 2012
Qualifications Royal Commission, Sandhurst Military Academy

Profile Mr Lowrie has over 35 years' association with the equities business and is an experienced non-executive director. He has had a lengthy and distinguished career, which included senior positions with the Hoare Govett group and HG Asia Securities. Between 1996 and 2004 he was chairman for ABN AMRO Asia Securities and was formerly also a managing director of ABN AMRO Bank. He has been a non-executive director of Allied Gold Mining Plc, Dragon Oil plc, J. D. Wetherspoon plc, as well as several quoted Asian closed end funds.

External appointments Director of the Edinburgh Dragon Fund and non-executive director of Kenmare Resources plc.

Dr Pat Bartlett (67)
Independent Non-Executive Director

Committees Member of the Audit, Remuneration and Nomination Committees
Date of Appointment 28 November 2011
Qualifications Member of the South African Institute of Mining and Metallurgy; registered Professional Natural Scientist

Profile Dr Bartlett was formerly a chief geologist for De Beers until his retirement in 2003 and is an acknowledged leading expert on kimberlite geology and block caving. Dr Bartlett has extensive experience working across southern Africa and has an in-depth knowledge of several of the mines acquired by Petra, having previously worked at Finsch, Koffiefontein, Kimberley Underground and Cullinan. Since retiring from De Beers, he has consulted on block caving projects for BHP Billiton, Anglo American and Rio Tinto.

External appointments A director of the Board of Trustees for the De Beers Benefit Society and the De Beers Pension Fund.

Gordon Hamilton (66)
Independent Non-Executive Director

Committees Chairman of the Audit and Remuneration Committees, member of the Nomination Committee
Date of Appointment 28 November 2011
Qualifications Chartered Accountant – ICAEW

Profile Mr Hamilton retired from Deloitte & Touche LLP in 2006 after more than 30 years as a partner primarily responsible for multinational and FTSE 350 company audits, mainly in the mining, oil and gas and aerospace and defence industries, as well as heading the Deloitte South Africa desk in London. He served for nine years until 2011 as a member of the UK Financial Reporting Review Panel. Mr Hamilton has extensive experience as a non-executive director across a wide range of businesses.

External appointments Non-executive director of Barloworld, Beazley plc, Fairbairn Private Bank and other related companies within the Nedbank Group.

Dr Omar Kamal (39)
Non-Executive Director

(Dr Kamal is not deemed independent as he represents Al Rajhi Holdings W.L.L., Petra's largest shareholder, which holds 13% of the Company's issued share capital.)

Committees None
Date of Appointment 2010
Qualifications Ph.D. Management (Banking and Finance)

Profile Dr Kamal has over 13 years' experience within the field of finance and investments. His career to date comprises increasing high level management responsibility leading to his present post as Co-CEO of the Al Rajhi Group of companies. Dr Kamal has attained a broad spectrum of expertise and knowledge from his extensive experience as an academic, his works as a key executive in two regional banks in the Arab region, and as a Partner at Ernst & Young managing Islamic finance advisory business. Dr Kamal continues to manage investment deals globally, predominantly in the Asia Pacific, Middle East, Africa and Europe regions.

External appointments Co-CEO of the Al Rajhi Group of companies.

Corporate Governance

Corporate Governance

Petra is committed to upholding corporate governance right down the organisation.

Chairman's Introduction

Dear Shareholder,

Effective governance is key to the Board, given our strategy to create a sustainable, long-term future for the business and to maximise shareholder value. The Company endeavours to meet the standards set out in the UK Corporate Governance Code ("the Code"); in the months preceding Petra's step-up to the Main Board of the London Stock Exchange in December 2011, the Petra Board reviewed its governance standards and whilst the Company generally meets and achieves most standards of best practice and Code requirements, the Board recognises that this is an incremental process and during FY 2013 will continue to address the remaining corporate governance requirements of the Code.

The Company is committed to upholding not only the levels of corporate governance it has maintained to date, but also to further developing and implementing governance best practice right down through the organisation, in line with Petra's increasing size and stature.

Step-up from AIM to the Main Market of the London Stock Exchange

One of the key highlights of FY 2012 was Petra's step-up from AIM to the Main Market of the London Stock Exchange with a Premium listing, following which the Company entered the FTSE 250 on 19 March 2012. As a full list company, Petra is now subject to stricter regulation and compliance, including being required to adhere to the Code. Before making the move to the Main Market, Petra sought advice from its advisers as to the important differences between the regulatory frameworks for full listed companies as opposed to those on AIM, and briefing sessions for the Directors and the investor relations team were arranged as appropriate. Whilst on AIM, Petra already had the culture of good governance ingrained into the organisation.

Highlights for FY 2012 and to the date of this report

Below is a list of the key highlights for Petra in FY 2012 and to date in terms of its corporate governance development:

- the appointment of Dr Patrick Bartlett and Mr Gordon Hamilton to the Board as independent Non-Executive Directors ("iNEDs") on 28 November 2011 and my subsequent move from Executive to Non-Executive Chairman;
- the appointment of Mr Tony Lowrie to the Board as the Senior iNED on 12 September 2012;
- the update of Petra's Board Committee Charters, which are available on our website at http://www.petradiamonds.com/about-us/corporate-governance/board-committees.aspx;
- the revised composition of our Audit and Remuneration Committees to ensure independence, now achieving the complement of three NEDs on each committee required for future periods by the Code;
- the formation of a Nomination Committee and a Board represented Health, Safety, Social and Environmental ("HSSE") Committee;
- the update of the Company's Bye-Laws to be in a form which comply with the Financial Services Authority's (United Kingdom) Listing Rules Source Book and the UK Corporate Governance Code) – available on our website at: http://www.petradiamonds.com/investors/company-documents.aspx; and
- the launch of a new FTSE-standard corporate website, which aims to provide shareholders with full and transparent information about Petra. Please visit www.petradiamonds.com and let us know if you have any comments, as we welcome all shareholder feedback.

A cultural imperative

Finally, the Board recognises that good governance relates just as much to individual behaviour as it does to the corporate regulatory framework. As such, we lead by example in the boardroom and promote a company culture in which integrity is valued and rewarded.

Adonis Pouroulis
Non-Executive Chairman
15 October 2012

LIST OF CONTENTS

The UK Corporate Governance Code Compliance

Petra is not subject to a code of corporate governance in its country of incorporation, Bermuda. However, as a Main Market listed company, Petra is required to comply with the Code or to explain in this statement why it has not complied in certain areas.

The Company has made good progress in this area to date, although it does not at the present time comply with all of the Code requirements.

A copy of the Code is available on the Financial Reporting Council's website at: http://www.frc.org.uk/.

The Company has complied with the required governance provisions of the Code throughout the year from entry to the Main Market, with the following exceptions:

1) Board composition

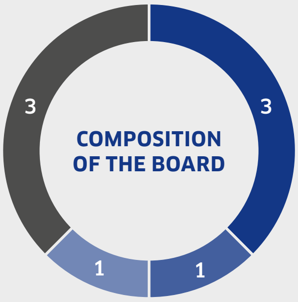
The Code requires that at least half of the Board's members should be deemed to be independent in nature and that a Senior iNED should be appointed. The Board appointed two iNEDs on 28 November 2011 and a Senior iNED post year end on 12 September 2012. Given that the Company previously qualified as a 'smaller' company whilst quoted on AIM, in FY 2012 it met the technical requirements of the Code by having at least two iNEDs since its entry to the Main Market. The Company has now achieved compliance with the requirement for a Senior iNED and is making progress towards the requirement that half of the Board (excluding the Chairman) comprise iNEDs. In order to comply with the Code going forward, the Company would be required to appoint one further iNED; the Nomination Committee and Board will continue to consider the Petra Board composition during FY 2013.

2) Remuneration of NEDs

Petra's Non-Executive Chairman holds options granted prior to the Company's move to the Main Market of the London Stock Exchange, representing a form of performance related benefits. Whilst the Code states that NEDs should not receive performance related remuneration, these are legacy arrangements and the Group incorporated the principles of the Code when determining remuneration for NEDs for FY 2012 (for further information, please review the Directors' Remuneration Report on pages 61 to 72).

The Report of the Board

Composition of the Board



- Executive Directors: 3
- Non-Executive Chairman: 1
- Non-Executive Director: 1
- Independent Non-Executive Directors: 3

The Board considers that the Petra Directors represent a wide range of skills and expertise that are relevant to the successful operation and development of the business. The Directors encompass a substantial set of skills and experience in the diamond mining industry, which is complemented by the required financial, corporate and strategic skills which the Board as a whole considers appropriate. The Board and Nomination Committee will continue to evaluate the skills, experience and diversity of the Board going forward.

The Board currently consists of three Executive Directors, the Non-Executive Chairman, one NED and three iNEDs. Biographies of the Board are set out on pages 44 and 45.

In FY 2012, Petra appointed Dr Bartlett and Mr Hamilton to the Board as iNEDs and post year end, Mr Lowrie was appointed as Senior iNED. All appointments were made following a rigorous selection process, which in the case of the Senior iNED was assisted by an external search agency, in order to identify high calibre candidates considered to have the appropriate mix of financial, emerging markets and technical expertise to suit the specific requirements of the Petra team.

The Board has considered the independence of each Director, including assessment of their character and judgement. Mr Pouroulis is not considered independent by virtue of his previous role as Chief Executive Officer of the Company (until 2005), his shareholding in Petra and options outstanding (as highlighted in The UK Corporate Governance Code Compliance section above). Dr Omar Kamal is not considered independent as set out on page 45.

Mr Hamilton is considered to remain independent despite having received fees for consultancy services to the Group shortly prior to its move to the Main Market and Dr Bartlett is considered to remain independent despite having previously received fees for services to the Group and being a trustee of the De Beers pension fund. The fees received are set out on page 69 of the Directors' Remuneration Report.

Directors appointed by the Board are subject to election by shareholders at the following Annual General Meeting and thereafter all Directors are, in accordance with the Company's Bye-Laws, subject to re-election on an annual basis.

The Report of the Board continued

The Role of the Board

Ultimately, the Board's role is the protection and enhancement of shareholder value. To fulfil this role, the Board:

- provides leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives, reviews management performance;
- develops and promotes its collective vision of the Company's purpose, culture, values and the behaviour it wishes to promote in conducting business and ensures that its obligations to its shareholders and others are understood and met; and
- carries out all duties with due regard for true sustainability and the long-term success of the Company.

In order to ensure the effective cooperation of the Board, there is a clear division between the responsibilities of the Directors.

The Chairman's role is to:

- ensure good corporate governance;
- lead the Board, ensuring the effectiveness of the Board in all aspects of its role;
- ensure effective communication with shareholders; and
- set the Board's agenda and ensure that all Directors are encouraged to participate fully in the activities and decision-making process of the Board.

The Chief Executive Officer's role is to:

- lead and provide strategic direction to the Company's management team;
- run the Company on a day-to-day basis;
- be responsible, along with the executive team, for implementing the decisions of the Board and its Committees; and
- be the Company spokesperson, communicating with external audiences, such as investors, analysts and the media.

The Senior iNED's role is to:

- provide a sounding board for the Chairman and serve as an intermediary for the other Directors as necessary; and
- be available to shareholders if they have concerns which contact through the normal channels of Chairman, CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate.

The iNEDs' role is to:

- challenge the opinions of the Executive Directors, provide fresh insight in terms of strategic direction and bring their diverse experience and expertise to the benefit of the leadership of the Group;
- assess the performance of the Chairman;
- scrutinise the performance of the Executive Directors in terms of meeting agreed goals and objectives;
- monitor the reporting of performance;
- ensure that the financial information, controls and systems of risk management within the Group are robust and defensible;
- determine the appropriate levels of remuneration of Executive Directors; and
- appoint or remove Executive Directors to or from the Board, when necessary.

Directors' committee membership

◤ Chairman ◸ Member

	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	HSSE Committee
Executive Directors					
Mr Dippenaar	◸	–	–	–	◤
Mr Abery	◸	–	–	–	–
Mr Davidson	◸	–	–	–	–
Non-Executive Directors					
Mr Pouroulis	–	–	–	◤	–
Mr Lowrie[1]	–	◸	◸	◸	–
Mr Hamilton[2]	–	◤	◤	◸	–
Dr Bartlett[2]	–	◸	◸	◸	–
Dr Kamal[3]	–	◸	◸	–	–

1 Appointed 12 September 2012.
2 Appointed 28 November 2011.
3 Member until 28 November 2011.

Meetings of the Board and the Board Committees in FY 2012

The table below lists the number of Board and Board Committee meetings held in FY 2012:

Meeting	FY 2012
Board	4
Audit Committee	4
Remuneration Committee	3
Nomination Committee	2
HSSE Committee	1
iNEDs with the Chairman (without the Executive team)	1
iNEDs assess the Chairman	1

The Directors attended all Board meetings and Committee members attended all Committee meetings during the year (following their appointment to the Board in the case of the iNEDs).

Board process

The Board believes that all Directors are able to allocate sufficient time to the Company in order to discharge their responsibilities effectively. The biographies of the Board are stated on pages 44 to 45; there were no significant changes to the members' commitments in FY 2012. The full Board meets formally at least four times per year, at such other times as may be necessary to address any significant matters that may arise, and also communicates regularly between these meetings.

To assist in the execution of the company strategy, the Board has established an Executive Committee to manage the Company on a day-to-day basis. Members of this Committee are Mr Dippenaar, Mr Abery and Mr Davidson.

In compliance with the Code, the Chairman holds meetings with the iNEDs without the Executive Committee present, to discuss matters freely (such as the Executive Committee's performance and any perceived issues/concerns).

Petra currently has the following additional primary committees: the Audit Committee (see page 52), the Remuneration Committee (see page 54), the Nomination Committee (see page 55) and a Board-represented HSSE Committee (see page 56). The purpose of these committees is to delegate responsibility to Directors and Senior Management (in the case of the HSSE Committee) with specific skills and knowledge and to facilitate the Board's overall role.

The Board is supplied on a regular basis with appropriate and timely information relating to all aspects of the Group and has regular opportunities, including visits to operations, for contact with a wider group of employees, including Senior Management. In addition, the Directors are free to seek any further information they consider necessary in order to discharge their duties effectively. The collective responsibility of the Board ensures that all Directors are involved in the process of arriving at significant decisions.

The agenda for Board and Committee meetings is prepared in conjunction with the Company/Committee Chairman as appropriate and all documents that are relevant to the agenda of the Board meeting are distributed to the Board in advance of the meeting. Senior Management are involved in the preparation of Board papers and are able to contact any member of the Board should they feel the need to do so.

Board and Committee meetings take place in Jersey, Channel Islands and typically last for two days. The schedule for such meetings is arranged so as to allow the Board additional time to engage in informal discussions regarding the activities of the Group, the capital markets and the diamond and mining sectors in general.

Matters reserved for the Board

The Board has a formal schedule of matters reserved that can only be decided by the Board. This schedule is reviewed and agreed by the Board each year. The key matters reserved are the consideration and approval of the Group's:

- vision and strategy;
- production and trading results;
- financial statements and reporting (supported by the Audit Committee);
- financial strategy, including debt and other external financing sources;
- budgets, expansion projects, capital expenditure and business plans;
- material acquisitions and divestments;
- corporate governance and compliance (supported by the Audit Committee);
- risk management and internal controls (supported by the Audit Committee);
- material health, safety, social and environmental matters (supported by the HSSE Committee);
- appointments and succession planning (supported by the Nomination Committee); and
- remuneration (supported by the Remuneration Committee).

Board performance and evaluation

To date, the Company has adopted self-evaluation processes to measure Board performance. The performance of Directors is assessed through review and specific discussion by the Board of issues relating to an individual Director's attendance at and involvement in Board meetings, interaction with management, performance of allocated tasks and any other matters identified by the Board or individual Directors.

Any significant issues identified are actioned by the Board on an ongoing basis. In addition, the iNEDs meet without the Chairman at least annually to appraise the Chairman's performance and on such other occasions as are deemed appropriate. The evaluation of key Senior Management is carried out by the Executive Committee and any significant issues identified are raised with the Board as a whole.

The Board will comply with the Code's requirements that the evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years.

Corporate Governance
continued

Summary of the Board's main work in FY 2012

- strategy and delivery, with a particular focus on the acquisition and successful integration of the Finsch mine and the roll-out of the expansion programmes across the other mines;
- corporate development, including the step-up from AIM to the Main Market of the London Stock Exchange;
- evaluation of external growth opportunities;
- financial overview;
- corporate governance and compliance;
- appointments (see the Report from the Nomination Committee on page 55); and
- remuneration and new incentive schemes (see the Directors' Remuneration Report from page 61).

The Report of the Board continued

The Role of the Board continued

Induction of new Directors

The Company educates new Directors about the nature of the business, current issues, the corporate strategy and timeline for key objectives to be met, and the expectations of the Board concerning the performance of the Directors. Directors also have the opportunity to visit Group operations and meet with the operational management to gain a better understanding of Petra's business.

In FY 2012, Petra provided tailored induction programmes for Dr Bartlett and Mr Hamilton, who joined the Board on 28 November 2011. Shortly before joining the Board, Dr Bartlett and Mr Hamilton visited Petra's flagship mines, Cullinan and Finsch (in conjunction with an analyst visit), and visited the Company's diamond marketing office in Johannesburg to see the first layout of Finsch production. This provided an opportunity for the incoming iNEDs to canvas independent analyst views of the Company, its management team, its projects and its prospects going forward.

Upon joining the Board, Dr Bartlett and Mr Hamilton were provided with direct access to members of Petra's Senior Management team and were provided with relevant information packs on the Company. Dr Bartlett was provided with directors' training, carried out by Deloitte, as he had not previously served on the Board of a FTSE listed company.

Mr Lowrie joined the Board in September 2012 and his induction, which will include visits to the Group's operations and meetings with Senior Management, is underway.

Director education

The Board seeks to maximise the contribution of all Directors on an ongoing basis. Key to this is appropriate ongoing training and the Group makes this available to all Directors. Training covers the Group, its industry and governance matters more generally.

During FY 2013, the Directors will attend training and educational sessions on matters relevant to their responsibilities on the Board, such as the Code, legal developments, executive remuneration and other relevant topics.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the conflict is clearly recorded in the Board minutes and if considered appropriate (due to the nature of the conflict) by the rest of the Board, the Director concerned is not present at the meeting whilst the item is considered.

Director dealings in Company shares

Company policy prohibits Directors and Senior Management from dealing in shares or exercising share options whilst in possession of price sensitive information. Directors and Senior Management must notify and get approval from the Chairman (Directors)/Finance Director (Senior Management) before they deal in shares or exercise share options in the Company.

Independent professional advice and access to Company information

All Directors have access to advice from the Company's retained auditors, legal advisers and brokers, as well as from other independent professional advisers (as appropriate), at the expense of the Company if considered necessary in the performance of their duties. Each Director has right of access to all relevant Company information.

PETRA'S INVESTOR RELATIONS CALENDAR IN FY 2012:

JULY
- Trading Update – investor/analyst conference call and marketing

AUGUST

SEPTEMBER
- FY 2011 results – analyst presentation/webcast and investor roadshow in UK, Canada and US
- Analyst guidance issued FY 2012
- AMA Diamond Conference

OCTOBER
- Preparation for move from AIM to Main Board

NOVEMBER
- Analyst site visit to Finsch and Cullinan

DECEMBER
- AIM to Main investor roadshow in UK
- Step-up to Main Market

The Report of the Board continued

The Role of the Board continued

Other commitments

The Executive Directors may accept external appointments to act as non-executive directors of other companies subject to the Board's consent. Any fees for such appointments would normally be retained by the Director concerned.

Remuneration of NEDs

When setting fees for NEDs, the Board takes independent professional advice and applies appropriate benchmarks. During FY 2012, the Company engaged Deloitte's remuneration services to report to the Company on NED remuneration within the Company's industry and within the FTSE 250. Directors' fees include membership of committees. Further information is contained in the Directors' Remuneration Report on pages 61 to 72.

Insurance for Directors and Officers

The Company has arranged appropriate Directors' and Officers' insurance cover in respect of legal claims against its Directors.

Communication with shareholders and continuous disclosure

The Company supports an open dialogue with shareholders so that the Board understands shareholders' needs and objectives and their views on the Company's performance. Investor relations is an important aspect of the Company's overall communications strategy and Petra has a dedicated in-house corporate communications and investor relations department based in London to ensure that any investor query or concern is responded to and dealt with efficiently and in a timely manner. Petra's investor relations team regularly provides feedback to management on all such shareholder communication and analyst research notes are circulated as received.

As part of Petra's proactive investor relations approach, the Board and the investor relations team commit time to hold regular formal and informal meetings in person with the Company's shareholders in order to get direct feedback and input on strategy and performance. The Company also hosts results webcasts at least twice a year which are broadcast live on the Company's website to ensure that all shareholders can participate in the presentation, regardless of their location, and are stored thereafter at www.petradiamonds.com.

Petra's website provides information on forthcoming events for shareholders and analysts at the following link: http://www.petradiamonds.com/investors/financial-and-events-calendar.aspx.

The Annual General Meeting

The Board encourages full participation of shareholders at shareholder meetings, such as the AGM, to ensure a high level of accountability and identification with the Group's strategy and goals. The Chief Executive Officer gives a presentation to shareholders annually at the AGM, providing an overview of the last year's progress and challenges, as well as insight into forward looking objectives and outlook. The Company's external auditors attend the AGM.

Equal access and continuous disclosure

Petra ensures that all shareholders and investors have equal access to the Company's information, and has procedures to ensure that all price sensitive information is disclosed to shareholders in accordance with the Listing Rules and the Disclosure and Transparency Rules. All public announcements are simultaneously posted to the Company's website at www.petradiamonds.com.

The Company's Annual Report and Accounts is made available to all shareholders. The Board ensures that the Annual Report and Accounts includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, as well as all required disclosures. Notices of shareholder meetings and associated explanatory material are placed on the Company's website.

eCommunications and Shareholder Portal

Shareholders previously passed a resolution to allow the Company to use electronic means and its website (www.petradiamonds.com) to send or supply statutory documents and communications to shareholders, such as its Annual Report and Accounts. Shareholders now have the flexibility to receive shareholder communications from Petra electronically, should they so choose.

As well as providing shareholders with greater choice as to how communications are received, publication via its corporate website allows Petra to reduce the costs and environmental impact of such communications and to speed up the provision of information to its shareholders.

To offer shareholders even more flexibility, Petra has also set up a Shareholder Portal via Capita Registrars at www.capitashareportal.com, offering a whole host of shareholder services online.

JANUARY
- Trading Update – analyst presentation and investor roadshow

FEBRUARY
- GMP Conference in South Africa
- Indaba Conference in South Africa
- Interim Results – analyst presentation, webcast and investor roadshow in UK

MARCH
- Goldman Sachs Luxury Goods Conference in Hong Kong
- Mines and Money Conference in Hong Kong
- Investor roadshow in Hong Kong
- Entrance to FTSE 250

APRIL

MAY
- Q3 FY 2012 Interim Management Statement – investor/analyst conference call

JUNE
- RBC Diamond Conference in London and investor roadshow

"I was delighted to be appointed Audit Committee Chairman during the year. The Committee's main focus is to ensure that Petra's internal controls and risk management systems continue to evolve and mature as the Company continues along its high growth path."

Gordon Hamilton, Chairman of the Audit Committee

MEMBERSHIP OF THE AUDIT COMMITTEE

Mr Hamilton (Chairman)
Non-Executive Director
(appointed 28 November 2011)

Mr Lowrie
Non-Executive Director
(appointed 12 September 2012)

Dr Bartlett
Non-Executive Director
(appointed 28 November 2011)

Dr Kamal
Non-Executive Director
(until 28 November 2011)

ROLE OF THE AUDIT COMMITTEE

The principal functions of the Audit Committee include the following:

- to monitor the integrity of all financial statements made by the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- to ensure that Petra's internal controls and risk management systems continue to evolve and mature;
- to review and challenge where necessary accounting policies and practices, decisions requiring a major element of judgement, the clarity of disclosures, compliance with accounting standards, and compliance with FSA, London Stock Exchange and other legal requirements;
- to review the Company's internal audit function and ensure it is adequately resourced and effective;
- to consider the appointment, re-appointment or removal of the external auditors and to recommend the remuneration and terms of engagement of the external auditors;
- to assess the external auditors' independence and objectivity;
- to review the engagement of the external auditors to ensure the provision of non-audit services by the external audit firm does not impair its independence or objectivity; and
- to give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the Listing Rules.

Membership

In FY 2012, Petra changed the composition of its Audit Committee, further to the appointment of Mr Hamilton and Dr Bartlett as iNEDs. The Audit Committee is now chaired by Mr Hamilton and its members are Dr Bartlett and, post year end, Mr Lowrie. Mr Hamilton is considered to be highly appropriate for this role given that he spent more than 30 years as a partner at Deloitte LLP primarily responsible for multinational and FTSE 350 listed company audits. The qualifications of the members are provided on pages 44 to 45.

Audit Committee meetings

The Audit Committee meets formally at least twice per year; three Audit Committee meetings were held during FY 2012. The Audit Committee invites the Chief Executive Office and the Finance Director to attend the meetings as appropriate.

The Audit Committee also meets with the external auditors independent of Executive Management. The Audit Committee may, if considered necessary, take independent advice at the expense of the Company.

The meetings during FY 2012 included presentations by the BDO LLP audit partner regarding the results of its audit of FY 2011, interim review for H1 FY 2012 and the audit planning proposal for FY 2012. The Audit Committee considered and approved the financial statements and formal announcements made during the year, including key financial reporting judgements and accounting policies as a part of that review.

Audit Committee Charter

The Audit Committee Charter was revised during FY 2012 and is in line with best practice. It can be accessed on the Company's website here: www.petradiamonds.com/about-us/corporate-governance/board-committees.aspx.

Internal controls and risk management

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. It should be recognised that such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Company in achieving its business objectives. The Code requires that the effectiveness of the system of internal control be reviewed by the Directors, including financial, operational and risk management.

The Board, on an ongoing basis, conducts reviews of the effectiveness of the Company's risk management and internal control systems and reports to shareholders that they have done so. During the year, the Audit Committee agenda included specific consideration regarding the Group's internal controls and risk management procedures, including reviews as part of the move to the Main Market. The review covered all material controls, including financial, operational and compliance controls and confirmed that appropriate controls have been in operation for the year under review and to date.

The Group has not established a separate Board level risk committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Group's operations, ensures risks are identified, assessed and appropriately managed. Where necessary, the Board will draw on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

Please refer to pages 40 and 41 of the annual report where the Group has identified key risks and how they are mitigated.

External Auditors

As part of its meetings, the Audit Committee proposed the re-appointment of BDO LLP to act as auditors for FY 2012 having considered the independence, objectivity, tenure and effectiveness of BDO LLP and the audit process. This was undertaken within the framework of the Audit Committee terms of reference. BDO LLP provide taxation services to the Group and acted as Reporting Accountant as part of the move to the Main Market, receiving fees as set out in note 7. The Audit Committee fully considered the objectivity and independence of BDO LLP as part of re-appointment considering all current ethical guidelines, The auditors' fees were approved as part of this process.

Internal control processes

The Board's internal control processes are comprehensive and include:

- operating unit controls – operating units comply with financial controls and procedures including information system controls;
- functional reporting – key areas subject to regular reporting to the Board include operations and production, finance, investor relations, technical, safety, human resources, corporate social responsibility, environment and legal matters;
- internal audit function – towards the end of FY 2012, the Committee decided to increase the resource available to the internal audit function to a level that is appropriate to cover the enlarged Petra Group. The Company is currently recruiting to staff this internal audit resource. Any matters arising of a material nature from the internal audit manager's reviews were brought to the attention of the Board. The Audit Committee ensures compliance with the internal controls and risk management procedures previously mentioned; and
- Group Code of Conduct – the Group has a documented Code of Conduct. The Group has induction procedures to inform newly appointed employees of their rights and their duty to act with utmost integrity and objectivity. The Code of Conduct is designed to guide compliance with legal and other obligations to the Company's stakeholders. Petra is currently in the process of updating its Code of Conduct to include new and revised recommendations on key areas such as human rights, whistle-blowing and anti-bribery policies. Once the new Code of Conduct is available it will be made public on the Group's website.

Practices have been established to ensure:

- financial exposures are controlled, including the potential use of derivatives;
- environmental performance is regularly monitored to ensure the Group is in compliance with the laws of the jurisdictions in which the Group's operations are based in relation to its exploration and mining activities;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- ethical standards are monitored as all Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group;
- business transactions are properly authorised and executed; and
- financial reporting accuracy and compliance with the financial reporting regulatory framework.

Whilst being satisfied that controls and risk management remain appropriate for the Group's activities, the Audit Committee continues to undertake a thorough review of internal controls, risk management procedures, internal audit resourcing and strategy to ensure that its practices develop and remain appropriate.

"I have enjoyed working with Dr Bartlett and our independent advisers, Deloitte LLP, to implement a new Group remuneration policy, which is highly performance driven and aligned with the long-term interests of our shareholders."

Gordon Hamilton, Chairman of the Remuneration Committee

MEMBERSHIP OF THE REMUNERATION COMMITTEE

Mr Hamilton (Chairman)
Non-Executive Director
(appointed 28 November 2011)

Mr Lowrie
Non-Executive Director
(appointed 12 September 2012)

Dr Bartlett
Non-Executive Director
(appointed 28 November 2011)

Dr Kamal
Non-Executive Director
(until 28 November 2011)

ROLE OF THE REMUNERATION COMMITTEE

The principal duties of the Remuneration Committee include the following:

- to agree with the Board a framework and policy for remuneration of the Executive Directors and Senior Management;
- to agree with the Board the Company's policy on the duration of contracts with Executive Directors and notice periods and termination payments under such contracts;
- to advise on the design of and determine the total individual remuneration package of each of the Executive Directors including base salary, benefits, annual performance bonuses and performance-based share awards;
- to review the remuneration trends across the Group and its industry; and
- to oversee any major changes in employee benefits structures throughout the Group.

Membership

In FY 2012, Petra changed the composition of its Remuneration Committee, further to the appointment of Mr Hamilton and Dr Bartlett as iNEDs. The Remuneration Committee is now chaired by Mr Hamilton and its members are Dr Bartlett and, post year end, Mr Lowrie.

Remuneration Committee meetings

The Remuneration Committee meets formally at least twice per year and three Remuneration Committee meetings were held during FY 2012. The Remuneration Committee invites Executive Directors to attend the meetings as appropriate; the invitees leave the meeting on matters relevant to their own remuneration or performance. No Director or Senior Manager is involved in deciding their own remuneration.

The activities and focus of this Committee are covered in detail in the Directors' Remuneration Report on pages 61 to 72.

The Remuneration Committee meets with the Company's external remuneration consultants independent of the Executive Directors. The Remuneration Committee may, if considered necessary, take further independent advice at the expense of the Company.

Remuneration Committee Charter

The Remuneration Committee Charter was revised during FY 2012 and is in line with best practice. It can be accessed on the Company's website at: http://www.petradiamonds.com/about-us/corporate-governance/board-committees.aspx.

"Our role is to identify the right mix of management skills and experience required to effectively guide Petra along its high growth path."

Adonis Pouroulis, Chairman of the Nomination Committee

MEMBERSHIP OF THE NOMINATION COMMITTEE

Mr Pouroulis (Chairman)
Non-Executive Chairman
(appointed 28 November 2011)

Mr Lowrie
Non-Executive Director
(appointed 12 September 2012)

Dr Bartlett
Non-Executive Director
(appointed 28 November 2011)

Mr Hamilton
Non-Executive Director
(appointed 28 November 2011)

ROLE OF THE NOMINATION COMMITTEE

The principal duties of the Nomination Committee include the following:

- to review regularly the structure, size and composition of the Board (including the skills, knowledge and experience) and make recommendations to the Board with regard to any changes;
- to identify, nominate and recommend for the approval of the Board, appropriate candidates to fill Board vacancies as and when they arise;
- to satisfy itself with regard to succession planning that processes and plans are in place with regard to both Board and Senior Management appointments;
- to review annually the time required from Non-Executive Directors and use performance evaluation to assess whether the Non-Executive Director has devoted sufficient time to his or her duties;
- to recommend to the Board the re-election (if appropriate) by Shareholders of any Director under the retirement and re-election provisions in the Company's Bye-Laws;
- to make recommendations to the Board concerning membership of the Audit and Remuneration Committees; and
- to ensure that on appointment to the Board, Non-Executive Directors receive formal written terms of appointment.

Membership

On 28 November 2011, Petra formed its Nomination Committee. It is chaired by Mr Pouroulis and its members are Mr Hamilton, Dr Bartlett and, post year end, Mr Lowrie.

Nomination Committee meetings

The Nomination Committee will meet formally at least twice a year, however in FY 2012 only one meeting was held, given that the Committee was only formed nearly half way through the financial year. The Nomination Committee is authorised by the Board to obtain whatever external professional advice it considers necessary.

Key Nomination Committee functions in FY 2012 included:

- the evaluation of the Petra Board and the subsequent identification of the complementary skills, experience, independence and knowledge required from new appointees;
- following the above, a detailed specification was drawn up for the appointment of a new iNED to the Petra Board;
- the appointment of an executive search agency, considered to be a specialist in the resources sector, to assist with the iNED search; and
- the appointment of, post year end, Mr Lowrie.

Nomination Committee Charter

The Nomination Committee Charter can be accessed on the Company's website at: http://www.petradiamonds.com/about-us/corporate-governance/board-committees.aspx.

Corporate Governance
The Report of the Health, Safety, Social and Environmental ("HSSE") Committee

"Sustainability is at the heart of Petra's operations – we want to protect the environment, contribute to the social stability and welfare of our local communities and, above all, keep our employees safe."

Johan Dippenaar, Chairman of the HSSE Committee

MEMBERSHIP OF THE HSSE COMMITTEE

Mr Dippenaar (Chairman)
Chief Executive Officer

Members of Petra's Senior Management team

ROLE OF THE HSSE COMMITTEE

The principal duties of the HSSE Committee include the following:

- to evaluate the effectiveness of the Group's policies and systems for identifying and managing health, safety, social and environmental risks within the Group's operations;
- to assess the policies and systems within the Group for ensuring compliance with applicable legal and regularity requirements with respect to health, safety, social and environmental aspects;
- to assess the performance of the Group with regard to the impact of health, safety, social and environmental decisions and actions upon employees, communities and other stakeholders;
- to review management's investigation of all fatalities and serious accidents within the Group and actions taken by management as a result of such fatalities or serious accidents;
- to evaluate the quality and integrity of any reporting to external stakeholders concerning health, safety, social and environmental issues;
- to review the Group's performance indicators in connection with health, safety, social and environmental aspects; and
- to review the Group's public disclosure on health, safety, social and environmental matters and approve them as necessary.

Membership

On 28 November 2011, Petra formed its HSSE Committee. It is chaired by Mr Dippenaar and is comprised of members of Petra's Senior Management team.

HSSE Committee meetings

The HSSE Committee will meet formally at least twice a year, however in FY 2012 only one meeting was held, given that the Committee was formed half way through the financial year. The HSSE Committee is authorised by the Board to obtain whatever external professional advice it considers necessary.

Key HSSE Committee meetings in FY 2012 considered:

- HSSE strategy, policies and procedures;
- Group safety record and full investigation into the fatality at Kimberley Underground in January 2012;
- environmental management systems;
- social responsibility;
- stakeholder engagement; and
- legal compliance relating to HSSE.

HSSE Committee Charter

The HSSE Committee Charter can be accessed on the Company's website at: http://www.petradiamonds.com/about-us/corporate-governance/board-committees.aspx.

Directors' Report

This Annual Report and Accounts has been prepared to provide Shareholders with a fair and balanced review of Petra's business.

The Directors present their management report, which includes the Corporate Governance Statement on pages 46 to 56, together with the Audited Financial Statements of the Group for the year ended 30 June 2012 from pages 73 to 122.

For the purpose of DTR 4.1.8R this report plus any cross-references made herein is deemed the 'management report' and should be read with the Annual Financial Statements on pages 73 to 122.

Principal activities

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company has a well-diversified portfolio, with controlling interests in eight producing mines: seven in South Africa (Finsch, Cullinan, Koffiefontein, Kimberley Underground, Helam, Sedibeng and Star) and one in Tanzania (Williamson). In addition, Petra has an exploration operation in Botswana.

Business review

This Annual Report and Accounts has been prepared to provide shareholders with a fair and balanced review of Petra's business, the outlook for the future development of the Group, as well as the principal risks and uncertainties which could affect the Group's performance.

The table below identifies where to find specific information related to the Business Review within this Annual Report.

Results and dividends

The Group's net loss after tax for the year amounted to US$2.1 million (2011: net profit after tax of US$59.2 million). The Directors do not recommend the payment of a dividend for the year (2011: US$nil).

As set out in the Discover Petra Diamonds section, the CEO's Review and the Financial Review of this Annual Report, the Group is currently reinvesting its cashflow in the expansion of its key operations. The Board will formalise the Group's dividend policy when the Group's free cashflow, after the capital expansion programmes associated with these major expansions, is sufficient to support the ongoing payment of the dividend. The Directors recognise that it is important that a mining company such as Petra aims to introduce a dividend policy when appropriate in the Company's development.

Share capital and stock exchange listing

The Company has one class of ordinary shares of 10p each (the "Ordinary Shares"). Details of the Company's authorised and issued Ordinary Share capital together with any changes to the share capital during the year are set out in note 21 to the financial statements. The Company's shares are admitted to the premium segment of the Official List and are traded on the Main Market of the London Stock Exchange. The Ordinary Shares themselves are not admitted to CREST, but dematerialised depositary interests representing the underlying Ordinary Shares issued by Capita IRG Trustees Limited can be held and transferred through the CREST system. The rights attaching to the Ordinary Shares are governed by the Companies Act 1981 (Bermuda) (as amended) and the Company's Bye-Laws.

The Company is a member of the FTSE 250.

Share rights

Shareholders have the right to receive notice of and attend any general meeting of the Company. Each shareholder who is present in person (or, being a corporation, by representative) or by proxy at a general meeting on a show of hands has one vote and, on a poll, every such holder present in person (or, being a corporation, by representative) or by proxy shall have one vote in respect of every Ordinary Share held by them.

There are no shareholders who carry any special rights with regards to the control of the Company.

Content	Section	Pages
A detailed review of the Group's operations and finances for FY 2012, key events subsequent to the year end and factors affecting the future development of the Group	Discover Petra Diamonds section, including Key Performance Indicators	1 to 11
	Chairman's Statement	14 to 15
	CEO's Review	16 to 19
	Financial Review	20 to 23
	Operational Review	24 to 37
Review of exploration activities	Operational Review	34 to 34
Resource Statement	Operational Review	35 to 37
Principal risks	Risk Management	40 to 41
Corporate governance	Corporate Governance	46 to 56
Directors' remuneration	Directors' Remuneration Report	61 to 72

Restrictions on transfer of shares

There are no restrictions on the transfer of Ordinary Shares other than:

- the Board may in its absolute discretion refuse to register any transfer of Ordinary Shares over which the Company has a lien or which are not fully paid up provided it does not prevent dealings in the Ordinary Shares on an open and proper basis;
- the Board may also refuse to register a transfer if it is not satisfied that all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained;
- certain restrictions may from time to time be imposed by laws and regulations;
- pursuant to the Company's share dealing code whereby the Directors and employees of the Company require approval to deal in the Company's Ordinary Shares; and
- where a person with at least a 0.25% interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those Ordinary Shares.

Appointment and replacement of Directors

The Directors shall have power at any time to appoint any person as a director to fill a vacancy on the Board occurring as a result of the death, disability, removal, disqualification or resignation of any Director or to fill any deemed vacancy arising as a result of the number of directors on the Board being less than the maximum number of directors that may be appointed to the Board from time to time.

The Company may by resolution at any special general meeting remove any Director before the expiry of their period of office. Notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director not less than 14 days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal.

A Director may be removed (with or without cause) by notice in writing by all of their co-Directors, provided such notice is delivered to the Secretary and such Director.

Company Bye-Laws

The Company is incorporated in Bermuda and the City Code therefore does not formally apply to the Company. The Company's Bye-Laws were amended in November 2011 to incorporate material City Code protections appropriate for a company to which the City Code does not apply.

The amended Bye-Laws now require that all Directors stand for re-election annually at the Company's AGM.

The Bye-Laws of the Company may only be amended by a resolution of the Board and by a resolution of the shareholders.

Power to issue shares

At the AGM held on 27 January 2012, authority was given to the Directors to allot unissued Relevant Securities (as defined in the Bye-Laws) in the Company up to a maximum aggregate nominal value of £14,864,839.90, being an amount equal to the unissued share capital of the Company as at 14 December 2011. That authority was not used by the Company.

The Directors are seeking approval from Shareholders to renew this authority at the AGM to be held on 29 November 2012, further details of which are set out in the Notice of AGM.

A special resolution passed at the AGM held on 27 January 2012 granted authority to the Directors to allot equity securities (as defined in the Bye-Laws) in the Company for cash on (a) a non-pre-emptive basis pursuant to a rights issue or other offer to shareholders and (b) otherwise up to an aggregate nominal value of £2,506,758 (being equal to approximately 5% of the issued share capital of the Company as at 14 December 2011). That authority was not used by the Company.

The Directors are also seeking approval from shareholders to renew this authority at the AGM to be held on 29 November 2012, further details of which are set out in the Notice of AGM.

Repurchase of shares

The Company may purchase its own shares for cancellation or to acquire them as Treasury Shares (as defined in the Bye-Laws) in accordance with the Companies Act 1981 (Bermuda) on such terms as the Board shall think fit. The Board may exercise all the powers of the Company to purchase or acquire all or any part of its own shares in accordance with the Companies Act 1981 (Bermuda), provided, however, that such purchase may not be made if the Board determines in its sole discretion that it may result in a non de minimis adverse tax, legal or regulatory consequence to the Company, any of its subsidiaries or any direct or indirect holder of shares or its affiliates.

Employees

The Group's employment policies have been developed to ensure that the Group attracts and retains the required calibre of management and staff by creating an environment that rewards achievement, enthusiasm and team spirit. Effective communication and consultation is key to this and the Group endeavours to ensure the appropriate level of employee involvement and communication.

In addition to the Company's corporate website (www.petradiamonds.com), which is regularly updated with current news about the Group, Petra maintains an employee-only intranet, which gives access to all the Group's policies and procedures, information on key personnel and who to contact should an employee have a specific query or concern. Certain mines also produce a regular employee newsletter which highlights key developments and provides thought leadership in areas such as integrity, accountability, safety and wellbeing. All the mines have highly visible notice boards, where important and current employee information is made available.

The Group is committed to the principle and achievement of equal opportunities

Board of Directors and their interests

The interests of the Directors and their families in the issued share capital of the Company as at 30 June 2012 (other than in respect of share options and share awards granted to the Directors, which are detailed in the Directors' Remuneration Report on pages 61 to 72 and note 28 to the financial statements) were as follows:

Adonis Pouroulis[1,2]

9,564,650 shares
(9,564,650 at 30 June 2011)

Johan Dippenaar

640,000 shares
(640,000 at 30 June 2011)

David Abery[2]

1,979,649 shares
(1,979,649 at 30 June 2011)

Jim Davidson

640,000 shares
(640,000 at 30 June 2011)

Dr Patrick Bartlett

Nil shares at 30 June 2012
(N/A at 30 June 2011)[3]

Gordon Hamilton

70,000 shares at 30 June 2012
(N/A at 30 June 2011)[3]

Dr Omar Kamal[4]

N/A shares at 30 June 2012
(N/A at 30 June 2011)

Total

12,894,299 shares
(12,824,299 at 30 June 2011)

1. 7,735,000 ordinary shares in the Company are held by a trust of which Mr Pouroulis is a beneficiary.
2. 3,659,299 ordinary shares in the Company are held by a trust of which Mr Pouroulis and Mr Abery are beneficiaries.
3. Mr Hamilton and Dr Bartlett were appointed on 28 November 2011.
4. Dr Kamal is on the Board of Petra as a representative of Al Rajhi Holdings W.L.L., Petra's largest shareholder (see table of substantial shareholdings right).

There were no changes in the Directors' interests since 30 June 2012 to the date of this Annual Report.

in employment irrespective of sex, religion, race or marital status. Full consideration is given to applications from disabled persons who apply for employment where the requirements of the position can be adequately filled by a disabled person, having regard to their particular abilities and aptitude.

Loss of office

There are no agreements between the Company and its Directors or employees which provide for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Employee share schemes

The Company operates various employee share incentive schemes. Further details of these schemes are set out in the Directors' Remuneration Report on pages 61 to 72 and note 28 of the financial statements.

Creditors' payment policy

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all terms and conditions have been complied with.

Financial instruments

The Group makes use of financial instruments in its operations as described in note 26 of the financial statements.

Going concern

Following a review of the Group's financial position, the Directors have concluded that sufficient financial resources will be available to meet the Group's current and foreseeable cashflow requirements. On this basis, they consider it appropriate to prepare the financial statements on a going concern basis.

Substantial shareholdings

At 24 September 2012 the interests as indicated in the table below in the ordinary shares of the Company represented more than 3% of the issued share capital (other than interests set out to the left in the Board of Directors' interests).

Substantial shareholdings

	Number of ordinary shares	Percentage of issued share capital
Al Rajhi Holdings W.L.L.	66,525,600	13.3%
Saad Investments Company Limited/Awal Bank	60,844,185	12.1%
JPMorgan Asset Management Holdings Inc.	39,603,194	7.9%
Capital Group International, Inc	36,691,116	7.3%
Prudential plc group of companies*	25,637,015	5.1%
T. Rowe Price	25,335,174	5.0%
Scottish Widows Investment Partnership	25,015,647	5.0%
BlackRock Investment (UK) Limited	20,994,369	4.2%
Kames Capital	16,439,120	3.3%
Directors	12,894,299	2.5%

* Of this holding, 25,467,015 shares are held by M&G Investment Funds 3.

Directors' Report
continued

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the Bermuda Companies Act 1981.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Bermuda Companies Act 1981, and as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with IFRSs and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, together with a description or the principal risks and uncertainties that they face.

Auditors

As far as each of the Directors is aware, at the time this report was approved:

- there is no relevant available information of which the auditors are unaware; and
- they have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

In accordance with Section 89 of the Bermuda Companies Act, a resolution to confirm the appointment of BDO LLP as auditors of the Company is to be proposed at the Annual General Meeting to be held on 29 November 2012.

The financial statements were approved by the Board of Directors on 15 October 2012 and are signed on its behalf by:

David Abery
Director
15 October 2012

Directors’ Remuneration Report

Letter from the Chairman of the Remuneration Committee

Dear Shareholder,

I am pleased to present Petra’s first Directors’ Remuneration Report following my appointment as Chairman of the Remuneration Committee and the Company’s subsequent move to the Main Market of the London Stock Exchange.

This has been a transformational year for the Group and the progress made means Petra is well placed to continue to execute its ambitious growth strategy over the coming years. Petra’s achievements in FY 2012 included:

- the completion of the acquisition of the Finsch mine from De Beers and subsequent integration of the mine into the Group with significant production and operational success;
- the step-up, with a Premium Listing, to the Main Market of the London Stock Exchange in December 2011 and inclusion in the FTSE 250 Index in March 2012; and
- a doubling in production to 2.2 million carats and a 44% increase in revenue to US$316.9 million.

Following the appointment of Dr Bartlett and myself to the Board and to the Remuneration Committee (the “Committee”) as independent Non-Executive Directors, a comprehensive review of the Company’s remuneration strategy was undertaken. In view of the move of the Company from AIM to the Main Market, and taking account of the Group’s increased size and complexity, it was appropriate that the Committee should introduce a more formal framework for Executive Directors’ remuneration.

Petra, as a leading diamond mining group, offers shareholders a unique growth and value proposition and it is in the interests of shareholders for the remuneration strategy to reflect this. We did not want to simply adopt an “off the shelf” pay policy. We decided that, as new Board and Committee members, there was merit in taking time to understand the business before arriving at the remuneration framework. In particular, we wanted to make sure that the performance measures used for incentive awards are fully aligned with Petra’s strategy and are key to driving shareholder value.

As part of this process we also consulted with a number of our major shareholders. As the incoming Chairman of the Committee, I found this dialogue to be particularly helpful and constructive. I would like to thank all those shareholders who took part in the process.

I hope that this report provides a clear overview of our new policies and that you will be supportive of our approach.

Gordon Hamilton
Chairman of the Remuneration Committee
15 October 2012

ROLE AND RESPONSIBILITIES OF THE COMMITTEE

The Remuneration Committee is responsible for determining on behalf of the Board and shareholders:

- the Company's general policy on the remuneration of the Executive Directors, the Chairman and selected members of the wider Senior Management team;
- the total individual remuneration for the Chairman and for the Executive Directors and Senior Management including base salary, bonuses, share awards and benefits;
- the design and operation of the Company's share incentive plans;
- performance conditions attached to variable incentives; and
- service contracts for Executive Directors.

The full Terms of Reference for the Remuneration Committee have been approved by the Board and are available on the Company's website at http://www.petradiamonds.com/about-us/corporate-governance/board-committees.aspx.

This Report sets out information regarding the remuneration arrangements for the Company's Executive Directors, as well as the Non-Executive Directors. The content of this report has been drafted with reference to the UK Corporate Governance Code, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the relevant requirements of the FSA Listing Rules.

Remuneration Committee

Details of the Remuneration Committee are set out in the Corporate Governance Review on page 54 of this Annual Report.

Where appropriate, the Chief Executive and Finance Director attend Remuneration Committee meetings to provide suitable context regarding the business. The Chairman and other Non-Executive Directors of the Company are also invited to attend selected meetings. Individuals who attend meetings do not participate in discussions relating to their own remuneration.

The Committee has engaged the services of Deloitte LLP ("Deloitte") to provide independent advice to the Committee relating to remuneration matters. During the year Deloitte also provided unrelated tax and general advisory services to the Company.

Remuneration policy

Our management team is highly regarded in the market and brings unique skills to bear that are extremely sought after within the specialised diamond sector. Petra's culture is highly performance driven, and against this background our approach to remuneration is guided by the following overarching principles:

- The employment terms for Executive Directors and Senior Management are designed to attract, motivate and retain high calibre individuals who will drive the performance of the business. The Group competes for talent with major mining companies and packages need to be competitive in this market.
- Remuneration packages should be weighted towards performance-related pay.
- Performance measures should be tailored to Petra's strategic goals and targets should be demanding.
- Share-based reward should be meaningful – the Committee believes long-term share awards provide alignment with the long-term interests of shareholders and the Company.
- Remuneration structures should take into account best practice developments, but these should be applied in a manner which is appropriate for Petra's industry and specific circumstances.

Review of remuneration strategy

As part of the process for stepping up to the Main Market, during 2011 and the early part of 2012 the Committee undertook an in-depth review of the Company's remuneration strategy.

There was a need to implement a remuneration policy that was more attuned to the status of a Main Market company and took into account conventional Main Market and evolving best practice. However, the primary objective was to develop a remuneration framework that fully supported the delivery of Petra's strategic ambitions.

The remuneration review was undertaken in two phases. First, the Committee implemented a framework for remuneration. As part of this process, the Company obtained shareholder approval for a new share plan – the Performance Share Plan – at the AGM in January 2012. Further details of this plan are set out in the relevant section on pages 65 and 66.

The second part of the review focused on performance metrics and targets. This included the finalisation of details of the measures and targets for the 2011 Longer Term Share Plan ("2011 LTSP").

The Committee's approach was to consider performance measures in the context of Petra's strategy. Petra has acquired and developed an exceptional portfolio of assets. The next phase of development is focused on executing the capital expansion programmes required to achieve a substantial increase in production levels. Delivering on these programmes is key to delivering exceptional shareholder value.

The Committee spent considerable time developing suitable performance metrics to ensure that they supported the Company's strategy and were aligned to performance outcomes that created long-term shareholder value. For long-term incentives, our approach includes a balance of total shareholder return and achievement of capital expansion projects and production targets.

Once performance targets for long-term share awards were identified, the Committee engaged with major shareholders to consult on the proposed approach, prior to the grant of awards.

Remuneration for Executive Directors – summary of key elements

Salary	◤ Comprises annual base salary. ◤ Influenced by role scope, individual performance and experience and market positioning.	Base salaries effective from July 2012: ◤ Johan Dippenaar – £290,000 ◤ David Abery – £270,000 ◤ Jim Davidson – £270,000
Benefits	◤ Cash allowance. ◤ Group life, disability and critical illness insurance.	Executive Directors receive an allowance of 10% of salary in lieu of both pension and benefits.
Annual bonus	◤ Short-term annual incentive based on performance during the financial year. ◤ Linked to key financial, operational and strategic objectives.	Maximum award of up to 150% of base salary. For FY 2012 25% of the award earned for the year will be deferred for two years into shares (or a cash equivalent). For FY 2013, the bonus will be linked to: ◤ profit; ◤ cost management; ◤ carat production; ◤ project delivery; ◤ health, safety, social and environment objectives; and ◤ strategic and corporate priorities.
Performance Share Plan	◤ Conditional share awards which vest subject to achievement of performance targets. ◤ Aligned to shareholder value and Petra's long-term delivery objectives.	Normal maximum award of up to 150% of base salary (plan maximum of 200% of salary). Performance measured over three financial years against the following metrics: ◤ TSR relative to FTSE 350 mining companies; ◤ absolute TSR; ◤ carat production; and ◤ project delivery. The first awards under this plan were granted during FY 2012.
Legacy arrangements	◤ Share awards under three legacy plans: the 1997 Executive Share Option Scheme ("1997 ESOS"), the 2005 Executive Share Option Scheme ("2005 ESOS") and the 2011 Longer-Term Share Plan ("2011 LTSP"). ◤ No intention to grant further awards to Executive Directors under these plans.	The last award to Executive Directors under the 1997 and 2005 ESOS was granted in March 2010. Outstanding awards are subject to share price targets. The awards under the 2011 LTSP are based on carat production and project delivery. The performance period for outstanding awards ends on 30 June 2016.

Directors' Remuneration Report
continued

How does Petra's remuneration strategy link with its corporate strategy?

OUR STRATEGIC OBJECTIVES

Steadily growing annual production

Improving operating margins

Culture of effective cost control

MAXIMISE RETURNS

PERFORMANCE MEASURES FOR INCENTIVES

Production	Project delivery and carat production are at the core of Petra's strategy. These measures are therefore fully embedded in the performance measurement framework.
Expansion project delivery	Progress is measured as part of the short-term bonus, and the long-term share awards include stretching targets supporting Petra's long-term ambitions.
Profit and costs	Petra remains focuses on managing costs and profitability. Profit and cost measures form part of the annual bonus metrics.
HSSE	Health, safety, social and environment measures are explicitly included as part of the annual bonus framework, reflecting Petra's commitment to corporate responsibility.
Total shareholder return	Share awards are linked to value created for shareholders by measuring both relative and absolute total shareholder return ("TSR").

Base salary and benefits

The Committee reviewed the approach to base salaries for Executive Directors as part of the wider review of remuneration in the context of moving to the Main Market.

The base salaries for Executive Directors are determined by the Remuneration Committee taking into account a range of factors including role scope, the individual's performance and experience, and positioning against comparable roles in other mining companies of similar size and complexity. When considering salary increases, the Committee is also mindful of general economic conditions and salary increases for the broader employee population. Under the normal review cycle, base salaries are generally reviewed to take effect from the start of the financial year on 1 July.

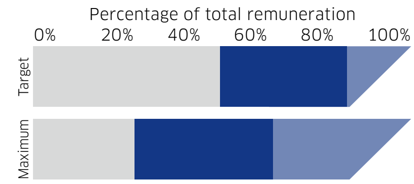
Other benefits

In lieu of pension plan participation and other benefits, the Directors receive a benefit cash supplement of 10% of salary. Other than membership of the Group management life insurance scheme (including disability and critical illness), Executive Directors are not provided with any further benefits and do not participate in a Company pension scheme.

For FY 2013, the Committee has determined that the base salaries (per annum) for Executive Directors should be as below:

	Base salary to 30 June 2012 (following Main Market step-up)	Base salary at 1 July 2012
J Dippenaar	£280,000	£290,000
D Abery	£260,000	£270,000
J Davidson	£260,000	£270,000

FIXED AND VARIABLE REMUNERATION AS A PERCENTAGE OF TOTAL REMUNERATION



Fixed – salary plus benefits

Bonus – cash and deferred elements

PSP

Breakdown of metric type for FY 2013 balance scorecard

Metrics	% of total award
Profitability (including EBITDA, net profit and cost management)	40%
Delivery and production (including carat production and delivery against project milestones)	30%
Corporate (including corporate and strategic priorities and health, safety, social and environmental performance)	30%

Annual bonus

The annual bonus plan is designed to reward and incentivise performance over the financial year.

During a period of rapid growth, the Board had been of the view that, rather than set static targets, it was in the best interests of the Group to assess performance at the end of the financial year based on achievement in relation to integration and delivery on newly acquired and existing mines as well as taking into consideration performance with regards to the financial, operating and strategic objectives of the Company.

For FY 2012, the Committee's assessment of performance during the year took into account a review of a scorecard of key measures and milestone achievements in the year including the following key achievements:

- successful acquisition and integration of the Finsch mine;
- significant increase in production from 1.1 million carats to 2.2 million carats;
- good progress of capital expansion projects; and
- successful step-up to the Main Market.

On the basis of this review, the Committee determined that the bonus for Executive Directors would be 68% of the maximum award (equating to 102% of base salary), of which 25% will be deferred for two years into shares (or a cash equivalent as certain of the Executive Directors are limited by South Africa's exchange control rules from holding further Petra shares).

In future years, the Committee will operate a bonus framework using a balanced scorecard approach, linked to the financial, operating and strategic objectives of the Company. A formal bonus maximum has also been introduced and the maximum bonus for Executive Directors for delivery of exceptional performance will now be capped at 150% of base salary. As with 2012, a portion of the bonus will continue to be deferred for two years into shares (or a cash equivalent). Prior to determining bonus outcomes the Committee will also consider performance in-the-round to ensure that payouts are appropriate.

Performance Share Plan

The Committee believes that long-term share awards should form a key part of the remuneration policy and provide a direct means of aligning reward with both the long-term performance of the Company and the interests of shareholders.

As part of the Company's transition from AIM to the Main Market, the Committee looked to adopt a remuneration structure that was more aligned with conventional practice amongst FTSE 350 companies. As part of this transition, shareholder approval was obtained for the 2012 Performance Share Plan ("PSP") at the AGM in January 2012.

At the time of the AGM, the Committee was not in a position to finalise the performance conditions for the first PSP awards. This process was delayed to allow the newly appointed members of the Committee to take the necessary time to ensure that the performance conditions were aligned with the Company's objectives. Once the Committee had finalised deliberations on the performance targets for awards, the Committee consulted with the Company's largest shareholders regarding the proposed performance targets prior to granting awards.

Petra's strategy formed the foundation of the Committee's determination of measures and targets. Over recent years, the Company has acquired and developed an exceptional portfolio of assets. The next phase of development for the Company is focused on executing the capital expansion programmes required to achieve a substantial increase in production levels. Executing this strategy will be key to delivering exceptional shareholder value and outperforming mining peers.

Against that background, the performance targets for the PSP awards granted to Executive Directors during the year are based on a combination of absolute and relative total shareholder return (50% of the total award) and operational delivery and carat production targets (50% of the total award).

Performance share plan

The award is split into the following elements:

TSR (50%)	TSR vs FTSE 350 mining companies 25% of award Absolute TSR 25% of award	◤ Half of the award is linked to returns made for shareholders ◤ The first element is linked to relative TSR measured against other mining peers ◤ The second element is based on absolute TSR so that reward is linked to creation of absolute value for shareholders
Delivery and production (50%)	Carat production 25% of award	◤ During the next phase of growth, increasing production is a key objective that is central to Petra's stated strategy ◤ The production target is expressed as a cumulative target so that the Company needs to deliver performance throughout the performance period
	Expansion project delivery 25% of award	◤ The Company is committed to realising value from its asset portfolio; this requires expansion projects at a number of key sites ◤ This element is based on an assessment of performance at each mine where a significant expansion programme is in place ◤ The assessment at the end of the period is based on an agreed framework with vesting based on the weighted average score out of ten across all mines; the objectives for each mine are approved by the Board ◤ The mark out of ten is based on various factors including the achievement of key milestones, timeframe for delivery and management of costs

In line with best practice, the vesting of awards is also subject to a malus provision which enables the Committee to reduce, cancel or impose further conditions on an award in various circumstances such as serious misstatement or a serious failure of risk management.

The Committee has the discretion to adjust the performance targets in exceptional circumstances, for example significant acquisitions/disposals or a significant change in business strategy.

In respect of FY 2012, the Executive Directors were granted a maximum share award with a face value of 150% of salary. Full vesting is subject to achievement of the following performance targets over the three financial years ending on 30 June 2014:

	TSR		
	No portion of element vests	**25% of element vests**	**100% of element vests**
TSR vs FTSE 350 mining companies – 25% of award	Below median	Median	Upper quartile
Absolute TSR – 25% of award	Less than 8% per annum	8% per annum	16% per annum

Straight-line vesting between these points

	Delivery and production			
	No portion of element vests	**25% of element vests**	**80% of element vests**	**100% of element vests**
Carat production – 25% of award	Less than 8m carats	8m carats	8.45m carats	8.9m carats
Expansion project delivery – 25% of award	Lower than 6 out of 10	6 out of 10	8 out of 10	10 out of 10

Straight-line vesting between these points

For awards to be granted in respect of FY 2013, maximum award levels to Executive Directors remained unchanged at 150% of salary. The Committee retained the same performance criteria as the previous award, except that the cumulative carat production over the three-year period to 30 June 2015 must exceed 10.5 million for full vesting, with threshold vesting requiring 9.4 million carats.

Legacy plans

Petra has three legacy plans which were adopted by the Company prior to moving up to the Main Market. The Committee does not intend to grant further awards to Executive Directors under any of these plans and would only do so in very exceptional circumstances.

(i) 1997 Employee Share Option Scheme ("1997 ESOS")

The Company previously operated the Employee Share Option Scheme (introduced in 1997), whereby it can issue options to eligible employees (including Executive Directors and Senior Management) to subscribe for shares in the Company at set prices.

Awards that are capable of exercise under this plan remain outstanding for selected participants.

(ii) 2005 Employee Share Option Scheme ("2005 ESOS")

The Company previously operated the Employee Share Option Scheme (introduced in 2005), whereby it can issue options to eligible employees (including Executive Directors and Senior Management) to subscribe for shares in the Company at set prices.

Options granted to the Executive Directors have been subject to the performance condition that, in order to be exercisable, the market value of the Company's shares must increase in value by an amount greater than 10% in excess of the UK Retail Prices Index rise ("RPI") in year one for one-third of the grant to vest, by 20% over the RPI between the date of grant and the second anniversary of grant for the second third of the grant to vest, and by 30% over the RPI between the date of grant and the third anniversary of grant for the final third of the grant to vest. The Board considered that a performance condition based on share price growth targets was aligned with shareholders and appropriate for the Company's strategy at the time that the share options were granted.

The last award under this plan was granted to the Executive Directors in March 2010. During the year, the awards granted in 2009 and 2010 became capable of exercise.

(iii) 2011 Longer-Term Share Plan

The 2011 Longer-Term Share Plan was implemented prior to the step up to the Main Market. This share plan was implemented to address (i) the retention of the Executive Directors and Senior Management over the period to 2016, which is a pivotal period for the Company as the expansion programmes are rolled out across the Group; and (ii) the lack of share awards to the Executive Directors and Senior Management since March 2010. The performance targets for awards under the 2011 LTSP were considered as part of the FY 2012 review and were designed to support the next phase of the Company's development by focusing on key operational priorities over an extended four-year time horizon. No further awards will be made to Executive Directors under the LTSP.

The performance targets for the awards granted to Executive Directors will be assessed over the four-year period to 30 June 2016. The targets are set out at the foot of this page.

Up to 50% of the award may vest based on performance against accelerated vesting targets. For the production element, up to 12.5% of the element may vest if the accelerated target of 9 million carats cumulative production is delivered to 30 June 2015, rising to 50% for an accelerated target of 10 million carats cumulative production. The assessment of performance conditions, malus and exceptional adjustment provisions are in line with the PSP.

Corporate Governance

2011 Longer-Term Share Plan
Performance targets for the awards granted to Executive Directors, four-year period to 30 June 2016

	No portion of element vests	25% of element vests	80% of element vests	100% of element vests
Carat production – 50% of award	Less than 12.4m carats	12.4m carats	13m carats	13.6m carats
Expansion project delivery – 50% of award	Lower than 6 out of 10	6 out of 10	8 out of 10	10 out of 10

Straight-line vesting between qualifying points

Directors' Remuneration Report
continued

Shareholding guidelines

It is the Company's policy that each of the Executive Directors holds a meaningful number of Petra Diamonds shares. The guideline is a minimum of one year's basic salary for the applicable Director. Executive share ownership is further supported by the opportunity to acquire shares through the Company's bonus deferral and share incentive schemes. Where Executives are unable to hold additional shares (due to exchange control regulations), the use of cash equivalents linked to the share price provides alignment with shareholders.

The current share interests of the Directors are detailed on page 59 of the Directors' Report and repeated below. Executive Directors currently exceed the guideline for Petra share ownership.

Director	Role	**Shareholding (number of shares) as at 30 June 2012**
J Dippenaar	Chief Executive Officer	**640,000**
D Abery	Finance Director	**1,979,649**
J Davidson	Technical Director	**640,000**

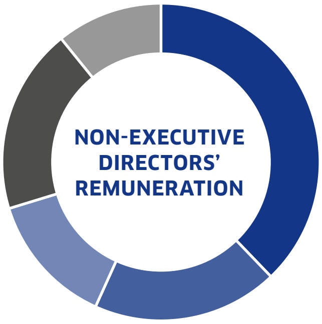
Service contracts

On 28 November 2011, the Executive Directors each entered into updated employment agreements with the Company. Each of these agreements is terminable by 12 months' written notice on either side and contain non-compete, non-solicitation and dealing with customers/clients and non-solicitation of directors or senior employees restrictions following termination. In the event of termination by the Company of an Executive Director's employment, the contractual Remuneration Package (incorporating base salary and benefits), reflecting the 12 month notice period, would normally be payable. The Remuneration Committee's policy is to emphasise the duty of the terminated party to mitigate any loss caused by early termination to the fullest extent possible. In these circumstances, any payments may be made on a phased monthly basis.

On 28 November 2011, the Non-Executive Directors entered into letters of appointment with the Company. Other than Dr Kamal (who entered into an updated letter of appointment), the appointments are for an initial term of three years, which is terminable by one month's written notice on either side at any time. On termination, the Non-Executive Directors would be entitled to payment of fees for the one month contractual notice period.

Director	Role	Date of contract	Term	Notice period by Company or Director
Executive Directors				
J Dippenaar	Chief Executive Officer	28 November 2011	n/a	12 months
D Abery	Finance Director	28 November 2011	n/a	12 months
J Davidson	Technical Director	28 November 2011	n/a	12 months
Non-Executive Directors				
A Pouroulis	Non-Executive Chairman	28 November 2011	36 months	1 month
A Lowrie[1]	Senior Independent Non-Executive	12 September 2012	36 months	1 month
Dr P Bartlett	Independent Non-Executive	28 November 2011	36 months	1 month
G Hamilton	Independent Non-Executive	28 November 2011	36 months	1 month
Dr O Kamal[2]	Non-Executive	28 November 2011	n/a	n/a

1. Mr Lowrie was appointed following the year end as Senior Independent Non-Executive Director.
2. Dr Kamal's appointment is terminable on Al Rajhi Holdings W.L.L. ceasing to have a right to appoint a Director, which would occur if their shareholding in the Company fell to less than 10%, as set out in the Al Rajhi Holdings W.L.L. Option Agreement, which was entered into when the Company increased its effective interest in the Cullinan mine in 2009.



- Adonis Pouroulis
  Non-Executive Chairman
  Basic annual fee: £140,000
- Tony Lowrie
  (appointed 12 September 2012)
  Senior iNED
  Basic annual fee: £70,000
- Dr Patrick Bartlett
  iNED
  Basic annual fee: £50,000
- Gordon Hamilton
  iNED; Chairman of
  Audit Committee and
  Remuneration Committee
  Basic annual fee: £50,000
  Committee chair fees: £20,000
  Total: £70,000
- Dr Omar Kamal
  NED
  Basic annual fee: £40,000

Chairman and Non-Executive Directors' fees

The remuneration of Non-Executive Directors is determined by the Chairman and Executive Directors.

Other than as noted in the paragraph below, Non-Executive Directors do not participate in the Company's bonus arrangements, share schemes or pension plans, and do not receive any other remuneration from the Company outside of the fee policy outlined below.

With effect from 28 November 2011, Adonis Pouroulis moved from the position of Executive Chairman to that of Non-Executive Chairman. As a consequence of his previous role, Mr Pouroulis has a number of outstanding share options which were granted under the Company's 1997 and 2005 Employee Share Option Schemes. Following his move to the position of Non-Executive Chairman and in line with provision D.1.3 of the UK Corporate Governance Code, Mr Pouroulis will not participate in any future Company share scheme arrangements.

Mr Pouroulis continues to receive the benefit of membership of the Group's life insurance scheme.

Non-Executive Directors receive a fixed basic fee for their normal services rendered during the year and a fee for chairmanship of Committees. The annual fees for Non-Executive Directors are illustrated in the chart to the left. All fees are payable in cash.

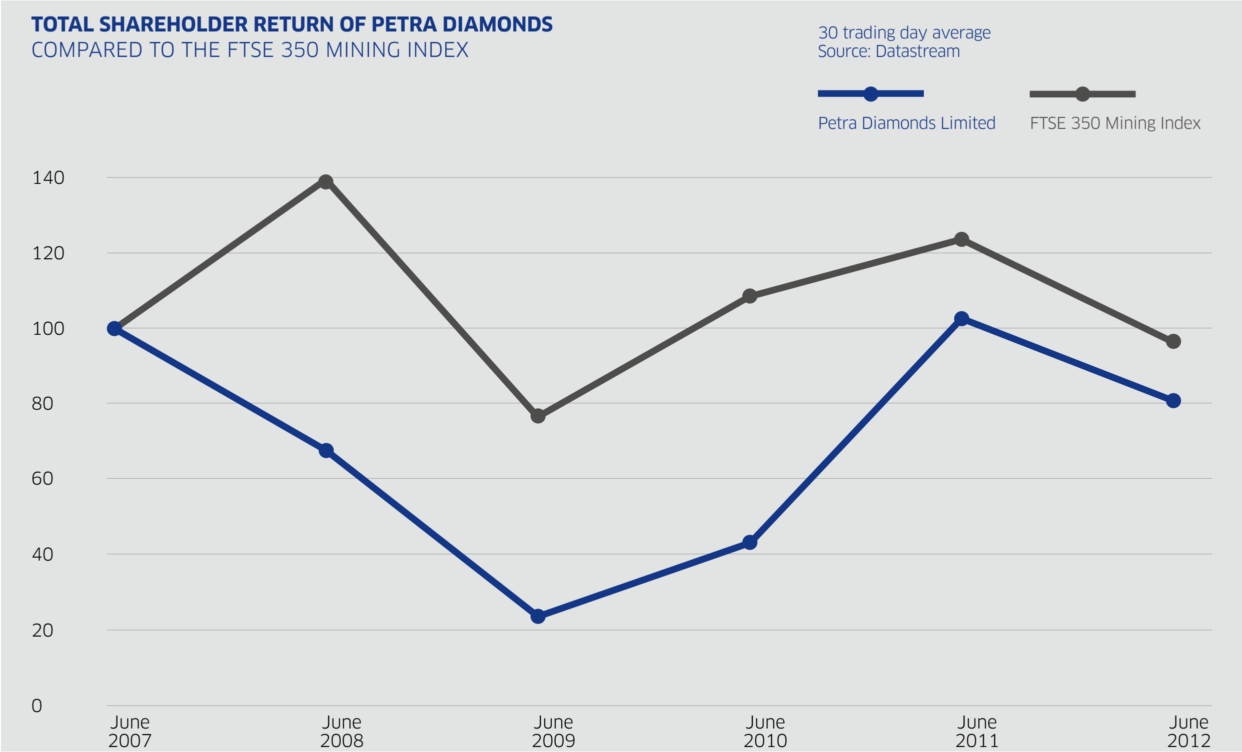
The additional fee paid for chairmanship of the Audit and Remuneration Committee is £10,000 in each case. There is no additional fee for chairmanship of the Nomination or HSSE Committees.

Prior to formal appointment Mr Hamilton advised the Company in relation to various corporate matters in the lead up to the Company's move to the Main Market. For these additional services he was paid a fee of £40,000.

Prior to formal appointment Dr Bartlett advised the Company in relation to various operational matters in the lead up to the Company's move to the Main Market. For these additional services he was paid a fee of £3,464.

Performance graph

The graph below shows a comparison between the TSR for Petra Diamonds' shares for the five-year period to 30 June 2012, and the TSR for the companies comprising the FTSE 350 Mining Index over the same period. This index has been selected to provide a sector relevant comparator to Petra Diamonds. The TSR measure is based on a 30 trading day average.



Directors' Remuneration Report
continued

Directors' emoluments

The following table gives a breakdown of the remuneration of the individual Directors who held office during the year ended 30 June 2012. Although the Company's reporting currency is US dollars, these figures are stated in pounds sterling so as to be aligned with the Directors' service contracts.

	For the year ended 30 June 2012						
	Basic salary and fees £	Cash in lieu of pension and benefits[2] £	Non-cash benefits[3] £	Annual performance bonus – paid in cash £	Annual performance bonus – deferred into shares £	**2012 Total £**	2011 Total £
Executive Directors							
J Dippenaar	261,752	14,729	4,719	214,200	71,400	**566,800**	404 800
D Abery	251,232	13,677	4,586	198,900	66,300	**534,695**	404,800
J Davidson	251,232	13,677	2,786	198,900	66,300	**532,895**	403,792
Chairman							
A Pouroulis[1]	134,672	–	2,350	–	–	**137,022**	212,129
Non-Executive Directors							
P Bartlett	29,722	–	–	–	–	**29,722**	–
G Hamilton	41,611	–	–	–	–	**41,611**	–
O Kamal	38,167	–	–	–	–	**38,167**	35,000
	1,008,388	42,083	14,441	612,000	204,000	**1,880,912**	1,460,521

Notes

1. Mr Pouroulis moved to the position of Non-Executive Chairman with effect from 28 November 2011. Prior to this, Mr Pouroulis held the role of Executive Chairman. His remuneration for the period 1 July 2011 to 27 November 2011 was £52,500.
2. With effect from 21 December 2011, following the Committee's review noted above, the Executive Directors receive a cash benefit supplement in lieu of pension and other benefits, calculated as 10% of their basic salary.
3. Non-cash benefits comprise contributions made by the Company to the Group's life assurance, disability and critical illness scheme.

Directors' interests in the Performance Share Plan

As at 30 June 2012, Executive Directors held the following interests in the Performance Share Plan:

	Date of award	Outstanding at 1 July 2011	Awarded during the period	Vested during the period	Lapsed during the period	**Outstanding at 30 June 2012**	Performance period
J Dippenaar	15 May 2012	–	267,516	–	–	267,516	1 July 2011–30 June 2014
Total		**–**	**267,516**	**–**	**–**	**267,516**	
D Abery	15 May 2012	–	248,408	–	–	248,408	1 July 2011–30 June 2014
Total		**–**	**248,408**	**–**	**–**	**248,408**	
J Davidson	15 May 2012	–	248,408	–	–	248,408	1 July 2011–30 June 2014
Total		**–**	**248,408**	**–**	**–**	**248,408**	

Notes

1. The performance conditions applicable to the Performance Share Plan consist of (a) TSR relative to FTSE 350 mining companies (25%); (b) absolute TSR (25%); (c) carat production (25%); and (d) project delivery (25%). Further details of the performance conditions are set out in the "Performance Share Plan" section of this report.
2. The share price on 15 May 2012, the date of the award, was 133.0 pence. The 30 day trading average price to the date preceding the date of the award, which was used to calculate the maximum share award, was 157.0 pence.

Directors' interests in the 2011 Longer-Term Share Plan

As at 30 June 2012, Executive Directors held the following interests under the 2011 Longer-Term Share Plan:

	Date of award	Outstanding at 1 July 2011	Award during the period	Vested during the period	Lapsed during the period	**Outstanding at 30 June 2012**	Performance period
J Dippenaar	15 May 2012	–	400,000	–	–	400,000	1 July 2012–30 June 2016
Total		**–**	**400,000**	**–**	**–**	**400,000**	
D Abery	15 May 2012	–	400,000	–	–	400,000	1 July 2012–30 June 2016
Total		**–**	**400,000**	**–**	**–**	**400,000**	
J Davidson	15 May 2012	–	400,000	–	–	400,000	1 July 2012–30 June 2016
Total		**–**	**400,000**	**–**	**–**	**400,000**	

Notes

1. Awards under the 2011 LTSP were determined during 2011. As a result of lengthy close periods as well as the process of finalisation of performance conditions, formal awards under the plan were delayed until May 2012.
2. The performance conditions applicable to the Longer-Term Share Plan consist of (a) carat production (50%); and (b) project delivery (50%). Further details of the performance conditions are set out in the "Legacy plans" section of this report.
3. The share price on 15 May 2012 was 133.0 pence.

Directors' interests in share options

As at 30 June 2012, the following share options were outstanding:

	Date of grant	Exercisable from	Exercise price (pence)	Options outstanding at 1 July 2011	Granted in year	Lapsed in year	Exercised in year	Options outstanding at 30 June 2012	Expiry date
A Pouroulis	5 Sep 2003	5 Sep 2006	44.0	500,000	–	–	–	500,000	5 Sep 2013
1997 and 2005 ESOS	16 June 2005	16 June 2008	85.0	250,000	–	–	–	250,000	16 June 2015
	31 May 2006	31 May 2009	79.5	250,000	–	–	–	250,000	31 May 2016
	12 March 2009	12 March 2012	27.5	250,000	–	–	–	250,000	12 March 2019
	30 Sep 2009	30 Sep 2012	45.5	100,000	–	–	–	100,000	30 Sep 2019
	17 March 2010	$^2/_3$rds 17 March 2012 $^1/_3$rd 17 March 2013	60.5	100,000	–	–	–	100,000	17 March 2020
Total				**1,450,000**	**–**	**–**	**–**	**1,450,000**	
J Dippenaar	16 June 2005	16 June 2008	85.0	750,000	–	–	–	750,000	16 June 2015
2005 ESOS	31 May 2006	31 May 2009	79.5	250,000	–	–	–	250,000	31 May 2016
	12 March 2009	12 March 2012	27.5	750,000	–	–	–	750,000	12 March 2019
	30 Sep 2009	30 Sep 2012	45.5	350,000	–	–	–	350,000	30 Sep 2019
	17 March 2010	$^2/_3$rds 17 March 2012 $^1/_3$rd 17 March 2013	60.5	350,000	–	–	–	350,000	17 March 2020
Total				**2,450,000**	**–**	**–**	**–**	**2,450,000**	
D Abery	5 Sep 2003	5 Sep 2006	44.0	500,000	–	–	–	500,000	5 Sep 2013
1997 and 2005 ESOS	16 June 2005	16 June 2008	85.0	250,000	–	–	–	250,000	16 June 2015
	31 May 2006	31 May 2009	79.5	250,000	–	–	–	250,000	31 May 2016
	12 March 2009	12 March 2012	27.5	750,000	–	–	–	750,000	12 March 2019
	30 Sep 2009	30 Sep 2012	45.5	350,000	–	–	–	350,000	30 Sep 2019
	17 March 2010	$^2/_3$rds 17 March 2012 $^1/_3$rd 17 March 2013	60.5	350,000	–	–	–	350,000	17 March 2020
Total				**2,450,000**	**–**	**–**	**–**	**2,450,000**	
J Davidson	16 June 2005	16 June 2008	85.0	750,000	–	–	–	750,000	16 June 2015
2005 ESOS	31 May 2006	31 May 2009	79.5	250,000	–	–	–	250,000	31 May 2016
	12 March 2009	12 March 2012	27.5	750,000	–	–	–	750,000	12 March 2019
	30 Sep 2009	30 Sep 2012	45.5	350,000	–	–	–	350,000	30 Sep 2019
	17 March 2010	$^2/_3$rds 17 March 2012 $^1/_3$rd 17 March 2013	60.5	350,000	–	–	–	350,000	17 March 2020
Total				**2,450,000**	**–**	**–**	**–**	**2,450,000**	

Share option notes

1. The closing market price of an ordinary share on 30 June 2012 was 120.7 pence.
2. During the financial year ended 30 June 2012, the highest market price was 188.2 pence and the lowest market price was 97.0 pence.

GROUP ACCOUNTS

Independent Auditors' Report – Group
To the shareholders of Petra Diamonds Limited

We have audited the financial statements of Petra Diamonds Limited for the year ended 30 June 2012 which comprise the Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows and the related notes. The financial reporting framework that has been applied in their preparation is the Bermuda Companies Act 1981 and International Financial Reporting Standards as adopted by European Union ("IFRS").

Our report has been prepared pursuant to the requirements of the Bermuda Companies Act 1981 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of the Bermuda Companies Act 1981 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Directors' responsibility for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the Bermudan Companies Act 1981 and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors have complied with the requirements of rules 9.8.7 and 9.8.7A of the Listing Rules of the UK Financial Services Authority in preparing their Annual Report.

Auditors' responsibility

Our responsibility is to audit and express an opinion on these financial statements in accordance with the Bermudan Companies Act 1981 and International Standards on Auditing (as issued by the International Federation of Accountants ("IFAC")). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design appropriate audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group and its financial performance and cashflows for the year then ended in accordance with IFRS and have been prepared in accordance with the Companies Act 1981 as enacted in Bermuda.

Report on other legal and regulatory requirements

Under Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code specified for our review. We have nothing to report in this respect.

BDO LLP

BDO LLP
Chartered Accountants
London
United Kingdom
15 October 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement
For the year ended 30 June 2012

US$ million	Notes	**2012**	2011
Revenue		**316.9**	220.6
Mining and processing costs	4	**(263.9)**	(169.7)
Other direct income	5	**9.0**	2.7
Exploration expenditure	6	**(3.1)**	(1.4)
Corporate expenditure	7	**(13.7)**	(9.4)
Impairment reversal	8	**–**	11.7
Impairment charge	8	**–**	(5.2)
Total costs		**(271.7)**	(171.3)
Other financial income		**19.1**	8.4
Other financial expense		**(17.3)**	(11.9)
Unrealised foreign exchange (loss)/gain		**(38.6)**	18.6
Financial income	9	**19.1**	27.0
Financial expense	9	**(55.9)**	(11.9)
Profit before tax		**8.4**	64.4
Income tax charge	10	**(10.5)**	(5.2)
(Loss)/profit for the year		**(2.1)**	59.2
(Loss)/profit for the year attributable to:			
Equity holders of the parent company		**(2.4)**	53.2
Non-controlling interest		**0.3**	6.0
		(2.1)	59.2
(Loss)/profit per share attributable to the equity holders of the parent during the year			
From continuing operations:			
Basic (loss)/profit – US$ cents	12	**(0.48)**	12.83
Diluted (loss)/profit – US$ cents	12	**(0.48)**	12.35

Group Accounts

Consolidated Statement of Other Comprehensive Income
For the year ended 30 June 2012

US$ million	2012	2011
(Loss)/profit for the year	(2.1)	59.2
Exchange differences recognised on translation of the share-based payment reserve	0.2	0.2
Exchange differences on translation of foreign operations	(34.4)	15.4
Exchange differences on non-controlling interest	(4.9)	4.0
Valuation loss on available for sale financial asset	(0.2)	(0.4)
Total comprehensive (expense)/income for the year	(41.4)	78.4
Total comprehensive income and expense for the year attributable to:		
Equity holders of the parent company	(36.8)	68.4
Non-controlling interest	(4.6)	10.0
	(41.4)	78.4

There is no taxation arising from items of other comprehensive income.

The notes on pages 81 to 122 form part of these financial statements.

Group Accounts

Consolidated Statement of Changes in Equity
For the year ended 30 June 2012

US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Other reserves	Retained losses	Attributable to the parent	Non-controlling interest	Total equity
At 1 July 2011	84.8	645.6	(10.7)	9.7	(0.5)	(61.9)	667.0	32.0	699.0
(Loss)/profit for the year	–	–	–	–	–	(2.4)	(2.4)	0.3	(2.1)
Other comprehensive (expense)/income	–	–	(34.4)	0.2	(0.2)	–	(34.4)	(4.9)	(39.3)
Transfer between reserves for exercise of options and warrants	–	–	–	(0.6)	–	0.6	–	–	–
Equity settled share-based payments	–	–	–	1.0	–	–	1.0	–	1.0
Allotments during the year:									
– Share options exercised	0.4	1.1	–	–	–	–	1.5	–	1.5
– Warrants exercised	0.5	4.4	–	–	–	–	4.9	–	4.9
At 30 June 2012	**85.7**	**651.1**	**(45.1)**	**10.3**	**(0.7)**	**(63.7)**	**637.6**	**27.4**	**665.0**

The notes on pages 81 to 122 form part of the financial statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2012 continued

US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Other reserves	Retained losses	Attributable to the parent	Non-controlling interest	Total equity
At 1 July 2010	61.4	347.5	(26.1)	4.6	(0.1)	(130.0)	257.3	33.6	290.9
Profit for the year	–	–	–	–	–	53.2	53.2	6.0	59.2
Other comprehensive income/(expense)	–	–	15.4	0.2	(0.4)	–	15.2	4.0	19.2
4% non-controlling interest purchased									
– Koffiefontein (note 3(a))	–	–	–	–	–	0.9	0.9	(1.7)	(0.8)
26% disposal of Helam[1]	–	–	–	–	–	6.0	6.0	(6.0)	–
26% disposal of Star[1]	–	–	–	–	–	3.9	3.9	(3.9)	–
Transfer between reserves for exercise of options and warrants	–	–	–	(4.1)	–	4.1	–	–	–
Equity-settled share-based payments	–	–	–	1.9	–	–	1.9	–	1.9
Share-based payments cancelled[2]	–	–	–	(0.8)	–	–	(0.8)	–	(0.8)
Equity warrants issued[3]	–	–	–	7.9	–	–	7.9	–	7.9
Allotments during the year:									
– Fundraising	21.7	304.2	–	–	–	–	325.9	–	325.9
– Share options exercised	0.4	1.3	–	–	–	–	1.7	–	1.7
– Warrants exercised	1.3	10.2	–	–	–	–	11.5	–	11.5
Share issue costs	–	(17.6)	–	–	–	–	(17.6)	–	(17.6)
At 30 June 2011	84.8	645.6	(10.7)	9.7	(0.5)	(61.9)	667.0	32.0	699.0

1. In FY 2011, the Group disposed of 26% of its shareholding in Helam and Star to Petra's black economic empowerment ("BEE") partners which represented a change in ownership interest in which the Group retained control.
2. Employees received cash payments of US$0.8 million during the prior year in respect of options cancelled. The payments equate to the fair value at the date of cancellation and the Group recognised a charge to equity in accordance with IFRS 2 together with the acceleration of the remaining unamortised fair value in respect of the options of US$0.1 million in the Consolidated Income Statement.
3. The fair value of warrants granted during the prior year.

Share capital
The share capital comprises the issued ordinary shares of the Company at par.

Share premium account
The share premium account comprises the excess value recognised from the issue of ordinary shares at par less share issue costs.

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of foreign entities and foreign exchange differences on net investments in foreign operations.

Share-based payment reserve
The share-based payment reserve comprises:

- the fair value of employee options as measured at grant date and spread over the period during which the employees become unconditionally entitled to the options;
- the fair value of shares under the 2011 Longer-term Share Plan and the 2012 Performance Share Plan;
- the fair value of warrants as measured at grant date and recognised immediately to reflect the vesting conditions; and
- amounts transferred to retained losses in respect of exercised and lapsed warrants and options.

Other reserves
The other reserves comprise the cumulative gains or losses arising from available-for-sale financial assets of US$0.7 million (30 June 2011: US$0.5 million).

Retained losses
The retained losses comprise the Group's cumulative accounting profits and losses incurred since incorporation.

Non-controlling interest
Non-controlling interest comprises amounts attributable to third party shareholders in the Cullinan, Finsch, Kimberley Underground, Koffiefontein, Star, Helam, Sedibeng and Williamson mines. The non-controlling interest share of total comprehensive income includes US$4.6 million total comprehensive expense (30 June 2011: US$10.0 million total comprehensive income) for the year.

Consolidated Statement of Financial Position
At 30 June 2012

US$ million	Notes	**2012**	2011
ASSETS			
Non-current assets			
Property, plant and equipment	14	**740.5**	501.4
Available-for-sale financial assets	17	**0.2**	0.4
Deferred tax asset[1]	25	**9.3**	5.1
Loans and other receivables	19	**89.6**	51.1
Total non-current assets		**839.6**	558.0
Current assets			
Inventories	18	**47.8**	32.9
Trade and other receivables	19	**56.5**	49.8
Derivative financial assets	26	**–**	6.0
Cash and cash equivalents – unrestricted	20	**31.3**	96.9
Cash and cash equivalents – restricted	20	**16.0**	228.0
Total current assets		**151.6**	413.6
Total assets		**991.2**	971.6
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**85.7**	84.8
Share premium account		**651.1**	645.6
Foreign currency translation reserve		**(45.1)**	(10.7)
Share-based payment reserve		**10.3**	9.7
Other reserves		**(0.7)**	(0.5)
Retained losses		**(63.7)**	(61.9)
Attributable to equity holders of the parent company		**637.6**	667.0
Non-controlling interest		**27.4**	32.0
Total equity		**665.0**	699.0
LIABILITIES			
Non-current liabilities			
Loans and borrowings	22	**46.9**	71.4
Trade and other payables	23	**66.6**	29.0
Provisions	24	**85.0**	63.1
Deferred tax liabilities[1]	25	**54.4**	42.8
Total non-current liabilities		**252.9**	206.3
Current liabilities			
Loans and borrowings	22	**22.1**	18.7
Other current liabilities – firm commitment	26	**–**	6.0
Trade and other payables	23	**49.0**	39.4
Provisions	24	**2.2**	2.2
Total current liabilities		**73.3**	66.3
Total liabilities		**326.2**	272.6
Total equity and liabilities		**991.2**	971.6

1. The 30 June 2011 deferred tax has been reclassified to show the deferred tax asset separately from the deferred tax liability to provide greater comparability to the 30 June 2012 Consolidated Statement of Financial Position. There has been no effect on profit or equity from this reclassification. Accordingly, no Statement of Financial Position at 30 June 2010 has been provided. There was no deferred tax asset at 30 June 2010.

The notes on pages 81 to 122 form part of the financial statements.

The financial statements were approved and authorised for issue by the Directors on 15 October 2012.

Consolidated Statement of Cashflows

US$ million	Notes	2012	2011
Profit before taxation for the year from continuing operations		**8.4**	64.4
Depreciation of property, plant and equipment – exploration		**0.1**	0.1
Depreciation of property, plant and equipment – mining		**40.7**	22.2
Depreciation of property, plant and equipment – other		**0.2**	0.1
Transaction and acquisition costs		**3.1**	0.3
Reversal of impairment		**–**	(11.7)
Impairment		**–**	5.2
(Profit)/loss on sale of property, plant and equipment		**(0.1)**	0.3
(Decrease)/increase in provisions		**(0.7)**	1.4
Present value adjustment of rehabilitation provision – change in assumptions		**(4.8)**	–
Other finance income	9	**(19.1)**	(8.4)
Other finance expense	9	**17.3**	11.9
Unrealised foreign exchange loss/(gain)	9	**38.6**	(18.6)
Share-based payment provision		**1.0**	1.9
Operating profit before working capital changes		**84.7**	69.1
Decrease/(increase) in trade and other receivables		**4.5**	(25.6)
Increase in trade and other payables		**4.3**	12.5
Increase in inventories		**(11.6)**	(3.5)
Cash generated from operations		**81.9**	52.5
Finance expense		**(2.0)**	(1.2)
Taxation paid		**–**	(0.4)
Net cash generated from operating activities		**79.9**	50.9
Cashflows from investing activities			
Proceeds from sale of property, plant and equipment		**1.4**	0.1
Acquisition of assets at Kimberley Underground net of cash		**–**	0.3
Acquisition of 4% interest in Koffiefontein		**–**	(0.8)
Acquisition of assets at Finsch net of cash	3	**(192.0)**	–
Acquisition costs for the purchase of Finsch assets		**(0.4)**	(0.3)
Finance income		**1.8**	2.2
Acquisition of property, plant and equipment		**(135.5)**	(105.2)
Loans advanced to BEE partners		**–**	(8.7)
Deposits paid for increased working interest in the Group's South African operations	30	**(11.2)**	–
Transfer from/(to) restricted cash deposits		**212.0**	(218.3)
Net cash utilised in investing activities		**(123.9)**	(330.7)
Cashflows from financing activities			
Proceeds from the issuance of share capital		**6.4**	339.1
Payment of share placing costs		**–**	(17.6)
Transaction costs of admission to the Main Market of the London Stock Exchange		**(2.7)**	–
Increase in non-current borrowings		**–**	75.6
Repayment of non-current borrowings		**–**	(15.0)
Repayment of current borrowings		**(20.0)**	(32.3)
Net cash (utilised in)/generated by financing activities		**(16.3)**	349.8
Net (decrease)/increase in cash and cash equivalents		**(60.3)**	70.0
Cash and cash equivalents at beginning of the year		**96.9**	24.8
Effect of exchange rate fluctuations on cash held		**(5.3)**	2.1
Cash and cash equivalents at end of the year		**31.3**	96.9

The notes on pages 81 to 122 form part of the financial statements.

Significant non-cashflow transactions which are not reflected in the Consolidated Statement of Cashflows are set out in note 31.

Notes to the Annual Financial Statements
For the year ended 30 June 2012

1. Accounting policies
Petra Diamonds Limited ("Petra" or "the Company" or "the Group"), a limited liability company listed on the Main Market of the London Stock Exchange, is registered in Bermuda with its group management office domiciled in Jersey. The Company's registered address is 2 Church Street, Hamilton, Bermuda. The financial statements incorporate the principal accounting policies set out below, which are, except as noted below, consistent with those adopted in the previous financial statements.

1.1 Basis of preparation
The Group financial statements are prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("IFRS").

Going concern
The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Business Review and the Operational Review. The financial position of the Group, its cashflows and borrowing facilities are set out in the CEO's Review and the Financial Review. The notes to the financial statements set out the Group's objectives, policies and processes for managing its capital, exposures to credit risk and liquidity risk.

The Directors have reviewed the Group's current cash resources, funding requirements and ongoing trading of the operations. As a result of the review, the going concern basis has been adopted in preparing the financial statements and the Directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Currency reporting
The functional currency of the Company is pounds sterling (GBP) and the functional currency of the Group's business transactions in Botswana and Tanzania is US dollars. The functional currency of the South African operations is South African rand (ZAR); reference to transactions in South African rand in the Annual Report is denoted by an R. The Group financial statements are presented in US dollars. Also refer to the foreign currency accounting policy in note 1.14. ZAR balances are translated to US dollars at R8.16 as at 30 June 2012 (30 June 2011: R6.83) and at an average rate of R7.76 for transactions during the year ended 30 June 2012 (30 June 2011: R7.00).

1.2 New standards and interpretations applied
The IASB has issued the following new standards, amendments to published standards and interpretations to existing standards with effective dates prior to 1 July 2011 which have been adopted by the Group for the first time this year and which have not had a material effect:

		Effective period commencing on or after	Impact on Group
IAS 24	Revised – Related Party Disclosures	1 January 2011	Yes
IFRIC 14	Amendment – IAS 19 Limit on a Defined Benefit Asset	1 January 2011	Yes
	Improvements to IFRSs	1 January 2011	Yes
IFRS 7	Transfer of Financial Assets	1 July 2011	No

New standards and interpretations not yet effective
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 July 2012 or later periods and which the Group has decided not to adopt early or which are yet to be EU endorsed. These are:

		Effective period commencing on or after
IFRS 1*	Amendment – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
IAS 12*	Amendment – Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 1	Amendment – Presentation of Items of Other Comprehensive Income	1 July 2012
IFRS 9*	Financial Instruments	1 January 2013
IFRS 10*	Consolidated Financial Statements	1 January 2013
IFRS 11*	Joint Arrangements	1 January 2013
IFRS 12*	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13*	Fair Value Measurement	1 January 2013
IFRIC 20*	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IAS 27*	Amendment – Separate Financial Statements	1 January 2013
IAS 28*	Amendment – Investments in Associates and Joint Ventures	1 January 2013
IAS 19	Amendment – Employee Benefits	1 January 2013
	Annual improvements to IFRSs (2009–2011 Cycle)	1 January 2013
IAS 32*	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 9	Financial Instruments	1 January 2015

* Not yet adopted by the European Union.

1. Accounting policies continued

1.2 New standards and interpretations applied continued

The Group is currently assessing the impact of these standards on the financial statements. Those anticipated to be significant to the Group are as follows:

IFRS 11 – The principle in IFRS 11 is that a party to a joint arrangement recognises its rights and obligations arising from the arrangement rather than focusing on the legal form. The application of the principle results in the following:

- where the parties have rights to the assets and obligations for the liabilities relating to the arrangement, they are parties to joint operations. A joint operator accounts for assets, liabilities and corresponding revenues and expenses arising from the arrangement; and
- where the parties have rights to the net assets of the arrangement, they are parties to a joint venture. A joint venturer accounts for an investment in the arrangement using the equity method under IAS 28 "Investments in Associates".

The Group does not currently have any joint ventures within the scope of IFRS 11 but this standard may be relevant going forward for any new mines.

IFRS 12 – The new standard amends disclosures regarding interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures are intended to help users understand the judgements and assumptions made by a reporting entity when deciding how to classify its involvement with another entity; help users understand the interest that non-controlling interests have in consolidated entities; and help users assess the nature of the risks associated with interests in other entities.

The Group anticipates changes to its disclosure as a result of this standard and is currently assessing the impact.

IFRIC 20 – This interpretation applies to waste removal (stripping) costs that are incurred in surface mining activity, during the production phase of the mine (production stripping costs). The Group has recently re-commenced production from its open cast mine (Williamson) and so this standard will be relevant. IFRIC 20 requires that, to the extent that the benefit from the stripping activity is realised in the form of inventory produced, the directly attributable costs of that activity should be treated as ore stockpile inventory. To the extent that the benefit is the improved access to ore, the directly attributable costs should be treated as a non-current 'stripping activity asset', if the following criteria are met:

- it is probable that the future economic benefit (improved access to the orebody) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the orebody for which access has been improved; and
- the costs relating to the improved access to that component can be measured reliably.

The stripping activity asset is initially measured at cost and is treated as an enhancement of an existing asset, not as an independent asset. Subsequently the stripping activity asset is accounted for in a manner consistent with that adopted for the asset it has enhanced and is depreciated on a units of production basis, over the expected useful life of the identified component of the orebody that becomes more accessible as a result of the stripping activity.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are those entities over which financial and operating policies the Group has the power to exercise control. The Group financial statements incorporate the assets, liabilities and results of operations of the Company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition to the effective dates of disposal. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Business combinations

The results of business combinations are accounted for using the purchase method. In the Consolidated Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Other Comprehensive Income from the date on which control is obtained. Business combinations are deconsolidated from the date control ceases. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the fair value of the assets, liabilities and contingent liabilities recognised. All costs incurred on business combinations are charged to the Consolidated Income Statement.

Changes in the Group's ownership interests that do not result in a loss of control are accounted for as equity transactions with the existing shareholder under IAS 27.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. As a result of the revision to IAS 27 "Consolidated and Separate Financial Statements", the non-controlling interests' share of losses, where applicable, are attributed to the non-controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

1. Accounting policies continued

1.3 Basis of consolidation continued

Associates

An associate is an enterprise over whose financial and operating policies the Group has the power to exercise significant influence and which is neither a subsidiary nor a joint venture of the Group. The equity method of accounting for associates is adopted in the Group financial statements. In applying the equity method, account is taken of the Group's share of accumulated retained earnings and movements in reserves from the effective date on which an enterprise becomes an associate and up to the effective date of disposal.

The share of associated retained earnings and reserves is generally determined from the associate's latest audited financial statements. Where the Group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at nil.

Additional losses are only recognised to the extent that the Group has incurred obligations or made payments on behalf of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprises. Unrealised gains arising from transactions with associates are eliminated against the investment in the associates. Unrealised losses on transactions with associates are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

1.4 Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and accumulated impairment losses. Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Depreciation is provided over the estimated useful lives of assets.

The depreciation rates are as follows:

Mining assets:

Plant, machinery and equipment	Units of production method
Mineral properties	Units of production method

Exploration and other assets:

Plant and machinery	10%–20% straight-line basis
Office equipment	10% straight-line basis
Computer equipment	25% straight-line basis
Motor vehicles	20% straight-line basis

Depreciation of mineral properties for the Group's operating mines, Cullinan, Finsch, Williamson, Koffiefontein, Kimberley Underground, Helam, Sedibeng and Star, are based on current life of mine plans. The current mine plans indicate useful life of mines of between 10 and 22 years. Resources remaining after the current life of mine plans have not been included in depreciation calculations.

Cullinan mining assets relating to the C-Cut block of the mine have not been depreciated as the C-Cut has not yet been accessed.

At each mine, assets are allocated to the sections of the relevant orebodies that they will be used to mine and are being depreciated over the specific tonnes associated with the identified areas.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of that asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Expenditure relating to an item of property, plant and equipment considered to be an asset under construction is capitalised when it is probable that future economic benefits from the use of that asset will be realised.

Surpluses/(deficits) on the disposal of property, plant and equipment are credited/(charged) to the Consolidated Income Statement. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.5 Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases. Assets acquired under terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the Consolidated Statement of Financial Position.

Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period and the capital repayment, which reduces the liability to the lessor.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

1. Accounting policies continued

1.6 Exploration and evaluation costs

Exploration and evaluation costs on greenfield sites are written off in the year in which they are incurred. Pre-production expenditure is only capitalised once feasibility studies indicate commercial viability and the Board takes the decision to develop the project further. Capitalisation of pre-production expenditure ceases when the project is capable of commercial production where upon it is amortised on a unit of production basis.

Exploration and evaluation expenditure on brownfield sites, being those adjacent to deposits already being mined or where the economic feasibility of existing deposits has yet to be proven, is capitalised within mineral properties. Amortisation only occurs upon commencement of commercial production.

1.7 Intangible assets

Mineral rights are capitalised at cost and are amortised on a unit of production basis for operating mines and over the estimated useful life for prospecting rights. Amortisation is included within mining and processing costs or exploration expenditure as appropriate.

1.8 Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its fair value less cost to sell and its value in use.

In assessing value in use, the expected future pre-tax cashflows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the Consolidated Income Statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

Refer to note 8 for detailed disclosure of the results of impairment reviews performed. Reversal of impairments and impairment charges and reversals are credited/(charged) to a separate line item under total costs in the Consolidated Income Statement.

1.9 Financial instruments

Financial assets

The Group classifies its financial assets into one of the following categories and the Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises only in-the-money derivatives that were not designated and effective for hedge accounting at inception. They are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognised in the Consolidated Income Statement in the finance income or finance expense line. The Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The assets arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets including cash and cash equivalents and loans and other receivables. They are initially recognised at the fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest method, less provision for impairment.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available for sale and comprise principally of the Group's strategic investment in the entities not qualifying as subsidiaries, associates or jointly controlled entities. The assets are carried at fair value with changes in fair value recognised directly in the Consolidated Statement of Other Comprehensive Income and accumulated in other reserves. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the Consolidated Income Statement. Fair values of quoted investments are based on current market prices at the reporting date. The Group only holds quoted investments. Available-for-sale financial assets are fair valued at each reported date and reviewed as set out above. As at 30 June 2012 a cumulative loss of US$0.7 million (30 June 2011: US$0.5 million) was recorded in other reserves in respect of the available-for-sale financial assets.

Financial liabilities

The Group classifies its financial liabilities into one of two categories. Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises only out-of-the-money derivatives that were not designated and effective for hedge accounting at inception. The liabilities are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognised in the Consolidated Income Statement in the finance income or finance expense line.

1. Accounting policies continued

1.9 Financial instruments continued

Other liabilities

Trade payables and other short-term and long-term monetary liabilities

Trade payables and other short-term and long-term monetary liabilities, which are initially recognised at fair value, are subsequently carried at amortised cost using the effective interest method.

Interest-bearing borrowings

Bank borrowings and the debt element of convertible debt issued are recognised initially at fair value less attributable transaction costs. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of liability carried in the Consolidated Statement of Financial Position. 'Interest expense' in this context includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Hedging instruments

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. On the date that relevant derivative contracts are entered into, the Group may designate the derivative for hedge accounting. Where a hedge instrument is designated for hedge accounting at inception, the Group formally assesses, at inception and on an ongoing basis, whether the derivatives are highly effective in offsetting changes in the fair value or cashflows of the hedged item.

Cashflow hedges

Changes in the fair value of a derivative that is effective in offsetting changes in the cashflow of the hedged item, and that is designated and qualifies as a cashflow hedge, are recognised directly in equity. Changes in the fair value of derivatives that do not qualify for hedge accounting or were not designated for hedge accounting at inception are recognised in the Consolidated Income Statement. Amounts recognised in equity are transferred to the Consolidated Income Statement in the period during which the hedged forecast impacts net profit or loss. Any ineffective element of a cashflow hedge, which has been designated for hedge accounting, is taken to the Consolidated Income Statement. The Group has not had any hedging instruments designated as cashflow hedges for hedge accounting as at 30 June 2012 or 30 June 2011.

Fair value hedges

Where derivatives are used to hedge the Group's exposure to fair value risk and qualify and are designated as fair value hedges, both the derivative and hedged item are measured at fair value with changes in fair value recognised in the Consolidated Income Statement within financial income/(expense). During the prior year, the Group designated forward currency contracts and restricted foreign currency deposits as hedging instruments, representing a fair value hedge of the foreign exchange risk on the firm commitment to purchase the Finsch mine. The hedging instruments were recognised in the Consolidated Statement of Financial Position at fair value and changes in fair value were recognised in the Consolidated Income Statement. The change in the fair value of the unrecognised firm commitment attributable to the hedged risk (foreign exchange variation) is recognised as an 'other asset/(liability)' and recognised within the Consolidated Income Statement to the extent that the hedge is effective. The hedging instrument and firm commitment being hedged were settled during the year through completion of the Finsch purchase.

Impairment of financial assets

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cashflows associated with the impaired receivable. For trade receivables, which are recorded net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Consolidated Income Statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Fair value hierarchy

Financial assets and liabilities measured at fair value are classified according to their fair value hierarchy as disclosed in note 26.

1.10 Revenue

Revenue comprises net invoiced diamond sales to customers excluding VAT. Diamond sales are made through a competitive tender process and recognised when significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably and receipt of future economic benefits is probable. This is deemed to be the point at which the tender is awarded.

Revenue from test production on projects pending confirmation of commercial viability is credited to revenue and an equal amount charged to cost of sales and credited to mining assets so as to record zero margin.

1.11 Finance and other income

Finance and other income comprise income from interest and other non-operating income. Interest is recognised on a time apportioned basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the Group.

1.12 Tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

1. Accounting policies continued

1.12 Tax continued

Deferred tax is charged to the Consolidated Income Statement except to the extent that it relates to a transaction that is recognised directly in Other Comprehensive Income or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the Consolidated Income Statement, except to the extent that it relates to items previously charged or credited directly to Other Comprehensive Income.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Decommissioning, mine closure and environmental rehabilitation

The estimated cost of decommissioning and rehabilitation will generally occur on or after the closure of the mine, based on current legal requirements and existing technology. A provision is raised based on the present value of the estimated costs. These costs are included in the cost of the related asset. The capitalised assets are depreciated in accordance with the accounting policy for property, plant and equipment. Increases in the provision, as a result of the unwinding of discounting are charged to the Consolidated Income Statement within finance expense. The cost of the ongoing programmes to prevent and control pollution, and ongoing rehabilitation costs of the Group's operations, is charged against income as incurred.

Changes to the present value of the obligation due to changes in assumptions are recognised as adjustments to the provision together with an associated increase/(decrease) in the related decommissioning asset to the extent that a decommissioning asset exists. In circumstances where the decommissioning asset has been fully amortised the adjustment is recognised within other direct income.

The obligation to restore environmental damage caused through operations is raised as the relevant operations take place. Assumptions have been made as to the remaining life of existing operations based on studies conducted by independent technical advisers.

1.14 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are recorded at rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains and losses arising on translation are credited to, or charged against, income. The issue of shares are included in share capital and share premium at the prevailing US$/sterling spot rate at the date of the transaction.

Financial statements of foreign entities

Assets and liabilities of foreign entities (i.e. those with a functional currency other than US$) are translated at rates of exchange ruling at the financial year end; income and expenditure and cashflow items are translated at rates of exchange ruling at the date of the transaction or at rates approximating the rates of exchange at the date of the translation where appropriate. Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling at the reporting date or the effective rate when a transaction is hedged (refer to note 3). Exchange differences arising from the translation of foreign entities are taken directly to a foreign currency translation reserve.

Foreign operations

Unrealised gains and losses arising on the translation of loans to subsidiaries into the currency in which they are denominated and that are not expected to be repaid in the foreseeable future are treated as part of the net investment in foreign operations. The unrealised foreign exchange gains and losses attributable to foreign operations are taken directly to the Consolidated Statement of Other Comprehensive Income and reflected in the foreign currency translation reserve.

Unrealised gains and losses arising on the translation of loans to subsidiaries into the currency in which they are denominated and that are expected to be repaid in the foreseeable future are recognised in the Consolidated Income Statement.

1.15 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided to the reporting date. The provisions have been calculated based on current wage and salary rates.

1.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, investments in money market instruments, and net of bank overdrafts, all of which are available for use by the Group unless otherwise stated. Restricted cash represents amounts held by banks and other financial institutions as a guarantee in respect of environmental rehabilitation obligations in respect of the Group's South African mines and deposits held in escrow accounts not freely available to the Group.

1.17 Employee pension schemes

Defined contribution scheme

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the Consolidated Income Statement as incurred.

1. Accounting policies continued

1.17 Employee pension schemes continued

Defined benefit scheme

The defined benefit liability or asset recognised in the financial statements represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any net asset recognised is limited to unrecognised actuarial losses, plus the present value of available refunds and any reduction in future contributions that the Company is entitled to in terms of Section 15E of the Pension Funds Act in South Africa.

Actuarial gains and losses are recognised to the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the projected benefit obligation and the fair value of the plan assets ('the corridor'), that portion is recognised in the Consolidated Statement of Other Comprehensive Income in the period in which it is incurred. Actuarial gains or losses within the corridor are not recognised.

The actuarial calculation is performed by a qualified actuary using the projected unit credit method.

1.18 Post-retirement medical fund

The Group operates a post-retirement medical fund, which is unfunded and therefore recognised as a liability on the Consolidated Statement of Financial Position within provisions. The liability is based on an actuarial valuation performed at each year-end reporting date.

1.19 Share-based payments

Employee and Director share option scheme

The fair value of options granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured based on the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. The exercise price is fixed at the date of grant and no compensation is due at the date of grant. On exercise, equity is increased by the amount of the proceeds received.

2011 Longer-term Share Plan and 2012 Performance Share Plan

The fair value of the share award granted to the Directors is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the Directors become unconditionally entitled to the share award. The fair value of the share award granted is measured based on the Monte Carlo model, taking into account the terms and conditions upon which the instruments were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares awarded that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. The exercise price is variable at the date of grant and no compensation is due at the date of grant. On exercise, a transfer between equity reserves will occur by the amount of the expense incurred over the period.

1.20 Inventories

Inventories, which include rough diamonds, are stated at the lower of cost of production on the weighted average basis or estimated net realisable value. Cost of production includes direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less marketing costs. Consumable stores are stated at the lower of cost on the weighted average basis or estimated replacement value. Work in progress is stated at raw material cost including allocated labour and overhead costs.

1.21 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing mining or exploration activities, or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. The basis of segment reporting is representative of the internal structure used for management reporting.

1.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which the borrowing cost is incurred.

1.23 Critical assumptions and judgements

The preparation of the consolidated financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, reported revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and judgements are continually evaluated and based on management's historical experience and other factors, including future expectations and events that are believed to be reasonable. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results of the Group in future reporting periods are discussed below.

Judgements

Life of mine and ore reserves

There are numerous risks inherent in estimating ore reserves and the associated life of a mine. Therefore management must make a number of assumptions in making those estimates, including assumptions as to exchange rates, rough diamond and other commodity prices, recovery and production rates. Any such estimates and assumptions may change as new information becomes available. Changes in exchange rates, commodity prices, recovery and production rates may change the economic viability of ore reserves and may ultimately result in the restatement of the ore reserves and potential impairment to the carrying value of the mining assets and life of mine. The determination of the life of mine and ore reserves also impacts the depreciation of mining assets depreciated on a unit of production basis, as set out in note 1.4 and the expected timing of rehabilitation.

1. Accounting policies continued

1.23 Critical assumptions and judgements continued

Judgements continued

Impairment reviews

While conducting an impairment review of its assets, the Group exercises judgement in making assumptions about future rough diamond prices, ore reserves, feasibility studies, future development and production costs. Changes in estimates used can result in significant changes to the Consolidated Income Statement and Statement of Financial Position. The Group prepares value in use impairment models and assesses mining assets for impairment. The carrying value of the Kimberley Underground mining assets are sensitive to rough prices, production and the assessment of additional orebodies. The carrying value of mining assets at Sedibeng and Helam are sensitive to rough diamond prices and the forecasted growth in production rates. The policy in respect of impairment reviews is set out in note 1.8 and details of impairment reviews carried out during the year are set out in note 8.

Taxation judgement

The Group has received a number of historical tax claims in respect of its mining operations, relating to the period prior to the operations being acquired by the Group. Judgement is applied by management, having consulted with local tax advisers, on the probability of payments being made to settle the claims. A provision of US$2.2 million (30 June 2011: US$2.2 million) has been made in respect of these claims.

Finsch fair value adjustments

Judgement was applied in determining the fair value adjustments in respect of the Finsch acquisition. The fair value adjustments to property, plant and equipment, trade and other receivables, inventory and consumable stores, environmental liabilities and medical aid provisions were to ensure these amounts were at fair value.

Capitalisation of feasibility and development costs at the Williamson mine

Judgement has been applied by management during the prior years in determining whether feasibility expenditure should be capitalised or expensed. The Group embarked on a feasibility study at the Williamson mine through an intensive bulk sampling programme with a view to better understanding the orebody. This was done to optimise the design of the treatment plant to further increase production in the future. Based on management's judgements, direct expenditure was considered to be capital in nature and was capitalised on the basis that the future economic benefits of the mining assets were expected to flow to the Group in line with guidance from IAS 16. All other costs are expensed as care and maintenance costs. During the current and prior year, the Group incurred costs as part of its refurbishment project to upgrade the plant and reshape the open pit. All direct costs incurred by the Group, including internal development costs, which are directly attributable to bringing the asset into use and which increase the future economic benefits that will flow to the Group, have been capitalised. During FY 2012 the Group commenced production; costs ceased to be capitalised and depreciation of the previously capitalised assets commenced.

Assumptions and estimates

Provision for rehabilitation

Significant estimates and assumptions are made in determining the amount attributable to rehabilitation provisions. These deal with uncertainties such as the legal and regulatory framework, timing and future costs. In determining the amount attributable to rehabilitation provisions, management used a discount rate range of 7.66%–8.93% (30 June 2011: 8%–9%), current life of mine plans and mine work programs of 10 to 50 years (30 June 2011: 11 to 53 years) and an inflation rate range of 5.6%–6.9% (30 June 2011: 6.9%–7.0%). The Group estimates the cost of rehabilitation with reference to approved environmental plans filed with the local authorities. Changes to estimates are recognised when such plans are approved given uncertainties which may exist until the point of approval. The carrying value of rehabilitation provisions at the reporting date is US$73.2 million (30 June 2011: US$55.8 million).

Valuation of share options and share-based incentives

In determining the fair value of share-based payments made during the year to employees and Directors, a number of assumptions have been made by management. The details of these assumptions are set out in note 28. The total charge to the Consolidated Income Statement in respect of share-based payments for the year is US$1.0 million (30 June 2011: US$1.9 million).

Valuation of warrants

No warrants were issued during the year.

During the prior year, a number of assumptions were made by management in respect of determining the fair value of warrants issued as part of a debt financing exercise. The details of these assumptions are set out in note 28. The fair value of the warrants is debited against prepayments until such time as the loan is drawn down. When the loan was drawn down, the fair value was debited against the interest bearing non-current borrowings and the effective interest rate and associated accretion charges adjusted accordingly. The fair value of the warrants was US$7.9 million of which US$6.8 million has been debited against the interest-bearing non-current borrowings and is being amortised through the effective interest rate.

Deferred tax

Judgement is applied in making assumptions about future taxable income, including diamond prices, production, rehabilitation costs and expenditure to determine the extent to which the Group recognises deferred tax assets. The Statement of Financial Position deferred tax assets total US$9.3 million and relate to the Kimberley Underground mine. The deferred tax asset is expected to be utilised over the next two years in line with forecast, following the commissioning of the Wesselton plant.

Inventory and inventory stockpile

Judgement is applied in making assumptions about the value of inventories and inventory stockpiles, including diamond prices, production grade and expenditure to determine the extent to which the Group values inventory and inventory stockpiles.

Depreciation

Judgement is applied in making assumptions about the depreciation charge, including estimated useful life of individual assets and residual values, the life of mine, tonnes associated with specific areas of the orebodies identified and allocation of assets to the areas of the orebodies which they will be used to mine.

2. Segment information

Segment information is presented in respect of the Group's operating and geographical segments:

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

Exploration – exploration activities in Botswana.

Segments are based on the Group's management and internal reporting structure. Management reviews the Group's performance by reviewing the results of the mining activities in South Africa and Tanzania, reviewing the results of the exploration activities in Botswana and reviewing the corporate administration expenses in Jersey. Each segment derives, or aims to derive, its revenue from diamond mining and diamond sales, except for the corporate and administration cost centre.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment results are calculated after charging direct mining costs and depreciation. Unallocated items comprise mainly interest-earning assets and income, interest-bearing borrowings and expenses, and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire or construct segment assets that are expected to be used for more than one period. Eliminations comprise transactions between Group companies that are cancelled on consolidation. The results are not materially affected by seasonal variations. Revenues are generated from tenders held in Johannesburg and Antwerp for external customers from various countries, the ultimate customers of which are not known to the Group.

The Group's non-current assets are located in South Africa US$741.7 million (30 June 2011: US$477.6 million), Tanzania US$95.6 million (30 June 2011: US$79.9 million) and Jersey US$2.3 million (30 June 2011: US$0.5 million).

	South Africa – mining activities					Tanzania – mining activities	Botswana	Jersey		
Operating segments US$ million	Cullinan 2012	Finsch 2012	Koffiefontein 2012	Kimberley Underground 2012	Fissure Mines 2012	Williamson 2012	Exploration 2012	Corporate administration 2012	Inter-segment 2012	Consolidated 2012
Revenue	112.0	136.9	18.9	19.8	17.7	11.6	–	–	–	316.9
Segment result	25.1	60.2	(6.7)	(6.1)	(10.7)	(9.1)	(3.1)	(13.7)	0.3	36.2
Other direct income	4.2	1.2	0.7	3.1	(0.5)	0.3	–	–	–	9.0
Operating profit/(loss)[1]	29.3	61.4	(6.0)	(3.0)	(11.2)	(8.8)	(3.1)	(13.7)	0.3	45.2
Other financial income										19.1
Other financial expense										(17.3)
Unrealised foreign exchange loss										(38.6)
Income tax expense										(10.5)
Non-controlling interest										(0.3)
Loss attributable to equity holders of the parent company										(2.4)
Segment assets	379.1	234.4	49.6	89.3	110.3	108.1	13.7	1,154.1	(1,147.4)	991.2
Segment liabilities	200.9	199.8	33.3	107.3	137.7	225.9	35.2	452.8	(1,066.7)	326.2
Capital expenditure	54.4	12.0	11.5	21.0	16.9	22.2	0.5	0.3	–	138.8

1. Operating profit is equivalent to revenue of US$316.9 million less total costs of US$271.7 million as disclosed on the Consolidated Income Statement.

The Group acquired Finsch effective 14 September 2011, therefore there are no comparative figures presented for the year ended 30 June 2011 in respect of the Finsch operating segment.

Capital expenditure at the Fissure Mines includes work in progress of US$11.1 million (30 June 2011: US$11.0 million) in respect of the manufacture of plant and equipment for other mines within the Group. Other income in respect of the Fissure Mines includes US$38.4 million (30 June 2011: US$21.2 million) of revenue and US$39.4 million (30 June 2011: US$21.4 million) of costs in respect of the projects division at Helam for the manufacture of plant and equipment for other mines within the Group. Segment assets and liabilities include inter-company receivables and payables which are eliminated on consolidation. Capital expenditure at Williamson includes US$19.5 million (30 June 2011: US$35.8 million) of cash costs capitalised in respect of the plant rebuild and expansion programme.

2. Segment information continued

	South Africa – mining activities				Tanzania – mining activities	Botswana	Jersey		
Operating segments US$ million	Cullinan 2011	Koffiefontein 2011	Kimberley Underground 2011	Fissures 2011	Williamson 2011	Exploration 2011	Corporate administration 2011	Inter-segment 2011	Consolidated 2011
Revenue	140.2	30.8	18.2	21.8	9.5	–	–	0.1	220.6
Segment result	53.5	2.8	3.3	(4.4)	(6.0)	(1.5)	(9.4)	1.8	40.1
Other income/(expense)	1.9	0.5	(0.4)	0.4	0.3	–	–	–	2.7
Operating profit/(loss)[1]	55.4	3.3	2.9	(4.0)	(5.7)	(1.5)	(9.4)	1.8	42.8
Reversal of impairment – Fissures				11.7					11.7
Impairment – Fissures				(5.2)					(5.2)
Other financial income									8.4
Other financial expense									(11.9)
Unrealised foreign exchange gain									18.6
Income tax expense									(5.2)
Non-controlling interest									(6.0)
Profit attributable to equity holders of the parent company									53.2
Segment assets	409.7	57.7	76.6	110.1	90.0	8.8	1,000.7	(782.0)	971.6
Segment liabilities[2]	199.3	30.1	83.0	140.5	196.0	27.2	320.2	(723.7)	272.6
Capital expenditure	33.9	11.0	13.0	16.2	36.6	–	0.2	–	110.9

1. Operating profit is equivalent to revenue of US$220.6 million less total costs of US$177.8 million (before net impairment reversals of US$6.5 million) as disclosed on the Consolidated Income Statement.
2. The 2011 deferred tax has been reclassified to show the deferred tax asset separately from the deferred tax liability to provide greater comparability to the 2012 Consolidated Statement of Financial Position. There has been no effect on profit or equity from this reclassification.

Capital expenditure at the Helam Projects internal equipment manufacturing operation (a division within the Fissure operations) includes work in progress of US$11.0 million in respect of the manufacture of plant and equipment for other mines within the Group. Other income in respect of the Fissure Mines includes US$21.2 million of revenue and US$21.4 million of costs in respect of Helam projects for the manufacture of plant and equipment for other mines within the Group. Segment assets and liabilities include inter-company receivables and payables which are eliminated on consolidation. Capital expenditure at Williamson includes US$35.8 million of cash costs capitalised in respect of the plant rebuild and expansion programme.

3. Acquisitions

30 June 2012

Acquisition of Finsch

On 21 January 2011, the Company announced that it, together with its Finsch BEE partners, had entered into an agreement to acquire the Finsch mine in South Africa as a going concern (assets and assumed liabilities) from De Beers for R1.425 billion, via Finsch Diamond Mine (Pty) Ltd ("FDM") (previously named Afropean Diamonds (Pty) Ltd), in which the Company owns a 74% interest and the Finsch BEE partners a 26% interest. On 14 September 2011, the Company announced the completion of the Finsch acquisition, which represented the date the Group acquired control of the mine. As part of the transaction, the Company funded the Finsch BEE partners' share of the R1.425 billion consideration through loans to the BEE partners. The final cash consideration paid in US$ terms was US$192 million, reflecting the benefit of an effective hedging strategy to hedge the foreign exchange risk on the firm commitment to acquire Finsch.

It is not practical to obtain the turnover and operating results for the Finsch mine for the period 1 July 2011 to date of acquisition, as the Finsch turnover and operating results were previously treated as a branch within a larger corporate by the vendor and are not available to the Group. The Finsch mine generated revenue since date of acquisition to 30 June 2012 of US$136.9 million. Costs of US$0.4 million (30 June 2011: US$0.3 million) associated with the acquisition have been expensed in full in the Consolidated Income Statement.

3. Acquisitions continued

30 June 2012 continued

Effect of the acquisition

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

Finsch net assets at acquisition date US$ million	Book values	Fair value adjustments	Fair values
Mining property, plant and equipment	235.3	(13.2)	222.1
Land	0.7	–	0.7
Inventory consumables and stores	4.1	(0.7)	3.4
Trade and other receivables	1.6	(1.6)	–
Environmental liabilities	(16.2)	(7.5)	(23.7)
Medical aid and provisions	(5.1)	(0.2)	(5.3)
Employee-related payables	(2.7)	0.6	(2.1)
Trade and other payables	(3.2)	0.1	(3.1)
Net assets acquired	214.5	(22.5)	192.0
Satisfied as follows:			
Cash consideration paid by the Company			142.1
Cash consideration advanced by the Company to the BEE consortium			49.9
			192.0

Judgement was applied in determining the fair value adjustments in respect of the Finsch acquisition. The fair value adjustments to property, plant and equipment, trade and other receivables, inventory and consumable stores, environmental liabilities and medical aid provisions were to ensure these amounts were reflected at fair value.

30 June 2011

(a) Increase in effective interest in the Koffiefontein mine to 74%

On 10 December 2010, the Company increased its effective interest in the Koffiefontein mine in South Africa from 70% to 74% for a cash consideration of R6.0 million (US$0.8 million).

The additional 4% interest in Koffiefontein was purchased by Blue Diamond Mines (Pty) Ltd, a wholly owned subsidiary of the Company, through the acquisition of a shareholding in Re-Teng Diamonds (Pty) Ltd, the holding company of Petra's BEE partners at Koffiefontein; the interests in Koffiefontein are now Petra 74%, BEE partners 26%.

In the year ended 30 June 2011, Koffiefontein recorded a net loss before taxation of R1.4 million (US$0.2 million). If the acquisition had occurred on 1 July 2010, the Group's share of the loss from the Koffiefontein mine for the year ended 30 June 2011 would have increased by R0.06 million (US$0.01 million) and the non-controlling interest share would have reduced accordingly.

Effect of the acquisition

The purchase had the following effect on the Group's assets and liabilities:

Koffiefontein net assets at acquisition date US$ million	
Book value of net assets at 10 December 2010	43.8
Book value of 4% interest acquired	1.7
Fair value of consideration paid:	
– Settled in cash	0.8
Excess of carrying value of 4% interest purchased over fair value consideration paid	0.9

In accordance with IAS 27, as the purchase represented a transaction with existing shareholders which had not resulted in the gain or loss of control, the carrying value of the 4% interest acquired of US$1.7 million as at 10 December 2010 was deducted from the Group's non-controlling interest balance relating to Koffiefontein. The US$0.9 million excess of the carrying value of the 4% acquired in Koffiefontein over the fair value consideration of US$0.8 million was recognised directly in equity and attributed to the Group.

4. Mining and processing costs

US$ million	2012	2011
Raw materials and consumables used	**138.0**	77.1
Employee expenses	**103.2**	75.0
Depreciation of mining assets	**40.7**	22.2
Diamond royalty	**1.4**	0.6
Changes in inventory of finished goods and stockpiles	**(19.4)**	(5.2)
	263.9	169.7

5. Other direct income

US$ million	2012	2011
(Profit)/loss on disposal of fixed assets	**(0.1)**	0.3
Revaluation of environmental rehabilitation liability – change in estimate	**(4.8)**	–
Other mining income	**(4.1)**	(3.0)
	(9.0)	(2.7)

6. Exploration expenditure

US$ million	2012	2011
Employee expenses	**1.0**	0.5
Depreciation of exploration assets	**0.1**	0.1
Drilling and air survey expenses	**1.6**	0.5
Rental and equipment hire	**0.1**	0.1
Other exploration expenses	**0.3**	0.2
	3.1	1.4

7. Corporate expenditure

US$ million	2012	2011
Auditors' remuneration:		
– Audit services[1]	**0.5**	0.4
– Non-audit services[2]	**0.1**	0.1
Depreciation of property, plant and equipment	**0.2**	0.1
Operating lease rentals – buildings	**0.6**	0.4
Staff costs	**5.2**	4.3
Other charges	**3.6**	2.5
Transaction costs[2]	**3.1**	0.3
Share-based payments:		
– Directors	**0.3**	0.6
– Senior Management	**0.1**	0.7
	13.7	9.4

1. Audit fees for the year ended 30 June 2012 stated above refer to fees for the 2011 audit.
2. Transaction costs comprise Finsch acquisition costs (US$0.4 million) (30 June 2011: US$0.3 million) and costs relating to the admission to the Main Market of the London Stock Exchange (US$2.7 million) (30 June 2011: US$nil). The costs in respect of admission to the Main Market include $0.7 million (30 June 2011: US$nil) paid to the auditors for non-audit services.

All share-based payments are in respect of equity-settled share option schemes and share award schemes as stated in note 28.

8. Impairment and reversal of impairments of operational assets and investments

In accordance with IAS 36 "Impairment of Assets", when events or changes in market conditions indicate that tangible or intangible assets may be impaired, such assets are reviewed in detail to determine whether their carrying value is higher than their recoverable value, which could lead to recording an impairment loss (recoverable value is the higher of value in use and fair value less costs to sell). Value in use is estimated by calculating the present value of the future cashflows expected to be derived from the asset. Fair value less costs to sell is based on the most reliable information available (market statistics, recent transactions, etc.). The discounted cashflow basis has been used to calculate a value in use for the mining operations for those mines for which value in use exceeds fair value less cost to sell.

8. Impairment and reversal of impairments of operational assets and investments continued

Impaired assets are reviewed annually to determine whether any substantial change to their fair value amounts previously impaired would require reversal.

When determining recoverable values of investments and property, plant and equipment, assumptions and estimates are made as set out in note 1.23. Any change in these assumptions can have a significant effect on the recoverable amount and could lead to a revision of recorded impairment losses.

30 June 2012

During the year ended 30 June 2012, the Group has reviewed the carrying value of its investments and operational assets for indicators of impairment and following the assessment no impairment of investments, property, plant and equipment or reversal of impairment gains in prior years are considered appropriate. Details of the impairment test assessments are shown in notes 8.1 and 8.2 to follow.

30 June 2011

During the year ended 30 June 2011, the Group reviewed the carrying values of its investments and operational assets for indicators of impairment and, following that assessment, a reversal of a prior impairment to Helam's property, plant and equipment and a further impairment to Star's property, plant and equipment was considered to be appropriate. The reversal of previous impairment charges at Helam reflected improved diamond prices, production and cashflows and was determined net of depreciation which would have arisen if the asset had not been impaired. The additional impairment to Star reflected continued production levels which were insufficient to support the carrying value on a value in use basis and this assessment remains appropriate at 30 June 2012. The impairment of Star was determined based on fair value less costs to sell which was considered to exceed value in use. Impairment reversals of US$11.7 million were recorded in the Consolidated Income Statement in respect of Helam's assets. Impairment charges of US$5.2 million were recorded in the Consolidated Income Statement in respect of Star's assets for 2011.

Impairment reversal US$ million	Asset class	Segment	Net book value[1]	Reversal of impairment	Carrying value
Helam Mining (Pty) Ltd	Property, plant and equipment	Fissure Mines	9.0	15.2	24.2
	Mineral properties			7.4	
	Underground development			4.8	
	Buildings			1.0	
	Mining property, plant and equipment			2.0	
	Forex movement		–	(3.5)	(3.5)
Subtotal			9.0	11.7	20.7

1. Net book value refers to the carrying value of the amounts including the previous impairments.

2. Helam's assets were previously impaired in December 2008 by US$12.9 million (R114.5 million) using an exchange rate of US$1:R8.87. In FY 2011 the initial impairment of R114.5 million in the subsidiary was reversed less depreciation that would have been incurred had the impairment never taken place. The resulting impairment reversal was US$15.2 million (R103.7 million) using an exchange rate of US$1:R6.83. US$3.5 million of the reversal was recognised in the foreign currency translation reserve to take into account the movement in the foreign exchange rate from the date of the initial impairment to date of the reversal when translating the rand value to US dollars, with US$11.7 million recognised as an income statement gain.

Operational assets impaired US$ million	Asset class	Segment	Net book value	Impairment raised	Carrying value
Star Diamonds (Pty) Ltd	Property, plant and equipment	Fissure Mines	7.0	(5.2)	1.8
	Underground development			(1.7)	
	Land and buildings			(2.1)	
	Mining property, plant and equipment			(1.4)	
Subtotal			7.0	(5.2)	1.8
Net impairment reversal – Helam and Star				6.5	

Group Accounts

8. Impairment and reversal of impairments of operational assets and investments continued

8.1 Impairment testing assumptions

30 June 2012

Subsequent to the year end the Group announced its intention to sell the Fissure Mines. In the absence of appropriate comparable transactions or market prices, a value in use basis has been used to assess year end asset carrying values for Helam and Sedibeng JV. The key assumptions used in determining the recoverable value calculations for Helam and Sedibeng JV, determined on a value in use basis, are the recoverable value of reserves and resources, diamond prices, a before-tax risk-free rate per RSA Government bonds adjusted for market risk and volatility, diamond prices, inflation rate, exchange rates, life of mine and capital expenditure. No impairment was considered to exist based on the value in use models but it is noted that the carrying values are sensitive to diamond prices and achieving forecast production growth rates. The recoverable amount of Star was assessed using fair value less cost to sell in a manner consistent with the prior year.

30 June 2011

a) Helam Mining (Pty) Ltd and Star Diamonds (Pty) Ltd

The key assumptions used in determining the recoverable value calculations for Helam determined on a value in use basis, are listed in the table below in respect of the year ended 30 June 2011, given the impairment reversal in that year:

Key assumptions	Explanation
Recoverable value of reserves and resources	Economically recoverable reserves and resources were based on management's expectations based on the availability of reserves at mine sites and technical studies undertaken in-house and by third party specialists. Refer to "Life of mine" below for further information.
Diamond prices	Diamond prices were based on historical prices and prevailing market conditions. The US$/carat price used in the calculations was US$185.
Discount rate	The discount rate used represents the before tax risk free rate per the RSA Government bonds adjusted for market risk and volatility.
Inflation rate	Long-term inflation rate of 4.0% above a long-term US inflation rate of 2.5% per annum was used for US$ diamond prices. Long-term inflation rate of 3.5% above the prevailing US inflation rate was used for Opex and Capex valuations.
Exchange rates	Exchange rates were based on external market consensus and after considering long-term market expectations. The US$/ZAR exchange rate range used commenced at R6.99, further devaluing at 3.5% per annum.
Life of mine	20 years life of mine; total extractable resources 2.03 Mt at extraction rate of 101 ktpa.
Capital expenditure	Management estimated the timing of the capital expenditure based on the Group's current and future financing plans for the operation.
Valuation basis	Discounted present value of future cashflows.
Sensitivity	Management did not consider there to be any reasonable change in assumption which may give rise to an impairment loss.

Star's impairment in the prior year was determined based on the recoverable amount at 30 June 2011 and that assessment is considered to remain appropriate at 30 June 2012 for impairment assessment. The Directors assessed the recoverable amount using fair value less costs to sell. The carrying value of assets was determined with reference to the plant and equipment that management considers to be saleable or transferable to other mines within the Group for use in a manner which will generate sufficient future economic value to support the carrying value of those specific assets. The carrying value of these assets approximates fair value less cost to sell for the cash-generating unit.

8. Impairment and reversal of impairments of operational assets and investments continued

8.2 Impairment tests – other mining operations 30 June 2012 and 30 June 2011

The Group performs impairment testing on an annual basis of all operations and when there are potential indicators which may require impairment. In addition to the Fissures, the Group also performed impairment testing for Cullinan, Finsch, Koffiefontein, Kimberley Underground and Williamson. The results of the impairment testing performed did not indicate any impairments on the remaining mining operations. The key assumptions used in determining the recoverable value calculations, determined on a value in use basis, are listed in the table below:

Key assumptions	Explanation
Recoverable value of reserves and resources	Economically recoverable reserves and resources are based on management's expectations based on the availability of reserves at mine sites and technical studies undertaken in-house and by third party specialists. Refer to "Life of mine" below for further information.
Diamond prices	Diamond prices are based on guidance prices as shown on page 7. The ROM US$/carat price range used in the calculations was US$140–US$600 (30 June 2011: US$180–US$640).
Discount rate	The discount rate used for the South African operations represents the before tax risk-free rate per the RSA Government bonds adjusted for market risk and volatility. The discount rate used for Williamson Diamonds Ltd represents the before tax risk-free rate per the Tanzanian Government bonds adjusted for market risk and volatility.
Inflation rate	Long-term inflation rate of 4.0% (30 June 2011: 4.0%) above a long-term US inflation rate of 2.5% (30 June 2011: 2.5%) per annum was used for US$ diamond prices. Long-term inflation rates of 3.5%–5.0% (30 June 2011: 3.5%–4.5%) above the prevailing US inflation rate were used for Opex and Capex valuations.
Exchange rates	Exchange rates are based on external market consensus and after considering long-term market expectations. The US$/ZAR exchange rate range used commenced at R8.00 (30 June 2011: R6.99), further devaluing at 3.5% (30 June 2011: 3.5%) per annum.
Life of mine	**Cullinan** – 18 years (30 June 2011: 16 years) life of mine plan; total resource processed 115.0 Mt (65.3 Mt underground ROM and 49.7 Mt tailings) (30 June 2011: 114.4 Mt (54.4 Mt underground ROM and 60 Mt tailings)) at rate of 5.7 Mtpa (3.0 Mtpa underground ROM tonnes and 2.7 Mtpa tailings tonnes) increasing to 8.0 Mtpa (4.0 Mtpa underground ROM tonnes and 4.0 Mtpa tailings tonnes) (30 June 2011: 3.4 Mtpa (2.4 Mtpa underground ROM tonnes and 1.0 Mtpa tailings tonnes) increasing to 8.0 Mtpa (4.0 Mt underground ROM tonnes and 4.0 Mt tailings tonnes)). **Finsch** – 18 years (30 June 2011: n/a) life of mine plan; total resource processed 87.1 Mt (61.3 Mt underground ROM and 25.8 Mt tailings) (30 June 2011: n/a) at rate of 6.0 Mtpa increasing to 7.0 Mtpa (30 June 2011: n/a). **Koffiefontein** – 13 years (30 June 2011: 14 years) life of mine plan; total resource processed 22.3 Mt (13.3 Mt underground ROM and 9.0 Mt surface/tailings tonnes) (30 June 2011: 23.7 Mt (16.1 Mt underground ROM tonnes and 7.6 Mt surface/tailings tonnes)) at rate of 1.7 Mtpa (0.3 underground ROM tonnes and 1.4 Mtpa surface/tailings tonnes) ramping up to 1.2 Mtpa underground ROM tonnes and 0.5 Mtpa surface/tailings tonnes (30 June 2011: 1.5 Mtpa (0.6 Mtpa underground and 0.9 Mtpa surface/tailings tonnes) increasing to 1.7 Mtpa (1.2 Mtpa underground and 0.5 Mtpa Mt surface/tailings tonnes)). **Kimberley Underground** – 10 years (30 June 2011: 11 years) life of mine plan; total resource processed 9.8 Mt (30 June 2011: 9.4 Mt) at rate of 1.0 Mtpa (30 June 2011: 1.0 Mtpa). **Williamson** – 18 years (30 June 2011: 17 years) life of mine plan: total resource processed 64.0 Mt (30 June 2011: 155.9 Mt) at rate of 3.0 Mtpa increasing to 3.6 Mtpa (30 June 2011: 2.7 Mtpa increasing to 10.0 Mtpa). Resources remaining after the current life of mine plans have not been included in impairment testing for the above operations.
Capital expenditure	Management has estimated the timing of the capital expenditure based on the Group's current and future financing plans for each operation.
Valuation basis	Discounted present value of future cashflows.
Sensitivity	Management notes that a 3.6% movement in diamond prices as compared to the guidance prices for FY 2011 at Kimberley Underground Mines JV would result in a break-even impairment scenario. The carrying value of Kimberley Underground is also dependant on the successful development of the North West Corner orebody. Kimberley Underground has the lowest headroom of the mines detailed above.

9. Net financing (expense)/income

US$ million	2012	2011
Interest expense on bank loans and overdrafts[1]	**(1.4)**	(1.0)
Gross interest expense on bank loans and overdrafts[1]	**(7.7)**	(4.5)
Interest expense on bank loans and overdrafts capitalised[1]	**6.3**	3.5
Other debt finance costs[1]	**(9.8)**	(6.7)
Unwinding of present value adjustment for rehabilitation costs	**(5.9)**	(3.8)
Realised foreign exchange losses	**(0.2)**	(0.4)
Unrealised foreign exchange losses[2]	**(38.6)**	–
Financial expense	**(55.9)**	(11.9)
Realised foreign exchange gains	**7.6**	0.7
Other unrealised foreign exchange gains[2]	**–**	18.6
Net change in fair value of hedged item and instrument	**–**	–
Net change in fair value of hedged item in a fair value hedge	**–**	(6.0)
Net change in fair value of hedging instrument in a fair value hedge	**–**	6.0
Interest received on loans and other receivables	**9.7**	5.5
Interest received on bank deposits	**1.8**	2.2
Financial income	**19.1**	27.0
	(36.8)	15.1

1. Calculated using the effective interest method in respect of financial liabilities calculated at amortised cost.

2. The 30 June 2011 comparatives have been amended to combine unrealised foreign exchange gains and losses into a single unrealised foreign exchange gain to provide consistency with 30 June 2012 and to better reflect the underlying nature of the transactions.

10. Taxation

US$ million	2012	2011
Current taxation		
– Current tax credit	**–**	1.2
Deferred taxation		
– Current period	**(10.5)**	(6.4)
	(10.5)	(5.2)
Reconciliation of tax rate		
– Profit before taxation	**8.4**	64.4
Tax at Bermudan corporate rate of 0%	**–**	–
Effects of:		
– Tax charge at rates in foreign jurisdictions	**(4.8)**	(6.0)
– Non-deductible expenses	**(3.9)**	(1.0)
– Unredeemed capital allowances utilised	**27.3**	18.1
– Temporary differences recognised	**(11.5)**	(5.6)
– Tax losses and timing differences not recognised	**(17.6)**	(10.7)
Total tax charge	**(10.5)**	(5.2)

During the year, the Group did not utilise taxation benefits of previously unrecognised tax losses which reduce the current taxation payable (30 June 2011: US$0.6 million tax losses utilised). Tax losses not utilised do not have an expiry period in the country in which they arise, unless the entity ceases to continue trading. Gross tax losses and unredeemed capital allowances available but not utilised as at 30 June 2012 amount to US$425.8 million (30 June 2011: US$257.7 million) and primarily arise in South Africa (US$360.7 million) (30 June 2011: US$185.6 million) and Tanzania (US$65.1 million) (30 June 2011: US$72.1 million); amounts stated include both tax losses and unredeemed capital allowances and are stated at 28%, being the tax rate in South Africa, and 30%, being the tax rate in Tanzania.

11. Directors' and employees' remuneration

Staff costs (excluding the Non-Executive Directors) during the year were as follows:

US$ million	**2012**	2011
Wages and salaries – mining	**103.2**	75.0
Wages and salaries – exploration	**1.0**	0.5
Wages and salaries – administration	**5.1**	4.2
Pension	**0.1**	0.1
	109.4	79.8

In addition, during the year the Group capitalised US$3.5 million (30 June 2011: US$4.7 million) of wages and salaries relating to the rebuild and expansion projects at Williamson.

	Number	Number
The number of employees (excluding the Non-Executive Directors and contractors) at the various mining and exploration operations of the Group at the end of the year was 4,768 (30 June 2011: 3,902), employed as follows:		
Mining and exploration	**4,536**	3,729
Administration	**232**	173
	4,768	3,902

Key management is considered to be the Executive Directors, Chairman and Non-Executive Directors. Total remuneration for the year, which includes base salary, cash benefits and annual performance bonus, for the Executive Directors was US$2.6 million (30 June 2011: US$2.1 million). The IFRS 2 charge relating to the Executive Directors for the year was US$0.3 million (30 June 2011: US$0.6 million). See note 28 in respect of share-based payments.

The Chairman received remuneration, which includes base remuneration, of US$0.2 million (30 June 2011: US$0.3 million, which includes base remuneration and annual performance related bonus).

Non-Executive Directors received remuneration, which includes base remuneration, of US$0.2 million (30 June 2011: US$0.1 million).

Further detail in respect of the Executive Directors', Chairman's and Non-Executive Directors' remuneration during the year is disclosed in the Directors' Remuneration Report on pages 61 to 72.

12. Earnings per share

Numerator	**Total 2012 US$**	Total 2011 US$
(Loss)/profit for the year	**(2,409,520)**	53,193,664

Denominator	**Shares**	Shares
Weighted average number of ordinary shares used in basic EPS		
As at 1 July	**499,874,009**	352,803,021
Effect of shares issued during the year	**2,013,545**	61,912,017
As at 30 June	**501,887,554**	414,715,038

12. Earnings per share continued

	Shares	Shares
Dilutive effect of potential ordinary shares	**14,411,634**	16,034,806
Weighted average number of ordinary shares in issue used in diluted EPS	**516,299,188**	430,749,844

	US cents	US cents
Basic (loss)/profit per share – US$ cents	**(0.48)**	12.83
Diluted (loss)/profit per share – US$ cents	**(0.48)**	12.35

In the current year, the number of potentially dilutive ordinary shares, in respect of employee share options, Executive Director share award schemes and warrants is 14,411,634. These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share. There are no share options and warrants that have been excluded from the potentially dilutive ordinary shares of 14,411,634 (30 June 2011: 16,034,806). There have been no significant post balance sheet changes to the number of options and warrants to impact the dilutive number of ordinary shares. The Group was loss making for the year ended 30 June 2012 and therefore the basic and diluted loss per share are the same as potentially dilutive shares are anti-dilutive.

13. Adjusted earnings per share

In order to show results from operating activities on a consistent basis, an adjusted earnings per share is presented which excludes certain items as set out below. It is emphasised that the adjusted earnings per share is a non-GAAP measure. The Petra Board considers the adjusted earnings per share to better reflect the underlying performance of the Group. The Company's definition of adjusted earnings per share may not be comparable to other similarly titled measures reported by other companies.

Numerator	2012 US$	2011 US$
(Loss)/profit for the year	**(2,409,520)**	53,193,664
Adjustments:		
Net unrealised foreign exchange loss/(gain) (note 9)	**38,604,888**	(18,600,253)
Transaction costs (note 7)	**3,070,563**	273,385
Adjusted profit for the year	**39,265,931**	34,866,796

Denominator	Shares	Shares
Weighted average number of ordinary shares used in adjusted basic EPS		
As at 1 July	**499,874,009**	352,803,021
Effect of shares issued during the year	**2,013,545**	61,912,017
As at end of year	**501,887,554**	414,715,038

	Shares	Shares
Dilutive effect of potential ordinary shares	**14,411,634**	16,034,806
Weighted average number of ordinary shares in issue used in diluted adjusted earnings per share	**516,299,188**	430,749,844

	US cents	US cents
Adjusted basic profit per share – US$ cents	**7.82**	8.41
Adjusted diluted profit per share – US$ cents	**7.61**	8.09

14. Property, plant and equipment

US$ million	Plant and machinery mining assets[1]	Plant and machinery exploration assets	Computers and office equipment exploration assets	Motor vehicles exploration assets	Mineral properties mining assets[2]	Assets under construction mining assets[3]	Total
Cost							
Balance at 1 July 2010	258.1	1.2	1.2	0.2	117.4	31.6	409.7
Exchange differences	28.6	0.2	–	–	5.1	5.4	39.3
Impairment (reversed/raised) (note 8)	3.4	–	–	–	8.2	–	11.6
Additions	46.1	–	0.1	0.1	–	64.6	110.9
Disposals	(3.0)	–	–	–	–	–	(3.0)
Balance at 30 June 2011	333.2	1.4	1.3	0.3	130.7	101.6	568.5
Balance at 1 July 2011	333.2	1.4	1.3	0.3	130.7	101.6	568.5
Exchange differences	(53.6)	(0.2)	(0.3)	(0.1)	(21.2)	(18.1)	(93.5)
Business combination	222.8	–	–	–	–	–	222.8
Additions	59.6	0.1	0.4	0.3	–	78.4	138.8
Transfer of assets under construction	44.2	–	–	–	–	(44.2)	–
Disposals	(5.8)	–	–	–	–	–	(5.8)
Balance at 30 June 2012	**600.4**	**1.3**	**1.4**	**0.5**	**109.5**	**117.7**	**830.8**
Depreciation							
Balance at 1 July 2010	29.6	(0.1)	0.4	0.1	8.7	–	38.7
Exchange differences	5.3	0.1	0.1	–	1.1	–	6.6
Reversal of impairment (note 8)	0.8	–	–	–	0.8	–	1.6
Disposals	(2.1)	–	(0.1)	–	–	–	(2.2)
Provided in the year	21.8	0.1	0.2	–	0.3	–	22.4
Balance at 30 June 2011	55.4	0.1	0.6	0.1	10.9	–	67.1
Balance at 1 July 2011	55.4	0.1	0.6	0.1	10.9	–	67.1
Exchange differences	(10.9)	–	(0.1)	–	(1.8)	–	(12.8)
Disposals	(5.0)	–	–	–	–	–	(5.0)
Provided in the year	39.8	–	0.2	0.1	0.9	–	41.0
Balance at 30 June 2012	**79.3**	**0.1**	**0.7**	**0.2**	**10.0**	**–**	**90.3**
Net book value							
At 30 June 2011	277.8	1.3	0.7	0.2	119.8	101.6	501.4
At 30 June 2012	**521.1**	**1.2**	**0.7**	**0.3**	**99.5**	**117.7**	**740.5**

1. The mining assets are secured against the loan facilities as set out in note 22.
2. Mineral properties are in respect of various mines within the Group and the useful life, based on current life of mine plans, is disclosed in note 1.4.
3. Assets under construction include refurbishments and expansion of mining property, plant and equipment at the Cullinan, Finsch, Kimberley Underground, Koffiefontein and Williamson mines. The contractual commitments the Group had at year end were in respect of assets under construction and future Capex projects of US$28.5 million (30 June 2011: US$11.6 million). Borrowing costs of US$6.3 million (30 June 2011: US$3.5 million) have been capitalised to assets under construction.

15. Intangible assets

US$ million	Total
Cost	
Balance at 1 July 2011 and 30 June 2012	**14.5**
Amortisation	
Balance at 1 July 2011 and 30 June 2012	**(14.5)**
Net book value	
At 30 June 2011	–
At 30 June 2012	**–**

Prospecting licences

Prospecting licences in Botswana are fully amortised. The Group continues to conduct exploration activities in Botswana. During the year exploration expenditure of US$3.1 million (30 June 2011: US$1.4 million) was expensed in respect of exploration activities within Botswana.

16. Investments in associates

Interests in associates

At year end, the Group had interests in the following companies:

	Country	Ownership 2012	Ownership 2011
Namibia Mining House (Pty) Ltd	Namibia	**35.0%**	35.0%
Nabera Mining (Pty) Ltd	South Africa	**29.5%**	29.5%
Organizações Moyoweno – Comércio Geral Lda	Angola	**40.0%**	40.0%

Summary of financial statements of associates (US$ million):

2012	**Assets**	**Liabilities**	**Equity**	**Revenues**	**Loss after tax**
Namibia Mining House (Pty) Ltd	–	–	–	–	–
Nabera Mining (Pty) Ltd	–	(1.4)	1.3	–	(0.1)
Organizações Moyoweno – Comércio Geral Lda	0.8	(0.4)	(0.4)	–	–
2011					
Namibia Mining House (Pty) Ltd	–	–	–	–	–
Nabera Mining (Pty) Ltd	–	(1.3)	1.2	–	(0.1)
Organizações Moyoweno – Comércio Geral Lda	0.8	(0.4)	(0.4)	–	–

The unrecognised share of losses in aggregate is US$nil (30 June 2011: US$nil). If the investments in associates had been included at cost, they would have been included at US$nil (30 June 2011: US$nil).

The initial investments by the Group in Namibia Mining House (Pty) Ltd, Nabera Mining (Pty) Ltd and Organizações Moyoweno – Comércio Geral Lda ("Moyoweno") have all been impaired in full in prior periods. Moyoweno's financial year end is 31 December, the statutory reporting period for companies based in Angola, and its primary asset is a 13% investment in the Alto Cuilo project in Angola, from which the Group withdrew in 2009. Interim financial information for Moyoweno has been used as at year end for the Group. The Group has no contractual or constructive obligation to fund the net deficit positions of its associates.

17. Available-for-sale financial assets

US$ million	**2012**	2011
Balance at 1 July	**0.4**	0.8
Fair value adjustment taken to other reserves (no tax implications)	**(0.2)**	(0.4)
Balance at 30 June	**0.2**	0.4

The Company owns 4,500,000 ordinary shares in Stellar Diamonds plc ("Stellar"). At year end the Company adjusted the fair value of its investment in Stellar to the fair market value of £0.1 million (30 June 2011: £0.3 million), being US$0.2 million (30 June 2011: US$0.4 million). The movement of US$0.2 million (30 June 2011: US$0.4 million) was taken to other reserves. The reduction in value is not considered significant by management.

18. Inventories

US$ million	**2012**	2011
Diamonds held for resale	**24.5**	13.3
Work in progress stockpiles	**15.3**	14.8
Consumables and stores	**8.5**	4.9
Livestock	**0.2**	0.2
	48.5	33.2
Provision for impairment of slow moving consumables and stores	**(0.7)**	(0.3)
	47.8	32.9

As at 30 June 2012, diamonds (inventories held for resale) with a value of US$9.9 million (30 June 2011: US$2.6 million) have been written down to fair value less costs to sell (due to fair value less cost to sell being below cost) within the overall carrying value of US$24.5 million (30 June 2011: US$13.3 million), resulting in a charge to the income statement of US$7.3 million (30 June 2011: US$1.2 million). The movement in provisions against slow moving consumables and stores resulted in a charge to the income statement of US$0.4 million (30 June 2011: US$0.2 million).

19. Trade and other receivables

US$ million	2012	2011
Current		
Trade receivables	**25.1**	20.6
Other receivables[1]	**11.9**	20.9
Prepayments[2]	**19.5**	8.3
	56.5	49.8
Non-current		
Rehabilitation guarantee[3]	**0.2**	0.2
BEE partners[4]	**89.4**	50.9
	89.6	51.1

1. Included within other receivables are amounts related to funding advanced to joint venture BEE partners on the Koffiefontein and Kimberley Underground mines assets of US$nil (30 June 2011: US$5.3 million), rehabilitation deposits and other deposits of US$nil (30 June 2011: US$5.5 million), current tax receivable of US$1.0 million (30 June 2011: US$nil) and Value Added Tax refunds of US$7.3 million (30 June 2011: US$7.2 million) receivable. The rehabilitation deposit previously disclosed under other receivables has been reclassified to secured cash and cash equivalents.
2. Included within prepayments is US$16.6 million (30 June 2011: US$5.0 million) relating to a deposit paid for further investment in the Group's South African projects. The original US$17.2 million payment, which will be deducted in full from any future acquisition consideration, was made by a Group company with pounds sterling as its functional currency, resulting in unrealised exchange rate fluctuations in the US dollar equivalent for presentational purposes only (refer to note 30).
3. The rehabilitation guarantee comprises an insurance risk policy which will be recovered upon the successful rehabilitation at the Sedibeng JV operation.
4. Interest on loans advanced to BEE partners is charged at the prevailing South African prime interest rate plus 2%. The loans are repayable from future cashflows generated from the underlying mining operations.

The financial assets classified as loans and receivables included in receivables are as follows:

US$ million	2012	2011
Current trade receivables	**25.1**	20.6
Other receivables (excluding VAT and prepayments)	**4.5**	13.7
Non-current receivables	**89.6**	51.1
	119.2	85.4

The trade receivables are all due within normal trading terms and there are no trade receivables classified as past due. Trade receivables are due within two days of awarding the rough diamond sales tender to the successful bidder and were significant at year end due to the tenders' proximity to year end. The trade receivables relating to the year-end tender have all been received post year end. No receivables are considered to be past due or impaired.

The carrying values of these loans and receivables are denominated in the following currencies:

US$ million	2012	2011
Pounds sterling	**1.0**	0.9
South African rand	**102.9**	83.2
US dollars	**15.3**	1.3
	119.2	85.4

20. Cash

US$ million	2012	2011
Cash and cash equivalents – unrestricted	**31.3**	96.9
Cash – restricted	**16.0**	228.0
	47.3	324.9

As security for the Group's rehabilitation obligations at the Helam, Star, and Sedibeng mines, the Company has ceded US$6.0 million (30 June 2011: US$14.8 million) in a fixed deposit. The restricted cash will return to the Group's sole control when the above mentioned operations are included in the Group's rehabilitation insurance product which currently includes the Cullinan, Finsch, Kimberley Underground and Koffiefontein mines. The insurance product has secured cash assets of US$10.0 million (30 June 2011: US$4.6 million). The Group has a commitment to pay insurance premiums over the next two years of US$11.8 million (30 June 2011: US$23.3 million) to fund the insurance product. The rehabilitation provisions are disclosed in note 24.

A controlled entity, Helam Mining (Pty) Ltd, has a R10.0 million (US$1.2 million) (30 June 2011: R10.0 million (US$1.5 million)) overdraft facility with First National Bank, a division of FirstRand Bank Ltd. At year end and at 30 June 2011, the overdraft was not utilised. When utilised, the overdraft is off-set against other cash balances held with First National Bank as it forms part of the Group's operational cash balances. The weighted average interest rate for the overdraft as at 30 June 2012 is 0% (30 June 2011: 0%). For additional facilities available to the Group refer to note 22.

Notes to the Annual Financial Statements
For the year ended 30 June 2012 continued

21. Issued capital

US$ million	Number of shares	2012	Number of shares	2011
Authorised – ordinary shares of 10p each				
As at 1 July 2011 and 30 June 2012	**650,000,000**	**115.2**	650,000,000	115.2
Issued and fully paid				
At 1 July	**499,874,009**	**84.8**	352,803,021	61.4
Allotments during the year	**5,780,421**	**0.9**	147,070,988	23.4
At 30 June	**505,654,430**	**85.7**	499,874,009	84.8

Allotments during the year were in respect of the exercise of 3,464,259 warrants held over ordinary shares by RBC Capital Markets and Rand Merchant Bank ("RMB") and the exercise of 2,316,162 share options held by employees.

Allotments during the prior year were in respect of 136,698,212 shares issued as part of a capital fundraising exercise, the exercise of 8,292,777 warrants held over ordinary shares by Canaccord Genuity and RMB and the exercise of 2,079,999 share options held by employees.

Warrants

Holder	Expiry	Exercise price (pence)	2012 Number of warrants	2011 Number of warrants
RBC Capital Markets	17 December 2011	80	–	1,364,259
RMB	2 November 2014	100	–	2,100,000
International Finance Corporation	2 November 2012	90	**2,100,000**	2,100,000
International Finance Corporation	2 November 2013	95	**2,100,000**	2,100,000
International Finance Corporation	2 November 2014	100	**2,100,000**	2,100,000

During the year warrants over 3,464,259 ordinary shares were exercised by RBC Capital Markets and RMB. RMB exercised 2,100,000 warrants over ordinary shares at an exercise price of 100 pence and RBC Capital Markets exercised 1,364,259 warrants over ordinary shares at an exercise price of 80 pence.

In the prior year, as part of the debt facilities referred to in note 22 parts (iii) and (iv), 12,600,000 warrants over Petra shares were granted to the International Finance Corporation ("IFC") (6,300,000) and RMB (6,300,000), with an exercise price ranging between 90 pence–100 pence per warrant and which vested on 3 November 2010.

The Black-Scholes methodology as outlined in IFRS 2 has been used to value the warrants, as set out in note 28.

Employee share options

Holder	Shares	Exercise price (pence)	Expiry
Directors	8,800,000	44.0–85.0	5 September 2013–16 March 2020
Senior Management	8,279,428	27.5–96.0	28 January 2015–25 November 2020
Total	17,079,428		

2011 Longer-term Share Plan and 2012 Performance Share Plan

2011 Longer-term Share Plan	Shares	Price at grant date (pence)	Performance period
Directors	1,200,000	133.0	1 July 2012–30 June 2016

2012 Performance Share Plan	Shares	Price at grant date (pence)	Performance period
Directors	764,332	133.0	1 July 2011–30 June 2014

Further detail in respect of Directors and Senior Management share options, together with the Executive Director Longer-term Share Plan and Performance Share Plan, is disclosed in the Directors' Remuneration Report on pages 61 to 72.

22. Interest-bearing loans and borrowings

US$ million	2012	2011
Current		
Bank loan – secured (i)	–	–
Bank loan – secured (ii)	–	–
Bank loan – secured (iii)	11.3	–
Bank loan – secured (iv)	10.8	–
Deferred consideration (v)	–	18.7
	22.1	18.7
Non-current		
Bank loan – secured (i)	–	–
Bank loan – secured (iii)	19.9	36.5
Bank loan – secured (iv)	23.4	33.1
Associate loans	3.6	1.8
	46.9	71.4

(i) Bank loans – secured

RMB and IFC – Finsch Diamond Mine (Pty) Ltd ("FDM")

On 29 November 2011, the Company (through its wholly owned subsidiary FDM) entered into an agreement with RMB (a division of FirstRand Bank Ltd) with regards to new debt facilities of ZAR400 million (US$49.0 million). The facilities comprise a revolving credit facility ("RCF") of ZAR300 million (US$36.8 million) and a working capital facility ("WCF") of ZAR100 million (US$12.2 million).

The RCF is available for draw-down for up to 22 months from 30 November 2011 (the date of financial close of the transaction) subject to the RCF commitment amount being reduced by 25% on 1 July 2013. The RCF bears interest at the South African three month JIBAR rate plus 2.5% margin. The RCF is repayable 24 months from financial close of the transaction, being 30 November 2011.

The WCF is available for draw-down for a period of 11 months from financial close and is subject to annual review. The WCF bears interest at the South African three month JIBAR rate plus 2.4% margin. The WCF is repayable 12 months from financial close of the transaction, being 30 November 2011 (subject to annual review).

The debt facilities are secured over the assets of the Finsch mine. At 30 June 2012 the Group had not drawn down on the RCF facility and the WCF facility balance was US$nil.

(ii) Bank loans – secured

First National Bank

The Company's South African subsidiaries have a total loan facility of R70.0 million (US$8.6 million) (30 June 2011: R70.0 million (US$10.2 million)) with First National Bank of which Rnil (US$nil) (30 June 2011: Rnil (US$nil)) has been drawn down. The facility is renewed on an annual basis and is repayable on demand.

The above facility is secured by a guarantee issued by the Company, suretyships from Star Diamonds (Pty) Ltd, Helam Mining (Pty) Ltd, Sedibeng JV and Blue Diamond Mines (Pty) Ltd, and cessions of inter-group loans payable in favour of First National Bank.

(iii) Bank loans – secured

RMB

The loan facility is available for the Company's draw-down up to and including 14 September 2012 and has a capital repayment holiday period to 14 September 2012. The loan is repayable in eight semi-annual payments commencing after the capital repayment holiday period with the final payment due on 15 March 2016. The loan incurs interest at the South African three month JIBAR rate plus 4.5% and is payable in semi-annual payments from the commencement date of the loan facility. The effective interest rate for the debt facility at 30 June 2012 is 13.7% (30 June 2011: 14.0%).

RMB was granted 6.3 million warrants over Petra shares all of which have been exercised by RMB since grant date. The warrant exercise prices for each tranche were 90 pence, 95 pence and 100 pence respectively. The Black-Scholes methodology as outlined in IFRS 2 was used to value the warrants, as set out in note 28.

The unamortised portion of facility fees and warrant fair value charges of R12.2 million (US$1.5 million) (30 June 2011: R17.6 million (US$2.5 million)) associated with the facility drawn-down are debited against the gross draw-down value of R267.1 million (US$32.7 million) (30 June 2011: R267.1 million (US$39.0 million)), in accordance with IAS 32 and IAS 39, to reflect a net interest-bearing liability of R253.3 million (US$31.2 million) (30 June 2011: R249.5 million (US$36.5 million)). The remaining R6.5 million (US$0.8 million) (30 June 2011: R6.5 million (US$0.9 million)) of facility fees and warrant fair value charges associated within the undrawn facility are held in prepayments as the loan facility is expected to be utilised.

The above facility is secured by various encumbrances and pledges, concluded in respect of certain assets belonging to the Group including the Cullinan mine mining rights; moveable and immoveable assets at Cullinan mine; and the shares in Cullinan Diamond Mine (Pty) Ltd, Blue Diamond Mines (Pty) Ltd and Williamson Diamonds Ltd.

22. Interest-bearing loans and borrowings continued

(iv) Bank loans – secured

IFC

The loan facility is available for the Company's draw-down up to and including 14 September 2012 and has a capital repayment holiday period to 14 September 2012. The loan is repayable in eight semi-annual payments commencing after the capital repayment holiday period, with the final payment due on 15 March 2016. The loan incurs interest at the US$ six month LIBOR rate plus 4.5% and is payable in semi-annual payments from commencement date of the loan facility. The effective interest rate for the debt facility at 30 June 2012 is 8.9% (30 June 2011: 8.9%).

The IFC was granted 6.3 million warrants over Petra shares. The warrants vested on grant and the warrant expiry dates will be in equal tranches at the end of years two, three and four from the warrant grant date. The warrant exercise prices for each tranche are 90 pence, 95 pence and 100 pence respectively. The Black-Scholes methodology as outlined in IFRS 2 was used to value the warrants, as set out in note 28.

The unamortised portion of facility fees and warrant fair value charges of US$2.3 million (30 June 2011: US$3.4 million) associated with the facility drawn-down are debited against the gross draw-down value of US$36.5 million (30 June 2011: US$36.5 million), in accordance with IAS 32 and IAS 39, to reflect a net interest bearing liability of US$34.2 million (30 June 2011: US$33.1 million). The remaining US$0.4 million (30 June 2011: US$0.4 million) of facility fees and warrant fair value charges associated within the undrawn facility are held in prepayments as the loan facility is expected to be utilised.

The above facility is secured by various encumbrances and pledges, concluded in respect of certain assets belonging to the Group including the Cullinan mine mining right; moveable and immoveable assets at Cullinan mine; and the shares in Cullinan Diamond Mine (Pty) Ltd, Blue Diamond Mines (Pty) Ltd and Williamson Diamonds Ltd.

(v) Deferred Cullinan consideration

Al Rajhi Holdings W.L.L. ("Al Rajhi")

During the year, the Company settled the deferred consideration liability of US$20.1 million (US$20.0 million capital and US$0.1 million interest), which was due for repayment in full on or before 31 March 2012 (subsequent to the liability being renegotiated during the year) and accrued interest at 7% per annum.

There are no significant differences between the fair value and carrying value of loans and borrowings.

23. Trade and other payables

US$ million	**2012**	2011
Current		
Trade payables	**17.2**	11.5
Deferred consideration (i)	**2.8**	2.8
Accruals and other payables	**29.0**	25.1
	49.0	39.4
Taxation payable	**–**	–
	49.0	39.4
Non-current		
Amounts owing to BEE partners (ii)	**66.6**	29.0
	66.6	29.0

Current

(i) The Group is liable to pay US$3.2 million (30 June 2011: US$3.2 million) (US$2.8 million after discounting (30 June 2011: US$2.8 million)), being the balance of the Helam Mining (Pty) Ltd purchase price which is payable from 50% of the cash surplus generated by Helam Mining (Pty) Ltd for the years ended 31 December 2006 and 2007.

Any shortfall in the amount payable in any one year can be carried forward to the next year until such time that the total amount payable of US$2.8 million has been extinguished. At year end no portion of the liability had been repaid and the total liability will be carried forward.

(ii) The loans bear interest at the prevailing South African prime interest rate. The loans are repayable from future cashflows from the underlying operations only when the loans advanced to BEE partners (refer to note 19) have been repaid in full to the Group.

The financial liabilities included in trade and other payables (which exclude taxation) are as follows:

US$ million	**2012**	2011
Trade payables	**17.2**	11.5
Other payables (includes deferred consideration)	**31.8**	27.9
Non-current trade payables owing to BEE partners	**66.6**	29.0
	115.6	68.4

23. Trade and other payables continued

Current continued

The carrying values of financial liabilities classified as trade and other payables are denominated in the following currencies:

US$ million	2012	2011
Botswana pula	**0.3**	–
Pounds sterling	**1.8**	1.8
South African rand	**103.2**	54.2
US dollar	**10.3**	12.4
	115.6	68.4

24. Provisions

US$ million	Post-retirement medical fund and income tax	Rehabilitation	Total
Balance at 1 July 2010	7.5	44.7	52.2
Increase in provisions	1.4	3.9	5.3
Unwinding of present value adjustment of rehabilitation provision	–	3.8	3.8
Exchange differences	0.6	3.4	4.0
Balance at 30 June 2011	9.5	55.8	65.3
Current	2.2	–	2.2
Non-current	7.3	55.8	63.1
Balance at 30 June 2011	9.5	55.8	65.3
Balance at 1 July 2011	9.5	55.8	65.3
Acquired through acquisition	5.3	23.7	29.0
Decrease in rehabilitation liability provision – change in estimate	–	(3.3)	(3.3)
Increase in provisions	1.4	–	1.4
Unwinding of present value adjustment of rehabilitation provision	–	5.9	5.9
Exchange differences	(2.2)	(8.9)	(11.1)
Balance at 30 June 2012	**14.0**	**73.2**	**87.2**
Current	2.2	–	2.2
Non-current	11.8	73.2	85.0
Balance at 30 June 2012	**14.0**	**73.2**	**87.2**

Employee entitlements and other provisions

The provisions relate to provision for an unfunded post-retirement medical fund and income tax. The provision for the post-retirement medical fund is further disclosed in note 34. The provision for taxation is based on estimates made, where appropriate, from historical information and professional advice.

Rehabilitation

The provision is the estimated cost of the environmental rehabilitation at each site, which is based on current legal requirements and existing technology. The Group estimates the present value of the rehabilitation expenditure at each mine as follows:

- Koffiefontein mine of US$6.8 million (30 June 2011: US$7.8 million), provided over the current life of mine plan of 13 years;
- Cullinan mine of US$14.7 million (30 June 2011: US$18.9 million) provided over the estimated mine works programme of 50 years including the C-cut;
- Finsch mine of US$23.0 million (30 June 2011: US$nil) provided over the estimated total life of mine of 18 years.
- Kimberley Underground mines of US$9.9 million (30 June 2011: US$14.1 million) provided over the current life of mine plan of 10 years;
- Williamson mine of US$15.3 million (30 June 2011: US$12.9 million) provided over the current life of mine plan of 18 years; and
- Helam, Star and Sedibeng of US$3.5 million (30 June 2011: US$2.1 million) (the Fissure Mines) provided over their current life of mine plan of approximately 13 years.

The vast majority of the rehabilitation expenditure is expected to be incurred at the end of the life of the respective mine. This is represented by the current life of mine plans for the mines, with the exception of Cullinan which is expected to be rehabilitated after 50 years, of which 18 years are included in the current life of mine plan. The 50 year period assumes mining of the C-Cut.

The significant assumptions and uncertainties are disclosed in note 1.23. Cash and cash equivalents have been secured in respect of rehabilitation provisions, as disclosed in note 20.

25. Deferred taxation

US$ million	2012	2011
Balance at beginning of the year	37.7	30.3
Income statement charge	10.5	6.4
Foreign currency translation difference	(3.1)	1.0
Balance at the end of the year	45.1	37.7
Comprising:		
Deferred tax asset	(9.3)	(5.1)
Deferred tax liability	54.4	42.8
	45.1	37.7

The deferred tax assets and liabilities are offset to determine the amounts stated in the Statement of Financial Position when the taxes can legally be offset and will be settled net.

Deferred taxation comprises:

US$ million	Total	2012 Recognised	2012 Unrecognised
Deferred tax liability:			
– Capital allowances	152.5	152.5	–
– Foreign exchange allowances	0.1	0.1	–
	152.6	152.6	–
Deferred tax asset:			
– Capital allowances	(83.3)	(81.3)	(2.0)
– Provisions and accruals	(17.1)	(16.8)	(0.3)
– Foreign exchange allowances	(1.8)	(1.8)	–
– Tax losses	(37.3)	(7.6)	(29.7)
	(139.5)	(107.5)	(32.0)
Net deferred taxation liability/(asset)	13.1	45.1	(32.0)

US$ million	Total	2011 Recognised	2011 Unrecognised
Deferred tax liability:			
– Capital allowances	88.3	88.3	–
– Prepayments and accruals	0.1	0.1	–
– Foreign exchange allowances	2.7	2.7	–
	91.1	91.1	–
Deferred tax asset:			
– Capital allowances	(40.4)	(39.0)	(1.4)
– Provisions and accruals	(9.7)	(9.1)	(0.6)
– Foreign exchange allowances	(1.6)	(1.3)	(0.3)
– Tax losses	(36.8)	(4.0)	(32.8)
	(88.5)	(53.4)	(35.1)
Net deferred taxation liability/(asset)	2.6	37.7	(35.1)

2012 deferred taxation schedule of movements

US$ million	Total	Income statement	Statement of Financial Position (foreign currency translation reserve)
Deferred tax liability:			
– Capital allowances	53.0	64.2	(11.2)
– Prepayments and accruals	(0.1)	(0.1)	–
– Foreign exchange allowances	(3.1)	(2.6)	(0.5)
Deferred tax asset:			
– Capital allowances	(36.6)	(42.9)	6.3
– Provisions and accruals	(5.9)	(7.4)	1.5
– Foreign exchange allowances	0.4	0.2	0.2
– Tax losses	(0.3)	(0.9)	0.6
Net deferred tax movement	7.4	10.5	(3.1)

25. Deferred taxation continued

2011 deferred taxation schedule of movements

US$ million	Total	Income statement	Statement of Financial Position (foreign currency translation reserve)
Deferred tax liability:			
– Capital allowances	29.3	24.0	5.3
– Prepayments and accruals	0.1	0.1	–
– Foreign exchange allowances	2.4	2.4	–
Deferred tax asset:			
– Capital allowances	(14.9)	(11.6)	(3.3)
– Provisions and accruals	(3.4)	(2.4)	(1.0)
– Foreign exchange allowances	(2.3)	(2.3)	–
– Tax losses	(3.8)	(3.8)	–
Net deferred tax movement	7.4	6.4	1.0

Deferred tax assets of US$9.3 million have been recognised in respect of tax losses to be utilised by future taxable profits at Kimberley Underground, which incurred tax losses during the year. The Directors believe it is probable these tax assets will be recovered through future taxable income or the reversal of temporary differences, reflecting increased treatment capacity as the Wesselton plant is commissioned.

26. Financial instruments

Exposures to currency, liquidity, market price, credit and interest rate risk arise in the normal course of the Group's business. The Group may from time to time use financial instruments to help manage these risks. The Directors review and agree policies for managing each of these risks. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 1.

The details of the categories of financial instruments of the Group are as follows:

US$ million	**2012**	2011
Financial assets:		
Loans and receivables:		
– Non-current trade receivables	**89.6**	51.1
– Trade receivables	**25.1**	20.6
– Other receivables	**4.5**	13.7
– Cash and cash equivalents – restricted	**16.0**	228.0
– Cash and cash equivalents – unrestricted	**31.3**	96.9
Available-for-sale financial assets (Level 1 valuation)	**0.2**	0.4
Fair value designated hedge:		
– Derivative financial instruments (Level 2 valuation)	**–**	6.0
	166.7	416.7
Financial liabilities:		
Held at amortised cost:		
– Non-current amounts owing to BEE partners	**66.6**	29.0
– Non-current loans and borrowings	**46.9**	71.4
– Current loans and borrowings	**22.1**	18.7
– Trade and other payables (includes deferred consideration)	**49.0**	39.4
Fair value designated hedge:		
– Other current liabilities – firm commitment (Level 2 valuation)	**–**	6.0
	184.6	164.5

There is no significant difference between the fair value of financial assets and liabilities and the carrying values set out in the table above, noting that non-current receivables bear interest and are therefore not discounted. Available-for-sale financial assets are valued based on the share price at the reporting date. A loss of US$0.2 million (30 June 2011: US$0.4 million) has been recognised in the Consolidated Statement of Other Comprehensive Income in respect of the reduction of the available-for-sale financial assets to fair value.

26. Financial instruments continued

Fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level of the financial asset or financial liability in the fair value hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels. The only financial instruments held by the Group that were carried at fair value at 30 June 2012 and 30 June 2011 were the available-for-sale financial asset and forward currency contracts. The available-for-sale financial assets were valued using Level 1 of the hierarchy using quoted prices. The hedging instrument and hedged item were valued by broker statements using observable market prices.

The currency profile of the Group's financial assets and liabilities is as follows:

US$ million	**2012**	2011
Financial assets:		
Botswana pula	**0.8**	0.1
Pounds sterling	**2.5**	290.6
South African rand	**141.4**	120.5
US dollar	**22.0**	5.5
	166.7	416.7
Financial liabilities:		
Botswana pula	**–**	–
Pound sterling	**36.3**	41.0
South African rand	**137.9**	92.3
US dollar	**10.4**	31.2
	184.6	164.5

The Group is exposed through its operations to one or more of the following risks:

- credit risk;
- foreign exchange risk;
- liquidity risk;
- interest rate risk; and
- other market price risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade and other receivables (current and non-current);
- cash at bank;
- trade and other payables (current and non-current);
- loans and borrowings;
- hedging instruments; and
- firm commitments.

26. Financial instruments continued

Credit risk

The Group sells its rough diamond production through a tender process on a recognised bourse. This mitigates the need to undertake credit evaluations. Where production is not sold on a tender basis the Directors undertake suitable credit evaluations before passing ownership of the product.

At the reporting date there were no significant concentrations of credit risk, other than the US$16.6 million carrying value of the prepayment included in trade and other receivables which has been paid to Sirius for the transaction referred to in note 30. The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the Consolidated Statement of Financial Position. The financial assets are carried at amortised cost, with no indication of impairment. The Group considers the credit quality of loans and receivables that are neither past due nor impaired to be good.

Credit risk associated with loans to BEE partners is mitigated by a contractual obligation for the loans to be repaid from future cashflows prior to any payments being paid to the BEE partners from future cashflows generated by the Group's operations in which the BEE partners hold interests.

Group cash balances are deposited with reputable banking institutions within the countries in which it operates. Excess cash is held in overnight call accounts and term deposits ranging from seven to 30 days. Refer to note 20 for restricted cash secured in respect of rehabilitation obligations. At year end the Group had undrawn borrowing facilities of US$66.3 million (30 June 2011: US$18.5 million).

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in parts of the world where the functional currency is not the same as the Group's primary functional currency of US dollars. The Group's net assets arising from its foreign operations are exposed to currency risk resulting in gains and losses on translation into US dollars. Only in exceptional circumstances will the Group consider hedging its net investments in foreign operations, as generally it does not consider that the reduction in foreign currency exposure warrants the cashflow risk created from such hedging techniques.

Foreign exchange risk also arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. The policy of the Group is, where possible, to allow Group entities to settle liabilities denominated in their local currency with the cash generated from their own operations in that currency. In the case of the funding of non-current assets, such as projects to expand productive capacity entailing material levels of capital expenditure, the central Group treasury function will assist the foreign operation to obtain matching funding in the functional currency of that operation and shall provide additional funding where required. The currency in which the additional funding is provided is determined by taking into account the following factors:

- the currency in which the revenue expected to be generated from the commissioning of the capital expenditure will be denominated;
- the degree to which the currency in which the funding provided is a currency normally used to effect business transactions in the business environment in which the foreign operation conducts business; and
- the currency of any funding derived by the Company for onward funding to the foreign operation and the degree to which it is considered necessary to hedge the currency risk of the Company represented by such derived funding.

The purchase price of Finsch was fixed in South African rands and as such created a foreign currency risk for the Group. The Group entered into forward exchange contracts and held South African rands in escrow accounts to mitigate the foreign currency risk on the Finsch purchase price.

The foreign currency effect on the Group's financial assets and liabilities is as follows:

	30 June 2012			
US$ million	Year-end US$ rate	Year-end amount	US$ strengthens 10%	US$ weakens 10%
Financial assets:				
Botswana pula	0.1304	0.8	0.7	0.9
Pounds sterling	0.6367	2.5	2.3	2.8
South African rand	0.1225	141.4	127.2	155.5
US dollar	1.0000	22.0	22.0	22.0
		166.7	152.2	181.2
Financial liabilities:				
Pounds sterling	0.6367	36.3	32.7	39.9
South African rand	0.1225	137.9	124.1	151.7
US dollar	1.0000	10.4	9.3	11.4
		184.6	166.1	203.0

26. Financial instruments continued

Foreign exchange risk continued

	30 June 2011			
US$ million	Year-end US$ rate	Year-end amount	US$ strengthens 10%	US$ weakens 10%
Financial assets:				
Botswana pula	0.1523	0.1	0.1	0.1
Pounds sterling	0.6243	290.6	261.5	319.7
South African rand	0.1463	120.5	108.4	132.5
US dollar	1.0000	5.5	5.5	5.5
		416.7	375.5	457.8
Financial liabilities:				
Pounds sterling	0.6243	41.0	36.9	45.1
South African rand	0.1463	92.3	83.0	101.5
US dollar	1.0000	31.2	31.2	31.2
		164.5	151.1	177.8

The Directors consider a 10% currency movement to be the maximum likely cumulative change over the next 12 months.

Derivatives

US$ million	**2012**	2011
Derivative financial assets		
Derivatives designated as hedging instruments		
Forward foreign exchange contracts – fair value hedges	–	6.0
Total derivatives designated as hedging instruments	–	6.0
Total derivative financial assets	–	6.0
Less non-current portion	–	–
Current portion	–	6.0

The fair value of the derivative financial assets was split between current and non-current depending on the remaining maturity of the forward exchange contract and its contractual cashflows. The fair value of the Group's foreign exchange contracts is based on broker quotes.

The Group took out forward foreign exchange contracts and held deposits in South African rands to manage the foreign exchange risk associated with the unrecognised firm commitment to purchase the Finsch mine for R1.425 billion (refer to note 3).

The material principal amount of the forward contracts designated as fair value hedging instruments were US$86.4 million. The hedging instruments were effective at inception and at date of completion of the Finsch acquisition. The fair value of the hedging instruments was recognised as an asset in the Consolidated Statement of Financial Position in the prior year and an equal liability ('other current liabilities – firm commitment') was recognised reflecting the cumulative foreign exchange movement attributable to the unrecognised firm commitment. The movements (US$6.0 million gain and US$6.0 million loss) were recognised in financial income.

The maximum exposure to derivative credit risk at the prior reporting date was the fair value of the derivative assets in the Consolidated Statement of Financial Position. No credit risk exists at 30 June 2012 as the Finsch mine acquisition completed.

The derivative financial assets have a maturity profile of less than three months.

Liquidity risk

Liquidity risk arises from the Group's management of working capital, management of capital expenditure and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations and when necessary will seek to raise funds through the issue of shares and or debt.

It is the policy of the Group to ensure that it will always have sufficient cash to allow it to meet its liabilities when they fall due. To achieve this aim, the Group maintains cash balances and funding facilities at levels considered appropriate to meet ongoing obligations.

Cashflow is monitored on a regular basis. Projections reflected in the Group working capital model indicate that the Group will have sufficient liquid resources to meet its obligations as disclosed in note 1.1. The maturity analysis of the actual cash payment due in respect of loans and borrowings is set out in the table overleaf. The maturity analysis of trade and other payables are in accordance with those terms and conditions agreed between the Group and its suppliers. For trade and other payables, payment terms are 30 days, provided all terms and conditions have been complied with. Exceptions to those terms are set out in note 23, as reflected under non-current.

26. Financial instruments continued

Liquidity risk continued

Maturity analysis

The below maturity analysis reflects cash and cash equivalents and loans and borrowings based on actual carrying values rather than actual cashflows.

US$ million	Notes	Effective interest rate	30 June 2012 Total	6 months or less	6–12 months	1–2 years	2–5 years
Cash							
Cash and cash equivalents – unrestricted	20	**0.1%–4.5%**	**31.3**	**31.3**	**–**	**–**	**–**
Cash – restricted	20	**0.1%–4.5%**	**16.0**	**–**	**–**	**–**	**16.0**
Total cash			**47.3**	**31.3**	**–**	**–**	**16.0**
Loans and borrowings							
Bank loan – secured	22(iii)	**13.7%**	**31.2**	**5.7**	**5.6**	**10.5**	**9.4**
Bank loan – secured	22(iv)	**8.9%**	**34.2**	**5.4**	**5.4**	**10.3**	**13.1**
Deferred consideration	22(v)	**–**	**–**	**–**	**–**	**–**	**–**
Associate loans	22	**9.5%**	**3.6**	**–**	**–**	**–**	**3.6**
			69.0	**11.1**	**11.0**	**20.8**	**26.1**
Cashflow of loans and borrowings			**72.5**	**8.5**	**8.5**	**17.3**	**38.2**

US$ million	Notes	Effective interest rate	30 June 2011 Total	6 months or less	6–12 months	1–2 years	2–5 years
Cash							
Cash and cash equivalents – unrestricted	20	0.1%–5.8%	96.9	96.9	–	–	–
Cash – restricted	20	0.1%–5.8%	228.0	213.2	–	–	14.8
Total cash			324.9	310.1	–	–	14.8
Loans and borrowings							
Bank loan – secured	22(iii)	14.0%	36.5	–	–	9.8	26.7
Bank loan – secured	22(iv)	8.9%	33.1	–	–	9.1	24.0
Deferred consideration	22(v)	6.0%	18.7	18.7	–	–	–
Associate loans	22	9.5%	1.8	–	–	–	1.8
			90.1	18.7	–	18.9	52.5
Cashflow of loans and borrowings			97.4	20.0	–	18.9	58.5

Interest rate risk

The Group has borrowings that incur interest at floating rates and no interest rate swaps are used. Management constantly monitors the floating interest rates so that action can be taken should it be considered necessary. An analysis of the sensitivity to interest rate changes is presented overleaf. The Directors consider 100 basis points to be the maximum likely change in interest rates over the next 12 months.

26. Financial instruments continued

Interest rate risk continued

The effect of an interest rate increase/(decrease) on the Group in the year is as follows:

		30 June 2012			
US$ million	Notes	**Year-end interest rate**	**Year-end interest-bearing liability**	**Interest rate increases 1%**	**Interest rate (decreases) 1%**
Bank loan – secured	22(iii)	**13.7%**	**31.2**	**0.3**	**(0.3)**
Bank loan – secured	22(iv)	**8.9%**	**34.2**	**0.3**	**(0.3)**
Associate loans	22	**9.5%**	**3.6**	**–**	**–**
			69.0	**0.6**	**(0.6)**

		30 June 2011			
US$ million	Notes	Year-end interest rate	Year-end interest-bearing liability	Interest rate increases 1%	Interest rate (decreases) 1%
Bank loan – secured	22(iii)	14.0%	36.5	0.3	(0.3)
Bank loan – secured	22(iv)	8.9%	33.1	0.3	(0.3)
Deferred consideration loan – unsecured	22(v)	6.0%	18.7	–	–
Associate loans	22	9.5%	1.8	–	–
			90.1	0.6	(0.6)

The loan disclosed in note 22(v) was a discounted deferred consideration and therefore was not exposed to fluctuations in interest rates.

Other market price risk

The Group generates revenue from the sale of rough and polished diamonds. The significant number of variables involved in determining the selling prices of rough diamonds, such as the uniqueness of each individual rough stone, the content of the rough diamond parcel and the ruling US$/ZAR spot rate at the date of sale, makes it difficult to accurately extrapolate the impact the fluctuations in diamond prices would have on the Group's revenue.

Capital disclosures

Capital is defined by the Group to be the capital and reserves attributable to equity holders of the parent company. The Group's objectives when maintaining capital are:

- to safeguard the ability of the entity to continue as a going concern; and
- to provide an adequate return to shareholders.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt to equity. Net debt is calculated as total liabilities (excluding provisions and deferred tax liabilities) less restricted and unrestricted cash and cash equivalents. Equity comprises all components of equity attributable to equity holders of the parent company.

The debt to equity ratios at 30 June 2012 and 30 June 2011 are as follows:

US$ million	**2012**	2011
Total debt	**184.6**	164.5
Cash and cash equivalents	**(47.3)**	(324.9)
Net debt/(funds)	**137.3**	(160.4)
Total equity attributable to equity holders of the parent company	**637.6**	667.0
Net debt/(funds) to equity ratio	**0.21:1**	(0.24):1

The Group manages its capital structure by the issue of ordinary shares, raising debt finance where appropriate, and managing Group cash and cash equivalents.

27. Contingent liabilities

Environmental

The controlled entities of the Company provide for all known environmental liabilities. While the Directors of each of those entities and the Company believe that, based upon current information, their current provisions for environmental rehabilitation are adequate, there can be no assurance that new material provisions will not be required as a result of new information or regulatory requirements with respect to known mining operations or identification of new rehabilitation obligations at other mine operations.

28. Share-based payments

Share grants to Directors: 2011 Longer-term Share Plan ("2011 LTSP") and 2012 Performance Share Plan ("2012 PSP")

On 15 May 2012, performance-based share awards under the 2011 LTSP and 2012 PSP were granted to Directors. The share-based payment awards are considered to be equity-settled, albeit they can be cash settled at the Company's option. The share plans were implemented to address the retention of Directors and Senior Management over the period to FY 2016, which is a pivotal period for the Company as the expansion programmes are rolled out across the Group.

The fair value of the 2011 LTSP and 2012 PSP granted during the year and the assumptions used in the Monte Carlo model are as follows:

2011 LTSP – non-market based subject to performance conditions	2012
Fair value	**133.0p**
Grant date	**15 May 2012**
Share price at grant date	**133.0p**
Life of award	**3.4 years–4.4 years**
Expected dividends	**–**

2012 PSP – market-based performance conditions	2012
Fair value (PSP absolute TSR/PSP relative TSR/PSP non-market)	**47p/85.0p/133.0p**
Grant date	**15 May 2012**
Share price at grant date	**133.0p**
Expected volatility	**53%**
Life of award	**2.4 years**
Expected dividends	**–**
Performance period	**3 years**
Correlation	**41%**
Risk-free interest rate (based on national Government bonds)	**0.4%**

The expected volatility is based on historic volatility of the Group's share price, adjusted for any extreme changes in the share price during the historic period. During the year, 1,200,000 LTSP and 764,332 PSP shares were awarded at a fair value price of 133.0 pence. The correlation is based on analysis of historical correlation rates. The market-based conditions are detailed on page 66 of the Directors' Remuneration Report and the grant date fair value incorporates the effect of these market-based conditions. The awards have no exercise price.

Further information on the terms of the awards (including their vesting conditions) can be found on pages 66 and 67 of the Directors' Remuneration Report, together with a reconciliation of the awards for the year and the remaining contractual term on page 71.

28. Share-based payments continued

Employee and Director share options

The Company has an established share option programme that entitles the Remuneration Committee, at its discretion, to grant share options to Directors and Senior Management. There were no new employee share options granted during the year. The terms and conditions of the share options granted during the year ended 30 June 2011 are disclosed below. The share-based payment expense has been calculated using the Black-Scholes model. All share options are equity-settled.

Fair value of share options granted and assumptions are as follows:

	2012	2011
Fair value at measurement date	–	31.0p–51.2p
Exercise price	–	92.8p
Share price at grant date	–	97.0p
Expected volatility	–	79.2%
Vesting period	–	1 year–3 years
Option life	–	10 years
Expected dividends	–	–
Risk-free interest rate (based on national Government bonds)	–	0.98%–2.48%

The expected volatility is based on historic volatility of the Group's share price, adjusted for any extreme changes in the share price during the historic period. During the year, 2,316,162 (30 June 2011: 2,079,999) options held by employees were exercised and the Company expensed US$1.0 million (30 June 2011: US$1.9 million) related to the fair value of employee share options and the LTSP and PSP plans. During the year, nil (30 June 2011: 130,000) options lapsed, 188,333 (30 June 2011: 504,079) share options with a weighted average option price of 46.4 pence (30 June 2011: 42.4 pence) were cancelled immediately before vesting and nil (30 June 2011: 500,000) share options were granted.

The terms and conditions of the options in issue are as follows, whereby all options are equity settled by delivery of shares:

Employees and Directors entitled	Grant date	Number	Vesting period	Remaining life of options (years)
Options granted to Directors	5 September 2003	1,000,000	1/3 per annum from grant date	1
	16 June 2005	2,000,000	1/3 per annum from grant date	3
	31 May 2006	1,000,000	1/3 per annum from grant date	4
	12 March 2009	2,500,000	1/3 per annum from grant date	7
	30 September 2009	1,150,000	1/3 per annum from grant date	8
	17 March 2010	1,150,000	1/3 per annum from grant date	8
Options granted to Senior Management	28 January 2005	12,500	25% from grant date for two years, then 50% in third year	3
	27 November 2005	48,098	1/3 per annum from grant date	3
	31 May 2006	97,544	1/3 per annum from grant date	4
	31 July 2006	210,608	1/3 per annum from grant date	6
	12 March 2009	2,978,002	1/3 per annum from grant date	7
	30 September 2009	1,817,673	1/3 per annum from grant date	8
	17 March 2010	2,631,670	1/3 per annum from grant date	8
	25 November 2010	483,333	1/3 per annum from grant date	9

	2012		2011	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at beginning of the year	**47.88**	**19,583,923**	48.60	21,798,001
Cancelled during the year	**46.43**	**(188,333)**	42.39	(504,079)
Lapsed during the year	–	–	43.42	(130,000)
Exercised during the year	**39.62**	**(2,316,162)**	51.05	(2,079,999)
Granted during the year	–	–	92.80	500,000
Outstanding at the end of the year	**49.17**	**17,079,428**	47.88	19,583,923
Exercisable at the end of the year	**49.53**	**14,506,959**	51.38	11,770,578

The weighted average market price of the shares in respect of options exercised during the year was 170.45 pence (30 June 2011: 156.87 pence). The options outstanding at 30 June 2012 have an exercise price in the range of 27.5 pence to 96.0 pence (30 June 2011: 27.5 pence to 96.0 pence) and a weighted average remaining contractual life of six years (30 June 2011: seven years).

28. Share-based payments continued

Employee and Director share options continued

Employees received cash payments of US$nil (30 June 2011: US$0.8 million) during the year in respect of options cancelled. The payments equate to the fair value at the date of cancellation and the Group recognised a charge to equity in accordance with IFRS 2 together with the acceleration of the remaining unamortised fair value in respect of the options of US$nil (30 June 2011: US$0.1 million) in the Consolidated Income Statement.

Warrants

There were no new warrants granted during the year.

During the year ended 30 June 2011, as part of the debt facilities referred to in note 22 parts (iii) and (iv), 12,600,000 warrants over Petra shares were granted to the IFC (6,300,000) and RMB (6,300,000). The fair value of the 12,600,000 warrants has been calculated using the Black-Scholes model and were debited against prepayments until such time as the loan was drawn down. The warrants were fair valued at US$7.9 million. When the loan was drawn down, the fair value was debited against the interest-bearing non-current borrowings and the effective interest rate and associated accretion charges adjusted accordingly (refer to note 22 parts (iii) and (iv)).

The inputs for warrants issued are as follows:

	2012	2011
Fair value at measurement date	–	36.2p–41.7p
Exercise price	–	90p, 95p and 100p
Share price at date of grant	–	102.0p
Expected volatility	–	43%–63%
Warrant life	–	2 years–4 years
Expected dividends	–	–
Risk-free interest rate (based on national Government bonds)	–	0.65%–1.16%

The expected volatility is based on historic volatility of the Group's share price, adjusted for any extreme changes in the share price during the historic period. During the year nil warrants (30 June 2011: nil) lapsed and 3,464,259 (30 June 2011: 8,292,777) were exercised with option prices in the range of 80 pence to 100 pence.

The terms and conditions of the grants are as follows, whereby all warrants are settled by delivery of shares:

	2012		2011	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at beginning of the year	**93.98**	**9,764,259**	80.00	5,457,036
Exercised during the year	**92.12**	**(3,464,259)**	86.33	(8,292,777)
Granted during the year	**–**	**–**	95.00	12,600,000
Outstanding at the end of the year	**95.00**	**6,300,000**	93.98	9,764,259
Exercisable at the end of the year	**95.00**	**6,300,000**	93.98	9,764,259

The warrants outstanding at 30 June 2012 have an exercise price in the range of 90 pence to 100 pence (30 June 2011: 80 pence to 100 pence) and a weighted average remaining contractual life of two years (30 June 2011: three years).

29. Post-balance sheet events

IFC revolving credit facility

On 16 July 2012, the Company announced that its subsidiary Finsch Diamond Mine (Pty) Ltd ("FDM") had entered into a revolving credit facility agreement (the "IFC Agreement") with IFC with regards to a new revolving credit facility of US$25 million secured on the assets of FDM in respect of the Finsch diamond mine in South Africa ("Finsch") and the Company's interest in FDM.

The new facility has been put in place in addition to the ZAR300 million (approximately US$36.8 million) RMB revolving credit facility that was announced on 30 November 2011. On completion of the IFC Agreement, the ZAR300 million RMB facility reduced to ZAR200 million (approximately US$24.5 million), so that the lenders together provide circa US$49.5 million in revolving credit facilities to Petra.

The RMB and IFC credit facilities are available for Petra's draw down until 31 December 2013. On 31 December 2013 the IFC revolving credit facility will reduce to US$18.7 million and the RMB revolving credit facility will reduce to R150 million (US$18.4 million). All capital outstanding is to be repaid by 31 May 2014. The IFC revolving credit facility bears interest at US Libor plus 3.5% and the RMB revolving credit facility bears interest at the South African three month JIBAR rate plus 3.5%.

Proposed sale of Fissure Mines

On 31 July 2012, the Company announced that it had, in conjunction with its BEE partners, decided to undertake a sale process in respect of its fissure mine operations, comprising the Helam (excluding Helam Projects), Sedibeng and Star mines in South Africa (the "Fissure Mines") which form the Fissures operating segment. The Group have appointed professional advisers and commenced a formal sale process subsequent to the year end.

Through the Company's focus on the development of its major assets, the Company has evolved into a successful producer from underground and surface (Williamson), high-tonnage kimberlite pipe mines. The Fissure Mines have therefore become non-core to the Company, both in terms of their revenues and resource base, and Petra is of the view that the Fissure Mines have the potential to deliver strong returns under the ownership of an operator to whom they would be core assets.

30. Related parties

Subsidiaries, associates and joint ventures

Details of subsidiaries, associates and joint ventures are disclosed in note 32 and note 16 respectively.

Directors

Details relating to Directors' emoluments and shareholdings in the Company are disclosed in note 11 and in the Directors' Remuneration Report (pages 68 and 70) respectively. Key management remuneration is disclosed in note 11.

There are no material loans to Directors or Senior Management that have not been disclosed in the notes.

During the year, a subsidiary of the Company paid US$2.7 million (R22.3 million) (30 June 2011: US$5.6 million (R39.2 million)) to Zeren (Pty) Ltd ("Zeren") in respect of an exclusivity agreement covering specialised plant and equipment. The cumulative amount paid to Zeren is US$8.6 million (R70.2 million) (30 June 2011: US$7.0 million (R47.9 million)) and is shown under property, plant and equipment in the Consolidated Statement of Financial Position. The equipment was supplied to a subsidiary of the Company at Zeren's cost and, given its specialised nature, on an exclusive basis. Mr Dippenaar, Mr Davidson and Mr Abery are all Directors of the Company and are also directors and shareholders of Zeren.

During the year, the Company paid an additional US$11.2 million to Sirius Resource Fund 1 Ltd ("Sirius") as part of a transaction whereby the Company intends to acquire from Sirius an increased interest in the Group's South African operations. The cumulative amount paid to Sirius is US$17.2 million and is shown under trade and other receivables in the Statement of Financial Position. Mr Pouroulis is a director of Sirius Investment Management LP which provides investment advisory services to Sirius.

Umnotho weSizwe Group (Pty) Ltd ("Umnotho"), one of Petra's BEE partners, holds a 36% interest in the Cullinan mine BEE holding company, Thembinkosi Mining Investments (Pty) Ltd ("Thembinkosi"). The Group has a non-current receivable due from Thembinkosi of US$29.6 million and a non-current payable due to Thembinkosi of US$26.6 million. Included in net finance expense (note 9) the Group has finance income due from Thembinkosi of US$3.2 million and finance expense payable to Thembinkosi of US$2.4 million. These sums arise due to the funding that the Group has provided to Thembinkosi to finance its interests in Cullinan mine. Mr Abery is a director of Umnotho. Mr Pouroulis and Mr Abery are beneficiaries of a trust that is a shareholder in Umnotho.

Sedibeng Mining (Pty) Ltd ("Sedibeng"), one of Petra's BEE partners, is indirectly owned by Sirius. Sedibeng holds direct interests in the Kimberley Underground, Sedibeng JV, Star and Helam mines and indirect interests in Cullinan, Koffiefontein and Finsch through its shareholding in Thembinkosi, Senahka Diamonds Investments (Pty) Ltd ("Senakha") and Re-Teng Diamonds (Pty) Ltd respectively. The Group has a non-current receivable due from Sedibeng of US$16.7 million and a non-current payable due to Sedibeng of US$2.8 million in respect of funding provided to the BEE partner to finance the acquisition of its interest in the mines. These sums arise due to the funding that the Group has provided to Sedibeng to finance its interests in the Kimberley Underground, Sedibeng JV and Koffiefontein mines.

30. Related parties continued

Directors continued

During the year, the Company settled the Al Rajhi deferred consideration liability of US$20.1 million (refer to note 22). Dr Kamal is co-CEO of the Al Rajhi Group of companies. Al Rajhi is one of Petra's largest shareholders. Dr Kamal is also a Non-Executive Director of Petra.

During the year, Mr Dippenaar and Mr Davidson exercised an option to acquire the Helam game farm from the Company for US$0.3 million (R2.5 million).

Shareholders

The principal shareholders of the Company are detailed in the Directors' Report on page 59.

Nabera Mining (Pty) Ltd

The Company is a 29.5% shareholder in Nabera Mining (Pty) Ltd ("Nabera"), the company that managed the Alexkor diamond mine between 1999 and 2001. During the year ended 30 June 2012, Petra did not incur any expenses on behalf of Nabera (30 June 2011: Rnil (US$nil)). Prior period expenses were incurred in relation to the recovery of the management fee and other amounts due to Nabera from Alexkor Limited and the South African Government. During the year Petra impaired the receivable, in respect of prior period expenses incurred on behalf of Nabera, of US$0.3 million (30 June 2011: US$0.3 million).

31. Significant non-cash transactions

US$ million	2012	2011
Operating activities		
Share-based payments	**1.0**	1.9
Unrealised foreign exchange loss/(gain)	**38.6**	(18.6)
Reversal of impairment	**–**	(11.7)
Impairment	**–**	5.2
(Decrease)/increase in provisions	**(0.7)**	1.4
Depreciation of property, plant and equipment	**41.0**	22.4
(Profit)/loss on sale of property, plant and equipment	**(0.1)**	0.3
Other finance income	**(9.4)**	(2.9)
Other finance expense	**10.6**	8.0
Present value adjustment of rehabilitation provision – change in assumptions	**(4.8)**	–
	76.2	6.0
Investing activities		
Non-cash capital expenditure (capitalisation of borrowing costs and other)	**3.3**	5.7
Non-cash interest on investing activity	**9.7**	5.5
	13.0	11.2
Financing activities		
Non-cash interest on investing activity	**6.7**	3.9
	6.7	3.9

During the year non-cash transactions were recorded, being a non-current receivable due from Senakha (the Group's main BEE partner at Finsch) of US$38.0 million and a non-current payable due to Senakha of US$38.0 million. These amounts arose due to the funding that the Group provided to Senakha to finance its interests in Finsch Diamond Mine (Pty) Ltd.

32. Subsidiaries

At 30 June 2012 the Group held 20% or more of the allotted share capital of the following significant subsidiaries:

	Country of incorporation	Class of share capital held	**Percentage held 2012**	Percentage held 2011	Nature of business
Autumn Star Investments (Pty) Ltd[1]	South Africa	Ordinary	**40%**	40%	Mining and exploration
Blue Diamond Mines (Pty) Ltd[2]	South Africa	Ordinary	**100%**	100%	Mining and exploration
Crown Resources (Pty) Ltd	South Africa	Ordinary	**100%**	100%	Mining and exploration
Cullinan Diamond Mine (Pty) Ltd	South Africa	Ordinary	**74%**	74%	Mining and exploration
Cullinan Investment Holdings Ltd	British Virgin Islands	Ordinary	**100%**	100%	Mining and exploration
Dancarl Diamonds (Pty) Ltd[1]	South Africa	Ordinary	**40%**	40%	Mining and exploration
Ealing Management Services (Pty) Ltd	South Africa	Ordinary	**100%**	100%	Services provision
Finsch Diamond Mine (Pty) Ltd[3]	South Africa	Ordinary	**74%**	74%	Mining and exploration
Helam Mining (Pty) Ltd	South Africa	Ordinary	**74%**	74%	Mining and exploration
Kalahari Diamonds Ltd	United Kingdom	Ordinary	**100%**	100%	Investment holding
Kimberley Underground Mines JV	Unincorporated JV	Ordinary	**74%**	74%	Mining and exploration
Koffiefontein Mine JV[2]	South Africa	Ordinary	**70%**	70%	Mining and exploration
Messina Diamonds (Pty) Ltd	South Africa	Ordinary	**100%**	100%	Mining and exploration
Messina Investments Ltd	South Africa	Ordinary	**100%**	100%	Investment holding
Petra Diamonds Botswana (Pty) Ltd[4]	Botswana	Ordinary	**100%**	100%	Exploration
Petra Diamonds Southern Africa (Pty) Ltd	South Africa	Ordinary	**100%**	100%	Services provision
Premier Rose Management Services (Pty) Ltd	South Africa	Ordinary	**100%**	100%	Services provision
Sedibeng Diamond Mine JV[5]	Unincorporated JV	Ordinary	**74.5%**	74.5%	Mining and exploration
Star Diamonds (Pty) Ltd	South Africa	Ordinary	**74%**	74%	Mining and exploration
Wilcroft Company Ltd	Bermuda	Ordinary	**100%**	100%	Investment holding
Williamson Diamonds Ltd	Tanzania	Ordinary	**75%**	75%	Mining and exploration

1. Although the Company owns 40% of Autumn Star Investments (Pty) Ltd and Dancarl Diamonds (Pty) Ltd, the Company has consolidated its investments on the basis of control and management of daily and strategic operational activities.
2. The Company owns an effective 74% interest in Koffiefontein Mine JV through its investment in Re-Teng Diamonds (Pty) Ltd (refer to note 3(a)).
3. During the year, Afropean Diamonds (Pty) Ltd changed its name to Finsch Diamond Mine (Pty) Ltd. The Group reduced its interest to 74% prior to the purchase of Finsch.
4. During the year, Sekaka Diamonds (Pty) Ltd changed its name to Petra Diamonds Botswana (Pty) Ltd.
5. The Company owns an effective 57.5% of Sedibeng Diamond Mine JV ("Sedibeng") through its investment in Messina Diamonds (Pty) Ltd and an effective 17% of Sedibeng through its investment in Autumn Star Investments (Pty) Ltd.

33. Pension scheme

The Company operates a defined benefit scheme and defined contribution scheme. The defined benefit scheme was acquired as part of the acquisition of Cullinan Diamond Mine (Pty) Ltd and is closed to new members. All new employees are required to join the defined contribution scheme. The assets of the pension schemes are held separately from those of the Group's assets.

Defined benefit scheme

The defined benefit scheme, which is contributory for members, provides benefits based on final pensionable salary and contributions.

The pension charge or income for the defined benefit scheme is assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The most important assumptions made in connection with the charge or income were that the return on the funds will be 8.95% (30 June 2011: 9.01%), based on the average yield of South African Government long dated bonds plus 6.47%, and that salaries will be increased at 7.77% (30 June 2011: 7.30%), based on current South African consumer price index plus 1%. The market value of the assets of the defined benefit scheme at 30 June 2012 is R139.0 million (US$17.0 million) (30 June 2011: R132.8 million (US$19.4 million)) and the actuarial valuation of the assets on an ongoing basis represented 109.0% (30 June 2011: 116.1%) of the benefit of R128.0 million (US$15.7 million) (30 June 2011: R120.6 million (US$17.6 million)) that had accrued to members allowing for expected future increases in earnings. The pension surplus is R11.0 million (US$1.3 million) (30 June 2011: R12.2 million (US$1.8 million)). The pension fund values are converted using the year-end foreign exchange rate of US$1:R8.16 (30 June 2011: US$1:R6.83).

33. Pension scheme continued

Defined benefit scheme continued

US$ million	2012	2011
Defined benefit obligations		
Present value of funded obligations	**(15.7)**	(17.6)
Fair value of plan assets	**17.0**	19.4
Unrecognised net gain – paragraph 58 limit	**(1.3)**	(1.8)
Recognised surplus for defined benefit obligations	**–**	–
Movements in present value of the defined benefit obligations recognised in the Statement of Financial Position		
Net surplus for the defined benefit obligation as at 1 July	**–**	–
Net expense recognised in the income statement	**(0.4)**	(0.4)
Contributions by employer	**0.4**	0.4
Unrecognised surplus due to IAS 19 paragraph 58 limit	**–**	–
Net surplus for defined benefit obligations at 30 June	**–**	–

Refer to note 1.17 for details of the limit applied to recognition of pension surplus asset.

US$ million	2012	2011
(Expense)/income recognised in the income statement		
Current service cost	**(0.4)**	(0.5)
Finance expense	**(1.3)**	(1.4)
Expected return on assets	**1.4**	2.2
Recognition in terms of IAS 19 paragraph 58A	**(0.1)**	(0.7)
	(0.4)	(0.4)
Change in the fair value of the defined benefit assets		
Net surplus for the defined benefit obligation as at 1 July	**19.4**	18.3
Foreign exchange movement on opening balances	**(3.2)**	2.0
Expected return on assets	**1.4**	1.8
Benefits paid to members	**(2.0)**	(2.4)
Contributions	**0.6**	0.6
Actuarial gains/(losses)	**0.8**	(0.9)
At 30 June	**17.0**	19.4
Change in the present value of the defined benefit obligations		
At 1 July	**(17.6)**	(14.2)
Foreign exchange movement on opening balance	**2.7**	(1.5)
Benefits paid to members	**2.0**	2.4
Current service cost	**(0.4)**	(0.5)
Finance cost	**(1.3)**	(1.4)
Contributions by members	**(0.1)**	(0.2)
Actuarial losses	**(1.0)**	(2.2)
At 30 June	**(15.7)**	(17.6)
Actuarial gains and losses		
Actuarial gains/(losses) on plan assets	**0.8**	(0.9)
Actuarial losses on plan liabilities	**(1.0)**	(2.2)
Analysis of plan assets		
Cash	**63.4%**	100.0%
Equity	**10.1%**	–
Bonds	**17.7%**	–
Property	**3.8%**	–
Other – offshore	**5.0%**	–
	100.0%	100.0%

33. Pension scheme continued

Defined benefit scheme continued

US$ million	2012 % per annum	2011 % per annum
Principal actuarial assumptions		
Discount rate at 30 June	**8.95%**	9.01%
Expected return on plan assets at 30 June	**8.95%**	9.01%
Future salary increases	**7.77%**	7.30%
Inflation	**6.77%**	6.30%
Future pension increases	**5.08%**	4.74%
Determination of estimated pension expense for the year ended 30 June 2013		
Member contributions	**0.2**	0.2
Company contributions	**0.4**	0.4
Benefit payments	**(2.1)**	(2.6)
Deferred cumulative actuarial gains		
Funded status	**1.3**	1.8
Net change on assets	**(2.4)**	1.1
Net change on liabilities	**1.9**	(3.4)
	(0.5)	(2.3)

US$ million	2012	2011	2010	2009
Defined benefit obligation trends				
Plan assets	**17.0**	19.4	18.3	18.0
Plan liabilities	**(15.7)**	(17.6)	(14.2)	(13.4)
Surplus	**1.3**	1.8	4.1	4.6

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in the fund.

The average life expectancy in years of a pensioner retiring at the age of 65 on 30 June 2012 date is as follows:

	2012	2011
Male	**15.92**	18.01
Female	**20.02**	22.52

Further to the acquisition of the defined benefit fund, the Group has no experience adjustments.

34. Post-retirement medical fund

The Company operates a post-employment health care liability scheme. The post-employment health care liability scheme was acquired as part of the acquisition of Cullinan Diamond Mine (Pty) Ltd and is closed to new members. All new employees will be responsible for funding their own post-employment health care liability costs.

The benefit liability for the post-employment health care liability scheme is assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The Group obtained a valuation using a third party actuary at 30 June 2011 and management has updated that valuation report for 30 June 2012. This is considered sufficient to achieve a materially accurate valuation. The Group's post-employment health care liability consists of a commitment to pay a portion of the members' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. The most important assumptions made in connection with the charge or income were that the health care cost of inflation will be 7.25% (30 June 2011: 6.75%), based on the average yield of South African Government long dated bonds of 8.75% (30 June 2011: 9.25%), and that salaries will be increased at 6.25% (30 June 2011: 5.75%). The actuarial accrued liability funded status of the post-employment health care liability scheme at 30 June 2012 is R96.5 million (US$11.8 million) (30 June 2011: R45.5 million (US$7.3 million)). The post-employment health care liability values are converted using the year-end foreign exchange rate of US$1:R8.16 (30 June 2011: US$1:R6.83).

34. Post-retirement medical fund continued

US$ million	2012	2011
Post-retirement medical fund		
Present value of post-employment medical care obligations	**11.8**	7.3
Unfunded status at 30 June	**11.8**	7.3
Movements in present value of the post-retirement medical fund obligations recognised in the Statement of Financial Position		
Net liability for the post retirement medical fund obligation as at 1 July	**7.3**	5.3
Foreign exchange movement on opening balances	**(1.7)**	0.6
Arising on acquisition of subsidiary	**5.3**	–
Net expense recognised in the income statement	**1.2**	0.8
Net discount rate change	**2.0**	–
Change in assumptions	**(2.7)**	–
Changes in % continuing at post-employment	**1.1**	–
Membership changes	**(0.7)**	–
Other	**–**	0.6
Net liability for post-employment medical care obligations at 30 June	**11.8**	7.3
Expense recognised in the income statement		
Current service cost	**0.3**	0.2
Finance expense	**0.9**	0.6
	1.2	0.8
The expense is recognised in the following line items in the income statement:		
Mining and processing costs	**0.3**	0.2
Finance expense	**0.9**	0.6
	1.2	0.8
Reconciliation of fair value of scheme liabilities		
At 1 July	**7.3**	5.3
Foreign exchange movement on opening balances	**(1.7)**	0.6
Arising on acquisition of subsidiary	**5.3**	–
Net expense recognised in the income statement	**1.2**	0.8
Net discount rate change	**2.0**	–
Change in assumptions	**(2.7)**	–
Changes in % continuing at post-employment	**1.1**	–
Membership changes	**(0.7)**	–
Other	**–**	0.6
Liabilities at fair market value as at 30 June	**11.8**	7.3

34. Post-retirement medical fund continued

	% per annum	% per annum
Principal actuarial assumptions		
Discount rate at 30 June	**8.75%**	9.25%
Health care cost inflation	**7.25%**	6.75%
Future salary increases	**6.25%**	5.75%
Net replacement ratio	**75.00%**	60.00%
Net discount rate	**1.40%**	2.34%
Normal retirement age (years)	**60.0**	60.0
Fully accrued age (years)	**60.0**	60.0

US$ million	**2012**	2011
Determination of estimated post-retirement medical fund expense for the year ended 30 June 2013		
Current service cost	**0.4**	0.2
Finance expense	**0.9**	0.6
Benefit payments	**(0.1)**	(0.1)

US$ million	**2012**	2011	2010	2009
Actuarial accrued liability				
Funded status	**11.8**	7.3	5.2	2.0

Sensitivity analysis

Health care inflation rate

The effect of a 1% increase or decrease in the health care inflation rate on the post-retirement medical fund accrued liability is as follows:

US$ million	**30 June 2012**	**1% increase**	**1% decrease**
Accrued liability	**11.8**	**14.3**	**9.8**
% difference	**–**	**21.3%**	**(16.8%)**

US$ million	30 June 2011	1% increase	1% decrease
Accrued liability	7.3	8.7	4.9
% difference	–	19.2%	(32.8%)

Average retirement age

The table below shows the impact of a one year change in the expected average retirement age:

US$ million	**30 June 2012**	**Retirement one year earlier**	**Retirement one year later**
Accrued liability	**11.8**	**12.5**	**11.2**
% difference	**–**	**5.8%**	**(5.5%)**

US$ million	30 June 2011	Retirement one year earlier	Retirement one year later
Accrued liability	7.3	7.5	6.8
% difference	–	2.7%	(6.8%)

Glossary

"AGM"	annual general meeting
"alluvial"	deposits of diamonds which have been removed from the primary source by natural erosive action over millions of years, and eventually deposited in a new environment such as a river bed, an ocean floor or a shoreline
"BEE"	black economic empowerment
"Block caving"	a method of mining in which large blocks of ore are undercut so that the ore breaks and caves under its own weight. The undercut zone is initially drilled and blasted and some broken ore is drawn down to create a void into which initial caving of the overlying ore can take place. As more broken ore is drawn progressively following cave initiation, the cave propagates upwards through the orebody or block until the overlying rock also caves and surface subsidence occurs. The broken ore is removed through the production or extraction level developed below the undercut level. Once the caves have been propagated, it is a low cost mining method which is capable of automation to produce an underground "rock factory"
"Bulk sample"	a large sample for the purpose of estimating the grade of a diamond deposit and to produce a large enough quantity of diamonds to enable an evaluation of diamond quality
"Capex"	capital expenditure
"carat" or "ct"	a measure of weight used for diamonds, equivalent to 0.2 grams
"Cpht"	carats per hundred tonnes
"Craton"	a part of the Earth's crust which has been relatively stable for a very long period
"ctpa"	carats per annum
"cut-off grade"	the lowest grade of mineralised material considered economic to extract; used in the calculation of the ore reserves in a given deposit
"diamondiferous"	containing diamonds
"drawpoint"	openings on the sides of the drift going up into a block cave
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"EPS"	earnings per share
"feasibility study"	a definitive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed; the study is used to define the economic viability of a project and to support the search for project financing
"fissure"	informal term for a narrow, vertical, vein-like kimberlite dyke
"FY"	financial year (1 July to 30 June)
"grade"	the content of diamonds, measured in carats, within a volume or mass of rock
"H1" or "H2"	first half, or second half, of the financial year
"hypabyssal rock"	an igneous rock that originates at medium to shallow depths within the crust and contains intermediate grain size and often porphyritic texture
"iNED"	independent non-executive director
"Indicated Resource"	that part of a diamond resource for which tonnage, densities, shape, physical characteristics, grade and average diamond value can be estimated with a reasonable level of confidence. It is based on exploration sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed and sufficient diamonds have been recovered to allow a confident estimate of average diamond value (SAMREC Code)
"Inferred Resource"	that part of a diamond resource for which tonnage, grade and average diamond value can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified by geological and/or grade continuity and a sufficiently large diamond parcel is not available to ensure reasonable representation of the diamond assortment. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability (SAMREC Code)
"kimberlite"	a brecciated ultrabasic igneous rock containing phlogopite mica, bronzite pyroxene and ilmenite; kimberlites may or may not contain diamonds
"kimberlite indicator minerals"	minerals that can help locate the presence and establish the diamond-bearing potential of kimberlite
"ktpa"	thousand tonnes per annum
"LHD"	load haul dumper
"LOM"	life of mine
"LTIFR"	lost time injury frequency rate
"Mctpa"	million carats per annum
"Mcts"	million carats
"Measured Resource"	that part of a diamond resource for which tonnage, densities, shape, physical characteristics, grade and average diamond value can be estimated with a high level of confidence. It is based on detailed and reliable exploration sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity and sufficient diamonds have been recovered to allow a confident estimate of average diamond value
"Mini bulk-sample"	a large sample, commonly in the order of 50 tonnes to 100 tonnes, for the purpose of determining the exploration potential of a diamond prospect
"Mt"	million tonnes
"Mtpa"	million tonnes per annum
"NED"	non-executive director
"NGOs"	non-governmental organisations
"open pit"	mining in which ore that occurs close to the Earth's surface is extracted from a pit or quarry
"orebody"	a continuous well-defined mass of material of sufficient ore content to make extraction feasible
"Overburden"	material of little or no value, which overlies rock formations of economic interest
"pa"	per annum
"Probable Reserves"	the economically mineable material derived from a measured and/or indicated diamond resource. It is estimated with a lower level of confidence than a proven reserve. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified
"Proved Reserves"	the economically mineable material derived from a measured diamond resource. It is estimated with a high level of confidence. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified
"rehabilitation"	the process of restoring mined land to a condition approximating to a greater or lesser degree its original state
"Re-crush system"	processes oversized material from the Primary crushers, further reducing it in size
"ROM"	run-of-mine
"RSA"	Republic of South Africa
"shaft"	an underground vertical or inclined passageway
"SLC"	sub level cave
"slimes"	the fine fraction of tailings discharged from a processing plant without being treated; in the case of diamonds, usually that fraction which is less than 1mm in size
"stockpile"	a store of unprocessed ore
"Sub-level caving"	follows the same basic principles as the Block Caving mining method, however work is carried out on intermediate levels; the caves are smaller in size and not as long lasting. This method of mining is quicker to bring into production than block caving, as the related infrastructure does not require the level of permanence needed for a long-term block cave. This method is used to supplement Block Caving in order to provide production flexibility
"tailings"	material left over after processing ore
"tailings dump"	dumps created of waste material from processed ore after the economically recoverable metal or mineral has been extracted
"Tonnage"	quantities where the tonne is an appropriate unit of measure; typically used to measure reserves of target commodity bearing material or quantities of ore and waste material mined, transported or milled
"tpa"	tonnes per annum
"tpm"	tonnes per month
"Type II diamonds"	Type II diamonds are defined by containing no detectable nitrogen and are often colourless or brown

PetraDiamonds

Elizabeth House
PO Box 1075
9 Castle Street
St Helier
Jersey JE4 2QP

Tel: +44 1534 700 111
Fax: +44 1534 700 007
Email: info@petradiamonds.com

WWW.PETRADIAMONDS.COM

MIX
Paper from responsible sources
FSC® C022913
FSC www.fsc.org

The cover of the report is printed on Trucard gloss which is certified as a FSC®. The text of the report is printed on Cocoon 50 Silk paper and Cocoon 100 offset, both of which are FSC certified. Cocoon 50 Silk is made from 50% recycled waste and 50% virgin fibre. Cocoon 100 offset is made from 100% recycled waste. All paper and board is produced in mills which hold ISO 9001 and ISO 14001 accreditation.