

Petra Diamonds Limited Annual Report and Accounts 2013

Unearthing value in diamonds



PetraDiamonds






Members of the construction crew at 63 Level in Block 4, the current mining production area at Finsch.

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

The Company is listed on the Main Market of the London Stock Exchange and is a constituent of the FTSE 250.

Petra conducts all its operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process.

Petra continues to achieve its strategy of growth, as reflected by our performance in FY 2013:

-  **Our Performance**
Page 4
-  **Chairman's Statement**
Page 6
-  **Our Strategy and KPIs**
Page 20



 **Discover more about Petra online**
petradiamonds.com

Overview

- 2 Our Business
- 4 Our Performance
- 6 Chairman's Statement

Strategic Review

- 10 CEO's Review
- 14 Our Business Model
- 16 Our Market
- 20 Our Strategy and Key Performance Indicators
- 24 Our Assets and Expansion
- 26 Risks

Performance Review

- 32 Financial Review
- 36 Operational Review
 - 36 Finsch
 - 38 Cullinan
 - 40 Koffiefontein
 - 41 Kimberley Underground
 - 42 Williamson
 - 43 Petra's Partners
- 44 Resource and Exploration Management

Sustainability

- 48 Our Commitment

Corporate Governance

- 54 Introduction
- 56 Board of Directors
- 58 The Report of the Board
- 66 Report of the Audit Committee
- 69 Report of the Nomination Committee
- 70 Report of the HSE Committee
- 71 Directors' Remuneration Report
- 82 Directors' Report

Group Accounts

- 88 Independent Auditors' Report – Group
- 89 Consolidated Income Statement
- 90 Consolidated Statement of Other Comprehensive Income
- 91 Consolidated Statement of Changes in Equity
- 93 Consolidated Statement of Financial Position
- 94 Consolidated Statement of Cashflows
- 95 Notes to the Annual Financial Statements
- 134 Five-year Summary of Consolidated Figures
- 135 Shareholder and Corporate Information
- 137 Glossary

A diamond mining group of global significance



Exceptional growth

Petra's development has established the Company as London's largest quoted diamond mining group and its exceptional growth profile positions the Group as a unique investment opportunity.

A RISING PRODUCTION PROFILE

- ▶ Petra has capitalised on structural changes in the diamond industry to grow rapidly by acquisition.
- ▶ Group production has increased more than tenfold from ca. 200,000 carats in FY 2008 to 2.67 million carats in FY 2013.
- ▶ Petra is now targeting ca. 3.0 million carats in FY 2014, rising to ca. 5.0 million carats by FY 2019.

FY 2013 PERFORMANCE VS FY 2012

ROUGH DIAMOND PRODUCTION

+21%

REVENUE

+27%

PROFIT FROM MINING ACTIVITY

+34%

ADJUSTED EBITDA

+36%

 [Our Performance](#)
Page 4



World-class assets

Petra is a first-rate operator of diamond mining assets, with five producing mines in South Africa, one in Tanzania and an exploration programme in Botswana.

OPERATING MINES

- ▶ Petra is focused on Africa, which produces ca. 60% of the world's diamonds by value.
- ▶ The Group's production portfolio incorporates the full range of kimberlite 'hardrock' operations, combining four underground pipe mines with one large, high-volume open pit mine and one low-tonnage, high-grade fissure mine.
- ▶ The Group's two flagship assets are Finsch and Cullinan, which together accounted for 86% of Group production and 73% of Group revenue in FY 2013.

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 most important diamond mines, Orapa and Jwaneng.

 [Our Assets](#)
Page 24



Clear strategy

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.

1

INCREASE OUTPUT

Petra's transparent growth profile is fully financed using existing treasury, operational cashflows and debt facilities.

2

OPTIMISE RECOVERIES

Petra designs and implements bespoke recovery solutions to capture each mine's optimal rough diamond profile.

3

DRIVE EFFICIENCIES

The Petra Group is defined by a culture of rigorous cost control well suited to maximising returns from its assets.

 **Our Strategy**
Page 20



Focus on sustainability

Petra is committed to the responsible development of its assets to the benefit of all stakeholders. The Company seeks to achieve leading health and safety, environmental and social performance.

CREATING VALUE

Petra creates value by optimising and extending the lives of its mines to deliver sustainable, long-term operations.

ENSURING STABILITY

Petra's mine plans for its core assets in South Africa and Tanzania will ensure stable employment for the mines' employees.

BENEFITING COMMUNITIES

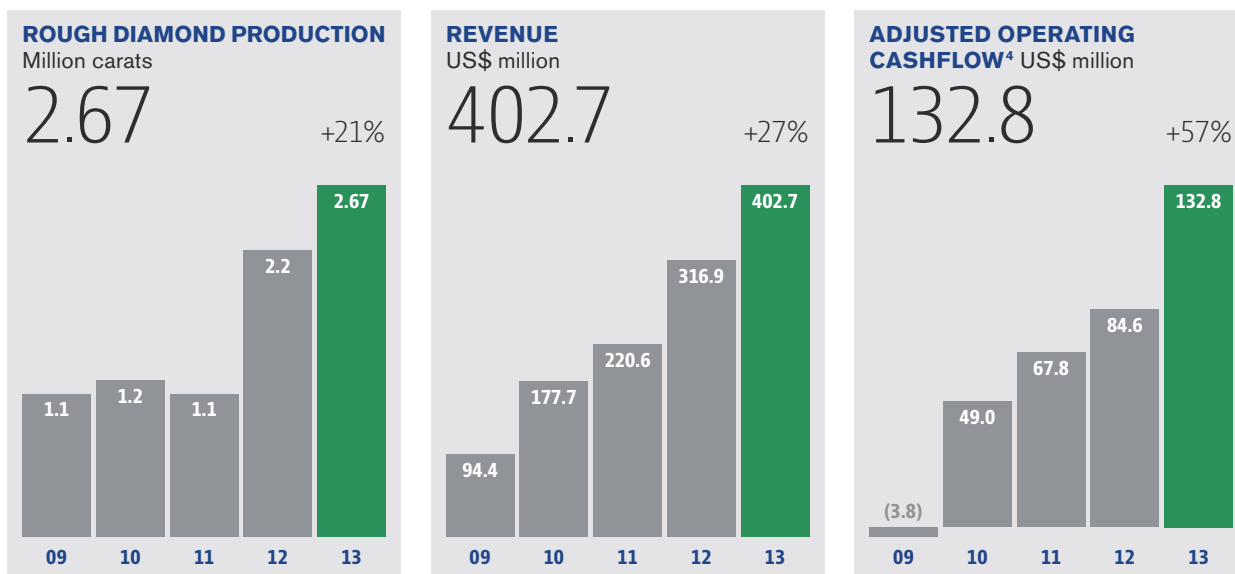
Corporate social responsibility is integral to the way the Group structures and operates its mining, development and exploration projects, and this strategy will provide continued benefits for Petra's local communities for many years to come.

 **Sustainability**
Page 48

Another year of growth

Petra offers an exceptional growth profile and is on track to steadily increase annual production to 5 million carats by FY 2019.

What we've achieved



Financial Highlights

- Revenue up 27% to US\$402.7 million (FY 2012: US\$316.9 million).
- Profit from mining activity¹ up 34% to US\$138.6 million (FY 2012: US\$103.3 million).
- Adjusted EBITDA² up 36% to US\$122.4 million (FY 2012: US\$90.3 million).
- Net profit after tax of US\$27.9 million (FY 2012: US\$2.1 million loss).
- Adjusted net profit after tax³ up 22% to US\$48.3 million (FY 2012: US\$39.6 million).
- Adjusted operating cashflow⁴ up 57% to US\$132.8 million (FY 2012: US\$84.6 million).
- Basic EPS: 6.30 cents per share (FY 2012: 0.48 cents per share loss).
- Adjusted EPS: 10.31 cents per share (FY 2012: 7.82 cents per share).
- Cash at bank: US\$26.2 million (30 June 2012: US\$47.3 million).
 - Diamond debtors (all settled shortly after Year end) of US\$74.8 million (FY 2012: US\$25.1 million).
 - Diamond inventories of US\$31.5 million (FY 2012: US\$24.5 million).
- Loans and borrowings: US\$147.0 million (FY 2012: US\$69.2 million).
 - Facilities undrawn (net of US\$3.6 million utilised for foreign exchange settlement lines (30 June 2012: US\$nil)) and available to the Group of US\$71.3 million (30 June 2012: US\$66.3 million); net debt in line with management's expectations.

Operational Highlights

- Production up 21% to 2,668,305 carats (FY 2012: 2,208,862 carats).
- Rand (South Africa) and US\$ (Tanzania) on-mine unit cash costs (per total tonne treated) well controlled with above inflationary cost increases offset by increased throughput.
- Capex invested (including capitalised finance costs) at operations of US\$198.3 million (FY 2012: US\$138.0 million), in accordance with the roll-out of the Group's expansion programmes.
- Group Lost Time Injury Frequency Rate ("LTIFR") for the Year reduced to 0.67 (FY 2012: 1.13). This is an encouraging trend considering the increase in activities as the capital programmes progress.

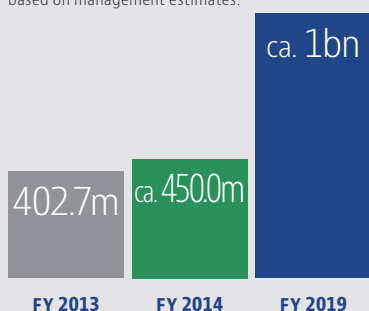
Corporate Highlights

- Restructure and optimisation of debt facilities undertaken in November 2012 increased the Group's ZAR debt and working capital facilities by R900 million to R1.6 billion, with the US\$ portion of the debt facilities (US\$60 million) remaining unchanged.
- Board changes: Tony Lowrie appointed as Senior Independent Non-Executive Director in September 2012; Dr Omar Kamal stepped down as a Non-Executive Director in February 2013.
- Further to the termination of the sales process for the Fissure Mines, the Sedibeng and Star mines were placed onto care and maintenance post Year end, whilst the Helam mine continues to be operated within the Group on a normal commercial basis.

What's next

REVENUE US\$

FY 2014 and FY 2019 are projected targets based on management estimates.

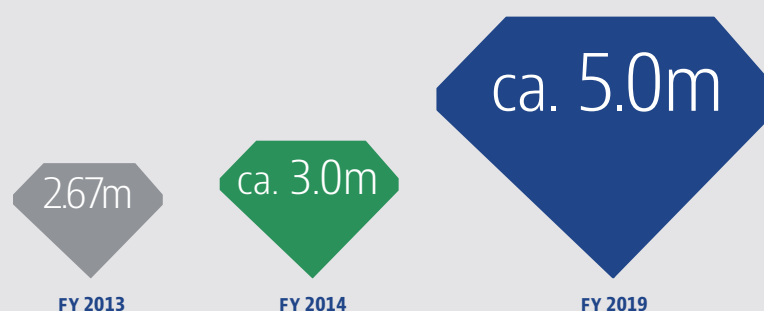


Growing revenue

FY 2014 and FY 2019 figures are calculated using a 4% annual real price increase.

GROSS PRODUCTION Carats

FY 2014 and FY 2019 are projected targets based on management estimates.



Growing production

Group production is predicted to grow +12% in FY 2014 to ca. 3.0 million carats and is on track to reach ca. 5.0 million carats by FY 2019.

Outlook

- Certain of Petra's South African mines were affected by a two-week period of industrial action, which commenced on Thursday 29 August 2013. Normal operations resumed at the affected mines from Monday 16 September 2013.
- Based on the strong production run rate with which Petra commenced FY 2014 (including partial production during the industrial action), the Company remains on track for full year production to increase ca. 12% to 3.0 million carats in FY 2014.
- Expansion plans remain on target to increase production to 5.0 million carats by FY 2019.
- Rough diamond market expected to remain steady in FY 2014 due to constrained supply and a firmer US market, the world's major market for polished diamonds, as well as continued growth in China, albeit at a lower rate than over recent years.



See more



Petra's Vision
Page 20



Our Assets and Expansion
Page 24

The Group uses several non-GAAP measures above and throughout this report, including adjusted mining and processing costs, profit from mining activities, adjusted EBITDA, adjusted net profit after tax, adjusted earnings per share and adjusted operating cashflow. As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Company's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

1. Stated before retrenchment costs, depreciation and share-based expense.
2. Adjusted EBITDA is EBITDA (profit before interest, tax and depreciation) stated before share-based expense, net unrealised foreign exchange losses, retrenchment costs, non-recurring transaction costs and impairment charges.
3. Stated before retrenchment costs, impairment charges, non-recurring transaction costs and net unrealised foreign exchange losses.
4. Adjusted operating cashflow is operating cashflow stated before the movement in year end diamond debtors, excluding unrealised foreign exchange translation movements. Refer to page 33 of the Financial Review for further detail.
5. Stated before retrenchment costs, impairment charges, non-recurring transaction costs and net unrealised foreign exchange losses.

Delivering strong growth

Our goal has always been to build a world-class diamond group and we continue to make solid progress in this regard.



Adonis Pouroulis
Non-Executive Chairman

“ Petra is a special company being driven forward by a special team.

Stay up to date with Petra's progress and growth on our investor website.



See more online
petradiamonds.com/investors

Dear Shareholder,

I am delighted to introduce Petra's 2013 Annual Report and to report on a further period in which the Company consolidated its position as a leading independent diamond producer.

Delivering on our strategy

Our goal has always been to build a world-class diamond group and we continue to make solid progress in this regard. In FY 2013, we delivered further production and revenue growth and confirmed that our expansion plans are on track.

Over the years, Petra has honed a company culture that focuses on efficiencies and minimisation of overheads, placing the Group in a strong position to maximise value from its assets. This is evident in our financial results, with profit from mining activity up 34% to US\$138.6 million, adjusted EBITDA up 36% to US\$122.4 million, adjusted operating cashflow up 57% to US\$132.8 million and a net profit after tax of US\$27.9 million (as opposed to a loss of US\$2.1 million in FY 2012).

Commitment to sustainable business in Africa

Petra has a positive role to play in Africa, which is where we have developed extensive experience in the operation of world-class diamond mines. We create value by optimising and investing in our assets with the aim of delivering long-life operations and significantly increased production. Petra's mines are typically located in rural areas where they are an important employer, meaning that the economic benefit generated for our local communities is significant and our operations support many more people than the number of direct employees.

The challenges associated with operating in Africa, particularly with regards to recent labour relations in South Africa, are well publicised but the many positives of operating in the region often go unsung. We believe the continent offers great opportunities to do business in the diamond sector, and the countries where we operate encompass world-class orebodies, temperate climates, skilled workforces with generations of diamond experience and well-developed infrastructure. We are proud to contribute to a long-term future for the diamond industry in Africa and believe that the responsible extraction of this valuable resource can contribute to driving socio-economic development.

Corporate Governance

Petra continued to make progress in terms of its corporate governance in FY 2013, with the appointment of Tony Lowrie as the Company's Senior Independent Director. This is a key UK corporate governance requirement and previously Petra did not have a Director acting in this role. Tony brings a wealth of relevant expertise to the Company, having an association of over 35 years with the equities business and being currently a non-executive director of Kenmare Resources plc, also a FTSE 250 mining company.

I would also like to thank Dr Omar Kamal for the valued contribution he made to the Company during his tenure as a Director. Dr Omar Kamal, the representative of one of Petra's major shareholders, Al Rajhi Holdings W. L. L., stepped down from the Board in February 2013.



Sustainability
Page 48

Employee development



Our people play a vital role in the successful delivery of our strategy. Petra is committed to the training and development of employees in order to ensure the current and future skills needs of the organisation are met, and we offer both legally required and career-oriented training in both the technical and non-technical disciplines that exceeds legislated training requirements. Petra recently completed the Skills Audit Project to evaluate employee skills in the context of the skills required by our business, now and in future. The project helped the Company to refine its approach to training and employee development.

ca. US\$4.5m

SPENT ON EMPLOYEE TRAINING

Outlook

Over the years, the Group has experienced a number of challenges, but its ability to face and overcome such challenges has helped ready the Group for its future success.

Reflecting on another successful year, 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 Trust for their continued support.

Finally I would like to thank all Petra employees for their incredible commitment and hard work. It is not easy to maintain the level of growth that we have achieved and continue to achieve. Petra is undoubtedly a special company and it is being driven forward by a special team.

Adonis Pouroulis
Chairman
11 October 2013

Striving for zero harm



The health and safety of employees and contractors is Petra's most important consideration. The Group's safety performance improved in FY 2013, with a 41% reduction in the Company's LTIFR. This was an encouraging trend considering the increase in activities as the Group's capital programmes progressed. Much of this improved performance can be attributed to safety awareness campaigns run by the Group, particularly during the holiday season towards the end of the calendar year, which all formed part of the integrated health and safety programmes in place at each operation.

0.67

LOST TIME INJURY FREQUENCY RATE



Corporate Governance
Page 54

Strategic Review



Members of the plant operations team at Finsch performing a mini risk assessment in preparation for their work

A photograph of a large industrial machine, possibly a turbine or generator, with a prominent blue cylindrical component. A metal grate walkway with railings is visible in the foreground. The image is partially obscured by a large, semi-transparent white geometric shape.

The success of our business depends on our workforce.

We believe that employees who are empowered and accountable for their actions work to the best of their ability, and have fostered a culture whereby innovation and creativity in the workplace is encouraged and rewarded.

A year of significant progress

FY 2013 marked a further progression of our strategy to develop a world-class diamond mining group.



Johan Dippenaar
Chief Executive Officer

SUMMARY

- The delivery of further substantial growth was achieved with an improved safety performance, demonstrating our focus on this key area.
- Our expansion programmes are now progressing apace, as evidenced by the substantial uplift in development metres recorded at both Finsch and Cullinan for the Year.
- As the production profile at both Finsch and Cullinan gradually switches over from diluted to undiluted ore, the diamond content of the ore mined will increase significantly.
- Our unit costs will be further improved due to higher volumes and increased efficiencies, particularly in the ore-handling systems, and we therefore expect to substantially increase our operating margins in the coming years.

I am pleased to report that FY 2013 ("the Year") marked a further progression of our strategy to develop a world-class diamond mining group. The key successes of the Year were the delivery of further substantial growth in production (+21% to 2.67 Mcts) and revenue (+27% to US\$402.7 million), alongside the acceleration of our expansion programmes, all of which were achieved with an improved safety performance, demonstrating our focus on this key area.

However, the Year was not without challenges and our performance was impacted by a delay in the roll-out of the Cullinan tailings project, the volatility of the ROM grade at Cullinan due to the mature nature of the current working areas, and the labour relations climate in South Africa. Despite this, the focus that we apply to addressing such challenges meant that in Q4 FY 2013 we recorded very strong production (772,103 carats), which bodes well for further production growth in FY 2014.

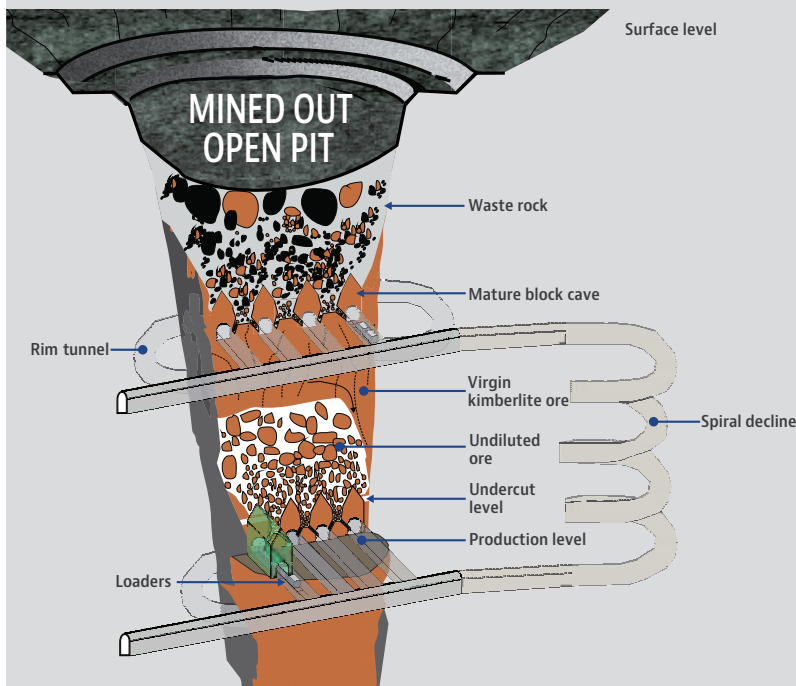
Petra's expansion programmes are now progressing apace, as evidenced by the substantial uplift in development metres recorded at both Finsch and Cullinan for the Year. The development will continue to accelerate in FY 2014, with access being established to the Finsch Block 5 Sub-Level Cave during FY 2014 and initial production tonnages from FY 2015. Access to the Cullinan C-Cut Phase 1 is on schedule for FY 2015, with initial production tonnages from FY 2016.

The schematic 'Moving into undiluted ore' to the right demonstrates how our expansion programmes will open up new mining areas in pure kimberlite.

As the production profile at both these major mines gradually switches over from diluted to undiluted ore, the diamond content of the ore mined will increase significantly. At the same time as we gain access to these higher grade tonnages, our unit costs will further improve due to higher volumes and increased efficiencies, particularly in the ore-handling systems, and we therefore expect to substantially increase our operating margins in the coming years.

Petra's approach is to continually seek opportunities to optimise its mine plans. The most important concepts in mining are access to the orebody and optimal production flexibility; these focus areas will ensure that a mine can withstand foreseen or unforeseen production issues (including grade volatility), as well as take advantage of opportunities, such as the potential for future ramp-ups. This thinking was evident in the refinements we announced in our Market Guidance update on 12 August 2013, with a particular emphasis on optimisation of ore-handling systems, establishing ways to access undiluted ore as early as possible and maximising access to an orebody's footprint, thereby enhancing all-important production flexibility.

SCHEMATIC SHOWING AN INDICATIVE KIMBERLITE OREBODY AND BLOCK CAVING IN PROGRESS



Moving into undiluted ore

- ▶ Block caving is a traditional and safe mining method started in kimberlite mining; provides access to higher volumes of ore than other methods
- ▶ Current underground mining taking place in diluted, mature caves
- ▶ Expansion programmes to take next 'cut' by deepening and establishing new sub level and block caves in undiluted kimberlite
- ▶ Grades expected to rise significantly, increasing margin per tonne mined:
 - Finsch ~34cpht to ~56cpht
 - Cullinan ~31cpht to ~50cpht
- ▶ Will reduce wear and tear on processing systems (waste rock is harder and more abrasive than kimberlite)

Petra continues to demonstrate expertise in the recovery of diamonds through the optimal configuration of our processing plants. No two diamond kimberlites are the same and we always look to ensure recovery of the full value spectrum afforded by a particular orebody. This was demonstrated by our decision to lower the bottom cut at Finsch to recover more diamonds in the small size ranges, which are of particularly high value at that mine. Our successful recovery of 'specials' also attests to this expertise and it was particularly encouraging to sell the first +US\$1 million stones from both Kimberley Underground and Williamson under Petra management during the Year, following the in-house construction/refurbishment and commissioning of the plants at both operations.

Structural changes continue in our industry and we note the recent move of De Beers' marketing operations from London to Gaborone in Botswana as a positive for both the region and for Petra. Southern Africa is becoming a major rough diamond hub and we are well positioned to benefit from the heightened activity, particularly given the ever increasing number of diamond buyers coming to the region.

FY 2013 operations

FY 2013 diamond production increased 21% to 2.67 Mcts, slightly above the previously revised market guidance of 2.65 Mcts. The year on year increase was mainly due to Finsch's contribution for a full 12 month period (FY 2012 included circa nine months' production from the date of acquisition) and Williamson successfully achieving the planned levels of production following the commissioning of its rebuilt plant at the end of FY 2012.

Revenue increased 27% to US\$402.7 million (FY 2012: US\$316.9 million), primarily due to increased volumes coupled with the sale of the 25.5 carat blue diamond from Cullinan for US\$16.9 million in May 2013. Carats sold increased 22% to 2,539,844 (FY 2012: 2,084,429), in line with the increasing trend of production.

Increase in effective interests in South African operations

Effective 1 January 2013, the Group increased its effective interest in each of its South African operations by acquiring a 49.24% interest in Nelesco 651 (Pty) Ltd, which in turn provided a 49.24% effective interest in Sedibeng Mining (Pty) Ltd, one of Petra's South African empowerment partners.

Strategic Review

CEO's Review continued

Finsch had a strong first full year under Petra management, contributing 53% of Group production by volume and 40% of Group revenue for FY 2013.



Production combined operations

	Unit	FY 2013	FY 2012	Variance
Sales				
Revenue	US\$m	402.7	316.9	+27%
Diamonds sold	Carats	2,539,844	2,084,429	+22%
Production				
Total tonnes treated	Tonnes	14,853,762	10,367,722	+43%
ROM diamonds	Carats	2,038,115	1,872,120	+9%
Tailings, surface and alluvial diamonds	Carats	630,190	336,742	+87%
Total diamonds	Carats	2,668,305	2,208,862	+21%
Opex				
On-mine cash cost	US\$m	263.4	234.3	+12%
Capex				
Expansion	US\$m	138.8	102.5	+35%
Sustaining	US\$m	47.2	29.2	+62%
Borrowing costs capitalised	US\$m	12.3	6.3	+95%
Total	US\$m	198.3	138.0	+44%

Whilst economic conditions continue to remain challenging, we believe that the long-term outlook for the Group is positive. Petra has compiled a high quality portfolio of producing assets and will continue to significantly increase production in the years to come.



Life-long learning

Petra helps combat South Africa's illiteracy rate by offering part time adult basic education and training ("ABET"), providing employees with the opportunity to gain a minimum level of education and thereby setting them up for potential further education and development opportunities, as well as instilling a culture of life-long learning. The Company has access to ABET facilities at all of its South African operations. In Tanzania, the workforce has a much higher level of basic education.

Industrial action in South Africa

Post Year end, certain of the Company's South African mines (Cullinan, Koffiefontein, Kimberley Underground and Helam) were affected by industrial action which commenced on Thursday 29 August 2013, with normal operations resuming from Monday 16 September 2013.

However, despite the industrial action, due to the strong production run rate with which Petra commenced FY 2014, the Company remains on track for full year production to increase ca. 12% to 3.0 Mcts in FY 2014.

Outlook

Whilst economic conditions continue to remain challenging, we believe that the long-term outlook for the Group is positive. Petra has compiled a high quality portfolio of producing assets and will continue to significantly increase production in the years to come, supplying into what is expected to be a buoyant diamond market. True sustainability remains central to the way we structure all projects, ensuring that all our stakeholders benefit from our future success.

None of this would be possible without the hard work and motivation of our team, as well as our valued partnerships with our Government and BEE partners. I would like to thank you all for your individual contribution to realising our strategy.

Johan Dippenaar
Chief Executive Officer

11 October 2013

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 business model is a focus on safety and sustainability, thereby driving value for all stakeholders.

How we add value

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.

Investing

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

Expansion

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.



 **Our Assets and Expansion**
Page 24

Focus on Safety and sustainability

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

Petra strives to make a real contribution to the 'triple bottom line' (people, profit and planet). This includes enhancing its local environment to the benefit of employees and communities.

The Company achieves this through various initiatives that aim to stimulate local socio-economic development, as well as by upholding high standards of environmental stewardship.



 **Sustainability**
Page 48

 **Read our Sustainability Report**
petradiamonds.com/sustainability

World-class Leadership


Strong and responsible governance ensure the Company can identify and mitigate risks, as well as recognise and capitalise on opportunities.

Optimising

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.

Growth

Petra has set out a transparent growth path which is expected to see production rise from 2.67 million carats in FY 2013 to 5 million carats by FY 2019.

 **Our Assets and Expansion**
Page 24

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 Strategy**
Page 20

Where we apply it



1

Increase output

Petra is extending the lives of its world-class assets by opening up new mining areas and delivering access to undiluted ore.



2

Optimise recoveries

Ongoing refinements ensure that the Group's processing plants are configured to recover the full value spectrum afforded by a particular orebody. The Company also focuses on security at each asset.



3

Increase efficiencies

Petra continues to drive efficiencies across its mines. Key focus areas are optimisation of ore-handling systems, initiatives to manage power and water usage and effective use of labour.

There is a positive long-term outlook for the rough diamond market due to inherent supply constraints which suggest that supply will struggle to keep pace with demand. Petra provides investors with a premier investment opportunity offering direct exposure to the diamond market.

Petra's market position

A strong market position

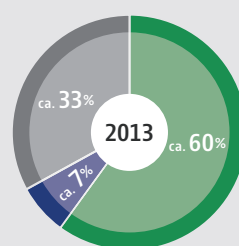
De Beers, Alrosa and Rio Tinto remain the dominant players in the diamond market.

Beneath the majors, there are only four sizeable quoted diamond producers, being (by order of market capitalisation) Dominion Diamond Corporation, Petra Diamonds, Gem Diamonds and Lucara Diamond Corporation.

Based on FY 2013 production of 2.67 million carats and sales of US\$402.7 million, Petra accounted for 2% of world supply by volume and 3% by value.

▶▶ Given the scarcity of economic diamond deposits worldwide, barriers to enter this elite group of diamond producers are high.

SHARE OF WORLD DIAMOND PRODUCTION (BY VOLUME)



Source: Petra Diamonds and other company records

MAJOR PRODUCERS

De Beers
Alrosa
Rio Tinto

MID-TIER QUOTED PRODUCERS

Petra Diamonds
Dominion Diamond Corporation
Gem Diamonds
Lucara Diamond Corporation

NON-QUOTED PRODUCERS

Non-quoted producers such as Democratic Republic of Congo, Zimbabwe and Angola



Source: Kimberley Process Certification Scheme



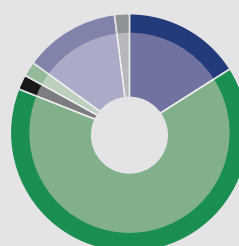
Source: Kimberley Process Certification Scheme

Large scale resources

In terms of resources (the number of 'carats in the ground' estimated as yet to be mined at Petra's operations), the Group's major resource base of 309.6 million carats is estimated to be the largest in the world outside the majors.

▶▶ Petra has the largest resource base of any mid-tier diamond producer.

GROSS RESOURCE BASE



Finsch 16%
Cullinan 65%
Koffiefontein 2%
Kimberley Underground 2%
Williamson 13%
Fissures 2%

Supply and demand

Diamond deposits are scarce

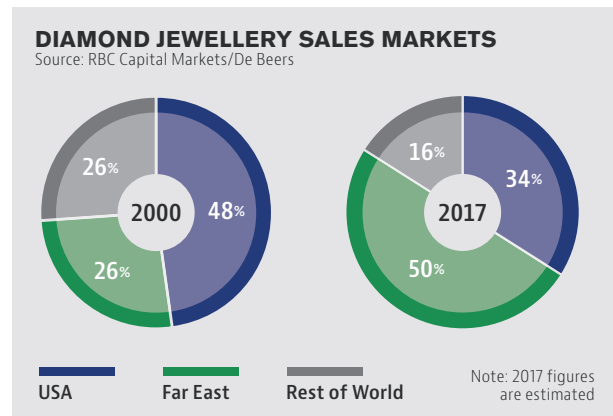
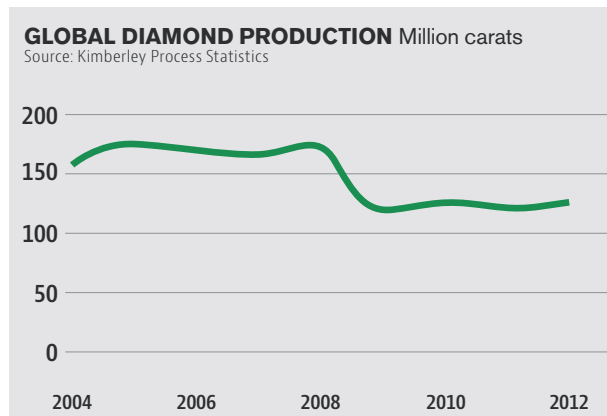
A key characteristic of diamond deposits is their scarcity, in contrast to many other commodities, with only around 30 significant kimberlite mines operating in the world today. To date, the most important discoveries (other than Argyle in Australia) have clustered into three regions of the world: southern Africa, Siberia and western Canada.

Profitable, large-scale kimberlites are therefore difficult to find and can take a long time to bring into production (up to 10–15 years from discovery). Despite the large amount of money invested into diamond exploration in the last few decades, there have been no major new discoveries for around 20 years.

Petra's growth strategy has therefore been to acquire existing mines, where the opportunity exists to invest in and optimise these assets in order to extend their lives.

+ See a map of the world's major diamond producers petradiamonds.com/about-us/the-diamond-market

▶▶ The success rate for finding an economic, diamond-bearing kimberlite is estimated to be around 1%.
Source: De Beers, Nomura research



Supply is limited...

Many of the world's largest diamond mines are now past their peak production levels and some are currently undergoing an open-pit to underground transition, which inherently limits tonnage output. Furthermore, some of the world's major diamond mines are expected to come to the end of their useful lives within the next ten years.

Whilst certain new mines are planned to come on stream, there is nothing of significant size to make up for this downward trend in production.

▶▶ It is possible that the world has already seen peak diamond production.

...whilst demand is growing

Demand growth for diamonds is being driven by the urbanisation trend and the growing middle classes in emerging markets, with an additional 1.3 billion people forecast to attain middle income status by 2030 and a further 2.6 billion by 2050 (HSBC 'Consumer in 2050' report).

Demand is shifting from west to east, as the Far East (classified as Japan, China, Hong Kong, Taiwan, India and the Gulf) rapidly develops consumer preferences for diamonds.

However, unlike most other commodities, diamonds also provide exposure to the economic recovery ongoing in the US, which remains the world's dominant diamond consumer.

▶▶ The Far East is expected to account for approximately half of global demand by 2017.

Factors driving the market

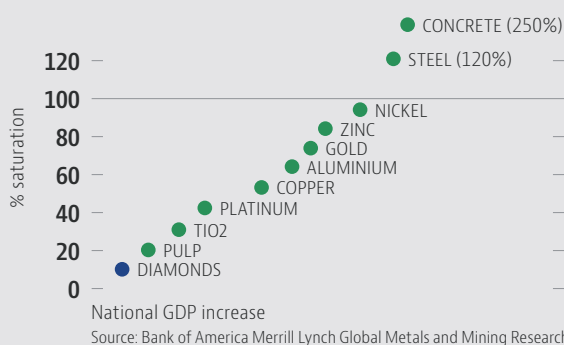
The ultimate late cycle commodity

The chart to the right demonstrates China's per capita consumption of various basic materials relative to the US at its 'steady state' consumption rates. Whilst China already consumes more than the US on a per capita consumption of early cycle materials, such as steel and cement, there remains large potential upside for late cycle commodities such as diamonds, as consumption per capita in emerging regions is still far below that of mature markets.

Likewise diamonds are late cycle in terms of discretionary consumer purchases. As disposable income rises, consumers eventually aspire to buy and own gem set jewellery.

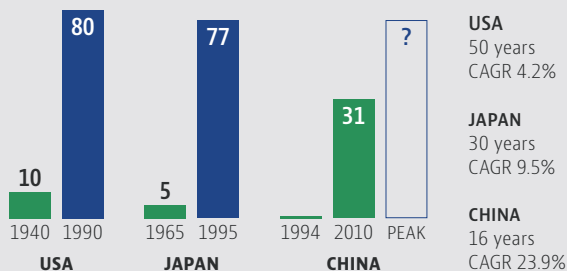
►► **There is large potential upside for late cycle commodities such as diamonds in China.**

CHINA'S PER CAPITA CONSUMPTION OF KEY COMMODITIES Relative to the US (100%)



% OF FIRST TIME BRIDES WHO RECEIVE A DIAMOND-ONLY ENGAGEMENT RING

Source: De Beers



Mass luxury will drive the market...

As a new consumer market matures, diamonds are no longer the preserve of a wealthy elite and a mass market is able to flourish once consumer disposable income allows. Evidence suggests that the Chinese and Indian markets are thereby starting to follow the US trend, with retailers stating that these markets will be driven by 'mass luxury' – i.e. affordable diamond jewellery ranging from US\$200 to +US\$2,000 per item.

As in the West, mass luxury purchases in the East are underpinned by the bridal/wedding market, followed by other opportunities to celebrate life's most momentous occasions, such as birthdays, anniversaries and new births.

►► **The number of China's brides receiving a diamond engagement ring grew by a CAGR of 23.9% from 1994 to 2010.**

...plus widespread use in luxury goods

Over the last few years, the prices of smaller gem quality diamonds have increased at a faster rate than those of larger diamonds due to their high demand across a wide range of luxury goods, but particularly in the watches segment.

Likewise, there is now a trend for all manner of luxury goods to be adorned with diamonds, such as pens, mobile phones and other portable digital devices.

Even jewellery set with other gemstones, such as emeralds, rubies and sapphires, very often includes smaller white diamonds as these serve to perfect and add lustre to a central coloured stone.

►► **Smaller gem quality diamonds are in high demand due to use across a wide range of luxury goods.**

The diamond market in FY 2013

Diamond prices

The rough diamond market was stable in FY 2013, with less volatility than has been experienced over recent years. Petra's rough diamond prices were essentially flat during H1 of FY 2013, whilst firmer prices were seen during H2.

Petra expects prices to remain stable for FY 2014, with the potential for pricing upside, due to constrained supply and a firmer US market, the world's major market for polished diamonds, as well as continued growth in China, albeit at a lower rate than over recent years. Recent economic data for the luxury goods sector suggests robust demand in most major markets, as well as some indicators of green shoots in Europe.

Prices achieved for FY 2013 were largely in line with Petra's guidance for the Year and the Company's guidance pricing for FY 2014, as published on 12 August 2013, is listed below. This price guidance excludes revenue from 'exceptional diamonds' (+US\$5 million stones). Taking into account variation from year to year, on an average annual basis such stones have added in excess of US\$16 million per annum over the last five years.

Petra's focus on optimising recoveries is evident in the number of special diamonds sold, with the majority coming from Cullinan as usual. The Company sold 13 stones exceeding US\$1 million each during the Year, for total revenue of US\$39.5 million (FY 2012: eight stones valued at US\$14.4 million).

The most valuable Petra diamond in FY 2013 was an exceptional 25.5 carat blue diamond from Cullinan (pictured right), which sold for

US\$16.9 million; this equates to a remarkable US\$663,144 per carat, which is possibly one of the highest value per carats ever achieved for a rough stone.

Blue diamonds are incredibly rare, which only adds to their allure. Cullinan is the world's most important source of blues.



ACTUAL ROUGH DIAMOND PRICES FOR THE YEAR AND GUIDANCE PRICING FOR FY 2014

Mine	Guidance weighted average ¹ US\$/ct FY 2014	Actual weighted average ¹ US\$/ct FY 2013	Actual weighted average ¹ US\$/ct FY 2012
Finsch	113 ²	120	138
Cullinan	139	163 ³	128
Koffiefontein	518	471	487
Kimberley Underground	301	295	320
Helam	145	140 ⁴	255 ⁴
Williamson	254	254	236

1. The weighted average prices are the average of the mix of ROM and tailings production, as Petra tenders production from each mine on a mixed ROM/tailings parcel basis.
2. The average expected value at Finsch is guided lower due to the increase in recovery of smaller diamonds as noted on page 36.
3. The FY 2013 average value at Cullinan includes the 25.5 carat blue diamond sold for US\$16.9 million; the average value for FY 2013 excluding this stone was US\$142 per carat.
4. Prior guidance and actual results relate to the 'Fissure Mines' as a combined business unit, whereas FY 2014 relates to the Helam mine only, as Sedibeng and Star are both now on care and maintenance.

▶▶ Despite some volatility, the upward trend in diamond pricing is firmly in place.

Strategic Review

Our Strategy and Key Performance Indicators

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.

Our vision

Petra's vision is to build a world-class diamond group.

Our objectives

The Group is focused on cash-generative diamond production and has honed a culture over the years that focuses on efficiencies and minimisation of overheads, in order to maximise value from its assets.



1 INCREASE OUTPUT

2 OPTIMISE RECOVERIES

3 INCREASE EFFICIENCIES

OUR TARGETS

Targeting 5 million carats by FY 2019

Aiming to improve operating margins at each mine

Maintaining a culture of effective cost control

HOW WE MEASURE

- Rough diamond production
- Revenue

- Safety
- Profit from mining activity

- Adjusted operating cashflow
- Capex

Sustainability

Underpinning Petra's strategy is a focus on safety and sustainability, thereby driving value for all stakeholders.

 Sustainability
Page 48

 See our Sustainability Report online
petradiamonds.com/sustainability

1 Increase output

KEYS TO ACHIEVING

- Meeting tonnage targets in line with business plan and aligning plants to optimise recoveries
- Management of ROM grades at Finsch and Cullinan until expansion programmes open up new areas and create access to undiluted ore
- Successful roll out of expansion programmes, particularly at Finsch and Cullinan

FY 2013 ACHIEVEMENTS

- Group production +21% to 2.67 Mcts
- Finsch performed strongly in its first full year under Petra management
- Williamson achieved planned production levels further to restarting production in Q4 FY 2012

FOCUS FOR FY 2014

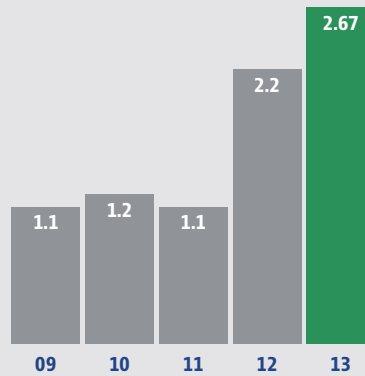
- Group production +12% to ca. 3.0 Mcts
- Total tonnes treated +18% to ca. 17.5 Mt
- Continuing focus on the roll-out of key expansion programmes

KEY PERFORMANCE INDICATORS

ROUGH DIAMOND PRODUCTION

Million carats

2.67 +21%



Description

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

Performance for the Year

FY 2013 production increased 21% to 2.67 million carats. The increase was mainly due to Finsch's contribution for a full 12 month period and Williamson successfully achieving planned levels of production following the commissioning of its rebuilt plant at the end of FY 2012.

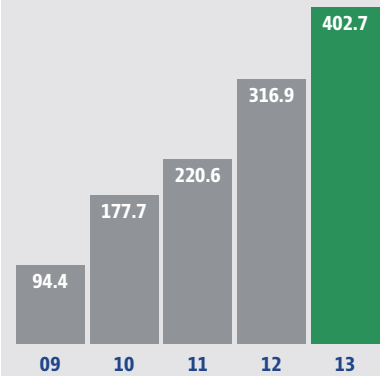
Risk management

Petra takes great care to set realistic 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 address the lost production.

REVENUE

US\$ million

402.7 +27%



Description

Petra's growth path is expected to 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 27% to US\$402.7 million, primarily due to increased volumes coupled with the sale of the 25.5 carat blue diamond from Cullinan for US\$16.9 million in May 2013.

Risk management

The key factors affecting revenue growth are delivery on production targets, which can be managed by the Group, and diamond prices, which are outside of the Group's control. Petra sells its diamonds via competitive tender, which is a fair and well proven method of price discovery.

2 Optimise recoveries

KEYS TO ACHIEVING

- Focus on safety as number one management priority
- Focus on 'value' as opposed to 'volume' production

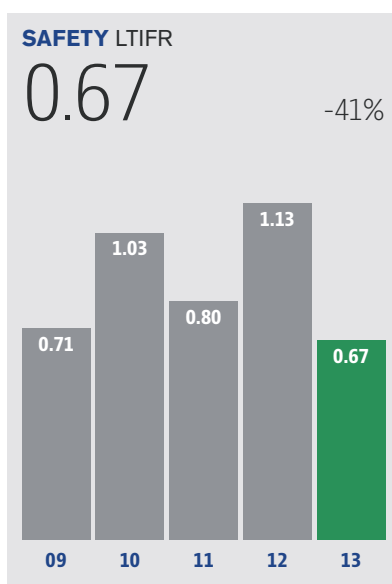
FY 2013 ACHIEVEMENTS

- LTIFR rate improved, despite the acceleration of Petra's expansion plans
- Bottom cut lowered at Finsch to capture higher value smaller diamonds
- 13 diamonds recovered and sold for +US\$1 million each

FOCUS FOR FY 2014

- Continue striving for a zero harm workplace
- Ongoing plant refinements across the Group's operations
- Continue to optimise plant processing and security

KEY PERFORMANCE INDICATORS



Description

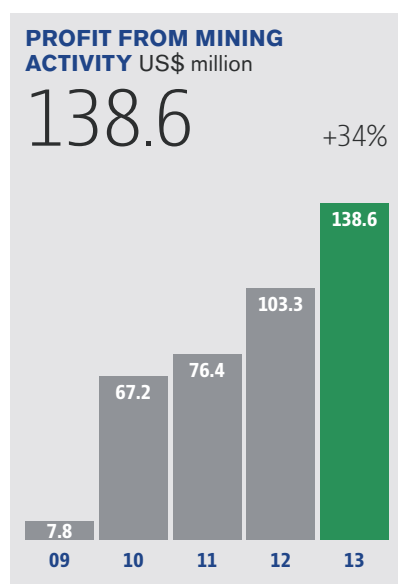
The health and safety of employees is Petra's number one priority. LTIFR is the number of lost time injuries multiplied by 200,000 and divided by the number of hours worked. Petra uses this indicator to track the Group's annual performance.

Performance for the Year

Group LTIFR for the Year reduced to 0.67. This is an encouraging trend considering the increase in activities as the capital programmes progress and the much higher number of contractors working on site.

Risk management

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



Description

Profit from mining activity (stated before retrenchment costs, depreciation and share-based expense) 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

Profit from mining activity increased 34% to US\$138.6 million, further to the increased production and sales for the Year, combined with a stable environment for diamond pricing. This represents an operating margin of 34%, slightly higher than the margin of 33% achieved in FY 2012.

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.

3 Increase efficiencies

KEYS TO ACHIEVING

- Continuous review and assessment of areas for improvements
- Key focus areas are power and water usage, security and effective use of labour

FY 2013 ACHIEVEMENTS

- Inflationary cost pressures well controlled
- Capex key deliverables progressed in line with expectations and in accordance with the roll-out of the Group's expansion programmes

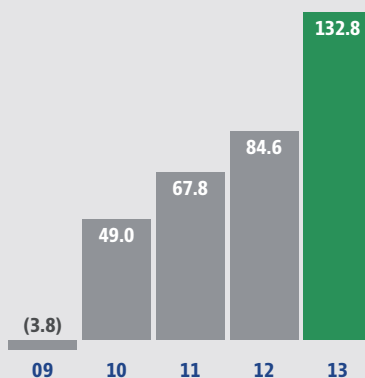
FOCUS FOR FY 2014

- Continue to drive efficiencies across the mines
- Continue to closely monitor and control Capex

KEY PERFORMANCE INDICATORS

ADJUSTED OPERATING CASHFLOW US\$ million

132.8 +57%



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

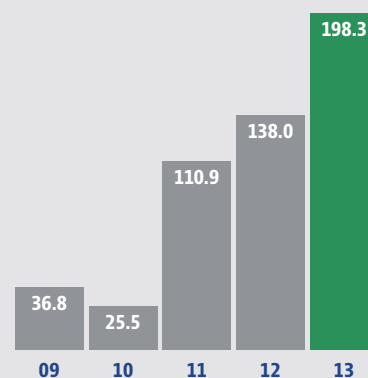
Adjusted operating cashflow (IFRS operating cashflow adjusted for the movement in FY 2013 versus FY 2012 diamond debtors, excluding unrealised foreign exchange movements) of US\$132.8 million was considerably higher than FY 2012 (US\$84.6 million), due to the growth recorded in revenue and profit from mining activity.

Risk management

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

CAPEX US\$ million

198.3 +44%



Description

It is key to the Group's production expansion that capital expenditure is achieved and development rolled out in line with stated business plans.

Performance for the Year

Capex for the year increased to US\$198.3 million, in accordance with the roll-out of the Group's expansion programmes. The largest Capex increases were recorded at Finsch and Cullinan, further to the significant acceleration of the development programmes at both mines.

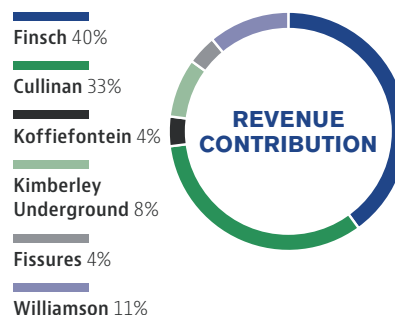
Risk management

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

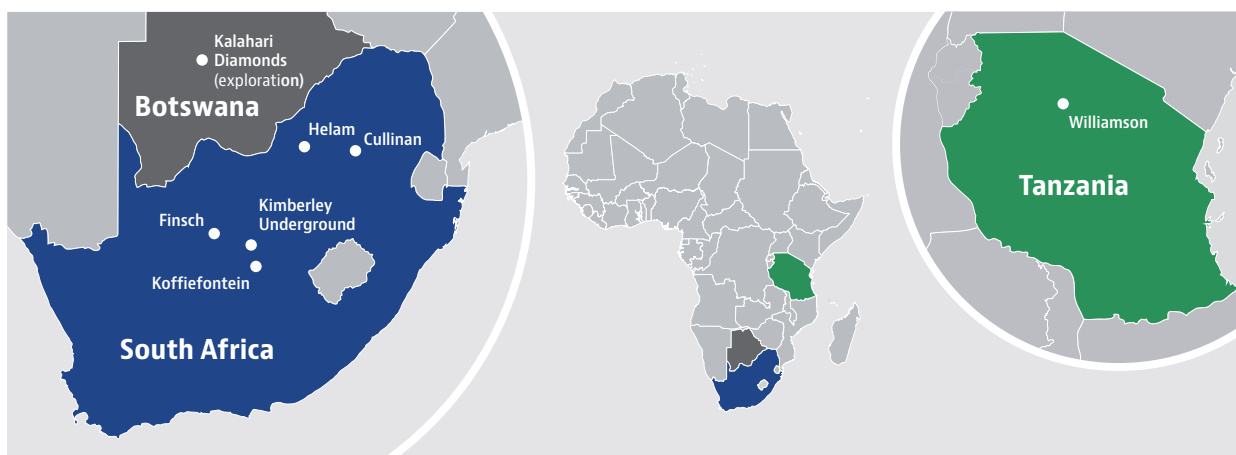
Strategic Review

Our Assets and Expansion

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



Our Assets



Finsch

A major producer with world-class infrastructure

- Produces a number of +50 carat stones annually, highly commercial goods of +5 carats and is rich in gem quality smaller diamonds.
- FY 2013 production of 1,412,465 carats and revenue of US\$160.6 million.
- Major resource base of 50.9 Mcts.

[Operational Review Page 36](#)

Cullinan

One of the world's most celebrated diamond mines

- Cullinan is renowned for large, top quality gem diamonds (including the 3,106ct Cullinan diamond) and is the most important source of blue diamonds.
- FY 2013 production of 868,975 carats and revenue of US\$133.0 million.
- World-class resource base of 200.8 Mcts (including 17.0 Mcts tailings).

[Operational Review Page 38](#)

Koffiefontein

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

- Regularly produces exceptional white diamonds of between five and 30 carats in size.
- FY 2013 production of 34,800 carats and revenue of US\$16.6 million.
- Resource base of 6.0 Mcts.

[Operational Review Page 40](#)

Kimberley Underground

Operation comprises Bultfontein, Dutoitspan and Wesselton kimberlite pipes

- Production characterised by the better colour commercial white diamonds highly sought after by manufacturers.
- FY 2013 production of 115,400 carats and revenue of US\$33.4 million.
- Resource base of 7.2 Mcts.

[Operational Review Page 41](#)

Fissure Mines

Portfolio of three mines (Helam, Sedibeng and Star)

- Further to the termination of the public disposal process in respect of the Fissure Mines, the Company is continuing to run Helam on a commercial basis, whilst Sedibeng and Star have been placed on care and maintenance.
- FY 2013 production of 72,287 carats and revenue of US\$17.2 million.
- Resource of 5.3 Mcts.

Williamson

Tanzania's most important diamond producer

- Renowned for beautifully rounded white goods and 'bubblegum' pink diamonds.
- FY 2013 production of 164,376 carats and revenue of US\$41.9 million.
- Major resource base of 39.4 Mcts.

[Operational Review Page 42](#)

Our Commitment

Our commitment to invest in our mines enables Petra to have a clear roadmap to 5 Mctpa by FY 2019.

- Growth profile focuses on brownfield expansion – strategy to recapitalise existing mines.
- Fully financed Capex profile using treasury, cashflows and debt facilities.

+ Review the 'Capex Guidance' on Petra's website for further information on the Company's Capex profile to FY 2019 at: petradiamonds.com/investors/analysts/analyst-guidance



FY 2013 Capex per operation:

1 CULLINAN

US\$89.0m

- Expansion Capex of US\$64.0 million, sustaining Capex of US\$17.2 million and borrowing costs capitalised of US\$7.8 million
- Expansion plan to increase production from ca. 870,000 ctpa to ca. 2.2 Mctpa by FY 2019 (underground and tailings)

2 FINSCH

US\$48.6m

- Expansion Capex of US\$33.5 million, sustaining Capex of US\$10.6 million and borrowing costs capitalised of US\$4.5 million
- Expansion plan to increase production from 1.4 Mctpa to ca. 1.8 Mctpa by FY 2016 and to ca. 2.0 Mctpa by FY 2019 (underground and tailings)

3 KOFFIEFONTEIN

US\$20.4m

- Expansion Capex of US\$10.9 million and sustaining Capex of US\$9.5 million
- Expansion plan to increase production from 34,800 ctpa to ca. 105,000 ctpa by FY 2017 (underground only)

4 KIMBERLEY UNDERGROUND

US\$21.6m

- Expansion Capex of US\$17.6 million and sustaining Capex of US\$4.0 million
- Expansion plan to increase production from ca. 115,000 ctpa to ca. 130,000 ctpa by FY 2016

5 WILLIAMSON

US\$11.7m

- Expansion Capex of US\$8.4 million and sustaining Capex of US\$3.3 million
- Expansion plan to increase production from ca. 160,000 ctpa to ca. 300,000 ctpa by FY 2017

Strategic Review

Risks

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



Strategic risk

Retention of Key Personnel

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

Board responsibility

The Executive Directors, the Remuneration Committee and the Nomination Committee.

Mitigation

Petra believes that employees who are empowered and accountable for their actions work to the best of their ability and are able to fulfil their true potential. The Group's employment policies and terms are designed to attract, incentivise and retain individuals of the right calibre.

FY 2013 risk management

The Company has further developed its remuneration strategy with the formalisation of performance based bonuses for key management, a deferred bonus system based on continued employment with the Company, the 2011 LTSP and the 2012 PSP (see pages 75 to 77 of the Directors' Remuneration Report for more information) which is designed to reward management for delivery against the Company's long-term key objectives, as well as retain key management for the longer term.

Operational risk

Mining and Production Risks

The mining of diamonds from underground 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.

Board responsibility

The Executive Directors.

Mitigation

All of Petra's existing kimberlite operations have long histories of production and therefore the geology and economics of each mine are well understood. Petra's work to expand the lives of its assets is classed as 'brownfield' expansion, and therefore the existing knowledge of the deposits eliminates much of the risk associated with developing a new diamond mine.

FY 2013 risk management

The Group's management team is comprised of key personnel with a substantial and specialised knowledge of mechanised and underground mining and diamond recovery, and this skills base enables the Company to manage mining and production risks.

Operational risk**ROM Grade Volatility**

At the Group's underground pipe mines (Finsch, Cullinan, Koffiefontein, Kimberley Underground), Petra is currently operating in 'mature' caves, meaning that the block of ore being mined is now heavily diluted. Once the majority of the kimberlite ore has been removed, waste rock is able to ingress into the production areas and dilutes the overall diamond grade.

Board responsibility

The Executive Directors.

Mitigation

The objective of Petra's development programmes at its underground mines is to take the next 'cut' of the respective orebody, by opening up and establishing new production areas in deeper areas of undiluted kimberlite. The Group production profile will start changing from diluted to undiluted ore from FY 2015 onwards, and ROM grades are forecast to rise circa 50% once purely undiluted ore is being mined.

FY 2013 risk management

As expected, Petra experienced volatility in ROM grades at Cullinan and Finsch. The Company is managing this issue by developing access to undiluted 'gapfiller' tonnes which can be drawn whilst the expansion plans progress. Process plant changes have also been introduced to further mitigate the impact of volatile grades.

Operational risk**Expansion and Project Delivery Risks**

Petra has set out a clear and transparent growth profile to increase annual production to over 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.

Board responsibility

The Executive Directors.

Mitigation

Petra has an enviable track record in the management of underground diamond mining 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 six producing mines, which provides flexibility in terms of overall portfolio performance.

FY 2013 risk management

Activity associated with Petra's underground development programmes, notably at Finsch and Cullinan, picked up considerably in FY 2013, as evidenced by the substantial increase in development metres recorded for the Year. Expansion plans are on track and progressing as expected. As mentioned in the "Retention of Key Personnel" section, performance based bonuses coupled with the 2011 LTSP will help ensure necessary focus on project delivery from all levels of management.

Operational risk**Social, Safety and Environmental**

The Group's success depends upon its safety, social and environmental performance, as failure to comply with relevant legislation in South Africa, Tanzania or Botswana could lead to delays or suspension of its mining and exploration activities.

Board responsibility

The Executive Directors and the HSSE Committee.

Mitigation

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.

FY 2013 risk management

The HSSE Committee has identified the material sustainability issues facing the Group and ensured that these are monitored and effectively reported to the Board on an ongoing basis.

Financial risk

Financing Risks

Petra has a significant Capex programme over the years to FY 2019, with Capex forecast to peak in FYs 2014 and 2015. The Company plans to finance this Capex from operating cashflows and Group debt facilities. Lack of adequate available cashflows could delay development work.

Board responsibility

The Executive Directors and the Audit Committee.

Mitigation

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.

FY 2013 risk management

Petra's Capex for FY 2013 was well controlled and was in accordance with the roll-out of the Group's expansion programmes. The Company actively monitors the terms of its debt financing arrangements to ensure that it remains well within the various covenants and ratios within these agreements.

External risk

Diamond Price Risk

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.

Board responsibility

The Executive Directors.

Mitigation

The management of the Group 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.

FY 2013 risk management

The rough diamond market was stable in FY 2013, with prices essentially flat in H1 before firming in H2. The Company sells its rough diamonds via competitive tender in both Johannesburg and Antwerp, and believes that this sales process maximises the value of its production.

External risk

Currency Risk

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.

Board responsibility

The Executive Directors.

Mitigation

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.

FY 2013 risk management

In FY 2013, the increasing size of Petra's tenders combined with significant ZAR/US\$ volatility resulted in active currency management being particularly important to address exchange rate risks. Hedges were structured on a short dated basis and the Company took advice from two specialist banks in order to advise on exchange rate hedging strategies.

External risk

Country and Political Risk

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, withholding tax and political risks, and are potentially subject to rapid change.

Board responsibility

The Executive Directors and the Audit Committee.

Mitigation

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.

FY 2013 risk management

Petra experienced brief labour disruptions at certain of its South African mines in October 2012 and September 2013 – see risk to follow on 'Labour unrest in South Africa'.

External risk

Labour unrest in South Africa

During FY 2013, the labour unrest experienced in South Africa was well publicised and focused attention on the social challenges facing the country. Whilst the problems were most acute within the platinum and gold sectors, all industries with high labour components were at one point affected by this movement.

Board responsibility

The Executive Directors.

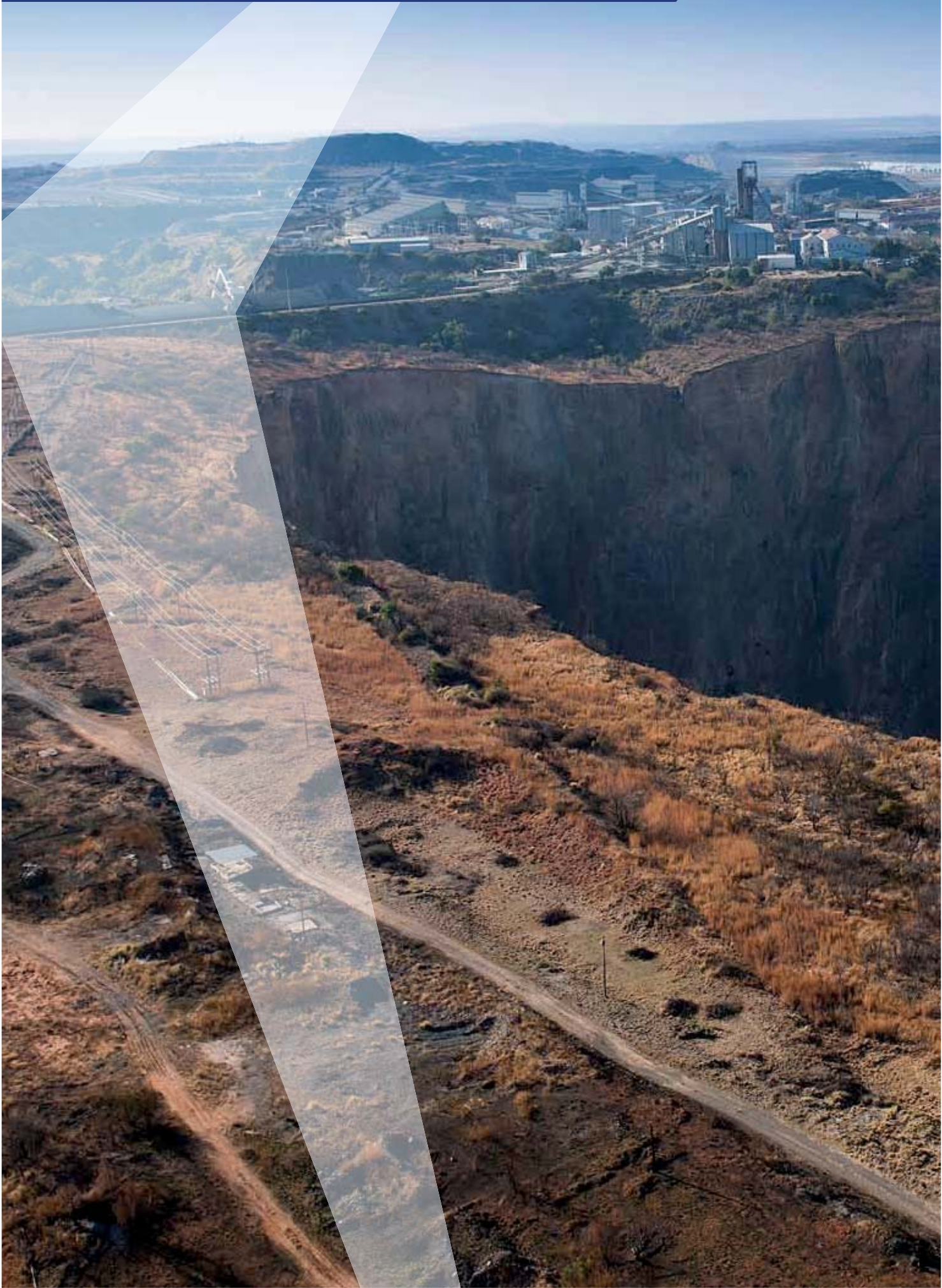
Mitigation

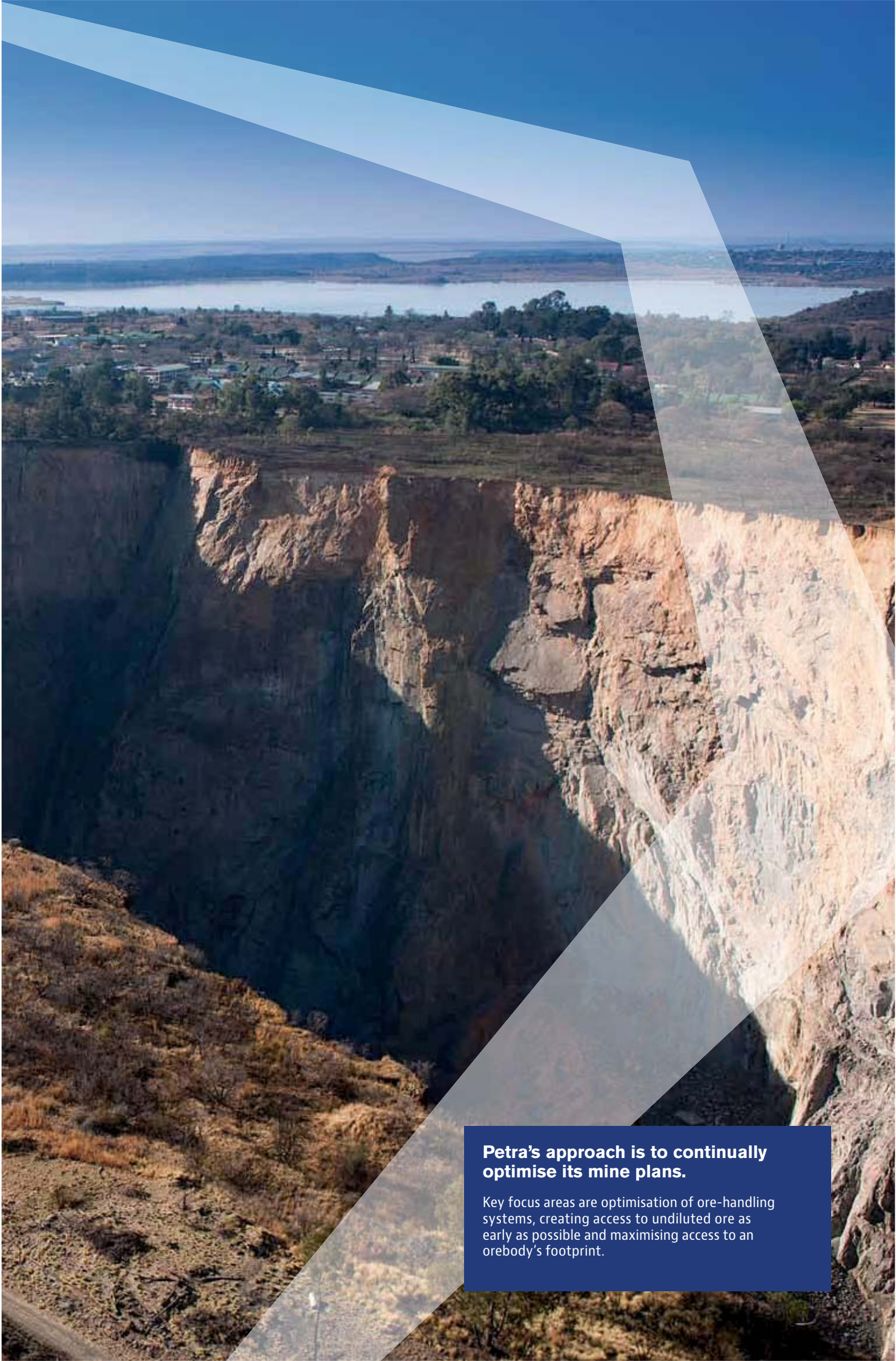
Petra believes that dialogue is the key and the Company is highly focused on continuing to communicate openly with employees, trade unions and local community representatives. All of Petra's efforts are focused on long-term, sustainable operations, which are structured for the benefit of all stakeholders, including employees.

FY 2013 risk management

Petra's South African operations were affected by brief work stoppages during October 2012 and, post Year end, in September 2013. These disruptions were not as significant as those experienced in the platinum and other sectors, and the Company was able to resume operations in a timely manner.

Performance Review





Petra's approach is to continually optimise its mine plans.

Key focus areas are optimisation of ore-handling systems, creating access to undiluted ore as early as possible and maximising access to an orebody's footprint.

An impressive year of growth

Petra's management is focused on generating cashflows from its operations, which are currently used to help fund the Company's capital expansion programmes, assisted by the Group's debt facilities.



David Aberly
Finance Director

SUMMARY

- Revenue rose 27% to US\$402.7 million due to higher production levels in FY 2013.
- Profit from mining activity rose 34% to US\$138.6 million, reflecting an overall margin of ca. 34%.
- Adjusted EBITDA rose 36% to US\$122.4 million in line with the increased production and sales, combined with a stable diamond market.
- Adjusted operating cashflow rose 57% to US\$132.8 million, demonstrating management's focus on this area.
- A net profit after tax of US\$27.9 million was recorded for the year, reflecting the impact of the Group's solid trading in FY 2013.

Revenue

Gross mine revenue increased 27% to US\$402.7 million (FY 2012: US\$316.9 million), primarily due to increased volumes coupled with the sale of the exceptional 25.5 carat blue diamond from Cullinan for US\$16.9 million in May 2013.

Mining and processing costs

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 to the right.

On-mine cash costs increased by 12%, due to:

- inclusion of Finsch for 12 months (FY 2012: nine months) (8% of the increase);
- inflationary increases, including the impact of electricity and labour costs (9% of the increase);
- treatment of higher tonnages across the operations versus FY 2012 (9% of the increase); and
- offset by a depreciating Rand against the US Dollar (less 14%).


Certain cost categories in South Africa have increased in excess of South African inflation (South African CPI stood at 5.5% at 30 June 2013). 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.

Electricity prices rose by 16% during the Year and a further increase of ca. 9% has been approved by the South African National Energy Regulator for FY 2014. Petra's electricity usage accounted for approximately 14% of South African 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.

In South Africa, labour accounted for approximately 41% of on-mine cash costs at the pipe mines and 68% of on-mine cash costs at the Fissure Mines. As in the past, the Company anticipates that future labour cost increases will continue to be slightly above inflation.

As the bulk of Petra's operating costs are incurred in ZAR, the 14% weakening of the average ZAR exchange rate against the US Dollar (FY 2013: R8.839/US\$1 versus FY 2012: R7.768/US\$1) negated some of the increased costs in Rand terms as mentioned above.

Unit costs on a mine by mine basis are covered in the Operational Review from pages 36 to 42.

 **With regards to FY 2014, on 12 August 2013 the Company provided operational and corporate guidance, which can be accessed at petradiamonds.com/investors/analysts/analyst-guidance**

FY 2013 – BREAKDOWN OF MINING AND PROCESSING COSTS

	On-mine cash costs ¹ US\$m	Diamond royalties US\$m	Inventory movement US\$m	Group technical, support and marketing costs ² US\$m	Adjusted mining and processing costs US\$m	Depreciation US\$m	Share-based expense US\$m	Retrenchment costs US\$m	Total mining and processing costs (IFRS) US\$m
FY 2013	263.4	3.7	(13.6)	16.8	270.3	42.4	1.4	2.6	316.7
FY 2012	234.3	1.4	(19.4)	6.3	222.6	40.7	0.6	—	263.9

1. Includes all direct cash operating expenditure at operational level, i.e. labour, consumables, utilities and on-mine overheads.

2. Certain technical, support and marketing activities are conducted on a centralised basis; results include Petra's SPV set up to partially fund its mining rehabilitation obligations.

Mining profit

The Company's profit from mining activity increased 34% to US\$138.6 million (FY 2012: US\$103.3 million), further to the increased production and sales for the Year, combined with a stable environment for diamond pricing. Despite mining being currently limited to mature and diluted areas at most of the operations, profit from mining activity for the Group reflected an overall margin of ca. 34% for the Year (FY 2012: ca. 33%).

Adjusted operating cashflow

Adjusted operating cashflow (IFRS operating cashflow adjusted for the cash effect of the increase in Year-end diamond debtors) of US\$132.8 million, was considerably higher than FY 2012 (US\$84.6 million), due to the growth recorded in revenue and profit from mining activity.

Operating cashflow per the Consolidated Statement of Cashflows was US\$73.0 million (FY 2012: US\$77.2 million) but management considers the adjusted figure to be a more useful view of the underlying growth in operating cashflow as the increase in diamond debtors (30 June 2013: US\$74.8 million, versus 30 June 2012: US\$24.5 million) of ca. US\$50 million year on year (due to the large tender that closed shortly before Year-end) reduced the underlying increase in operating cashflow. This movement includes non-cash foreign exchange translation and so the cashflow impact exceeds US\$50 million.

Exploration

Petra maintains a focused exploration programme in Botswana. Exploration expenditure (before depreciation) for the Year of US\$4.8 million (FY 2012: US\$3.0 million) increased due to Petra's work programme at the KX36 kimberlite and the surrounding area (refer to page 45 for further detail on exploration activities). Petra expects exploration spend to be ca. US\$4.5 million in FY 2014.

Corporate overhead – general and administration (“G&A”)

Corporate overhead (before depreciation, share-based payments and transaction costs) increased to US\$11.4 million for the Year (FY 2012: US\$10.0 million), in line with the Group's continued growth and development.

For FY 2014, the corporate G&A overhead is expected to be ca. US\$12.0 million; management will continue to keep these central costs well controlled and managed.

Transaction costs

Transaction costs of US\$0.5 million (FY 2012: US\$3.1 million), which were of a non-recurring nature, relate to the disposal process for the Fissure Mines, which was carried out during the Year but did not conclude in a sale. The prior year costs relate to the professional fees and expenses associated with the London Stock Exchange Main Market step-up (US\$2.7 million) and the Finsch acquisition (US\$0.4 million).

Depreciation

Depreciation for the Year increased to US\$42.8 million (FY 2012: US\$41.0 million), mainly due to a full 12 months of depreciation on the Finsch assets and an overall production increase at the other operations.

Net unrealised foreign exchange loss

Effective 1 July 2012, the Group reorganised its intra-Group funding arrangements and restructured its treasury structure. This has removed significant foreign exchange translation exposure from the Consolidated Income Statement, as the Rand loans are now held between entities with Rand functional currencies. This served to significantly reduce the Group's net unrealised foreign exchange loss for FY 2013 to US\$4.7 million (FY 2012: US\$38.6 million loss).

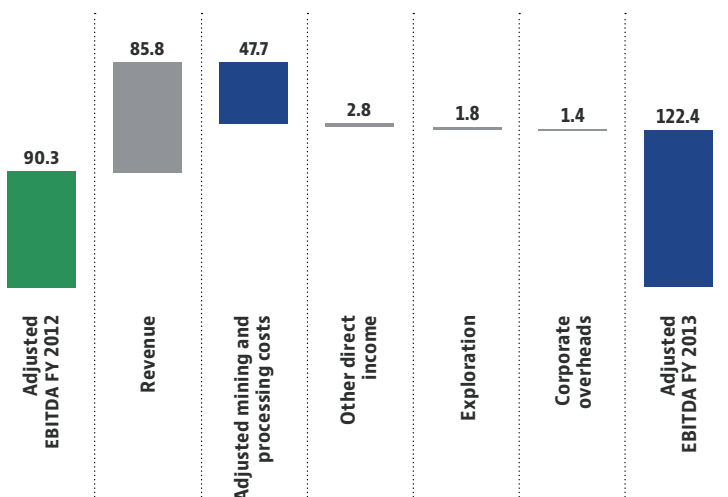
Net finance expense

Net finance expense of US\$3.4 million (FY 2012: US\$1.8 million income) is comprised of interest received on the Group's cash balances of US\$0.4 million, net interest receivable from BEE partners' loans of US\$1.0 million and net realised foreign exchange gains of US\$2.8 million, offset by various finance expenses, being:

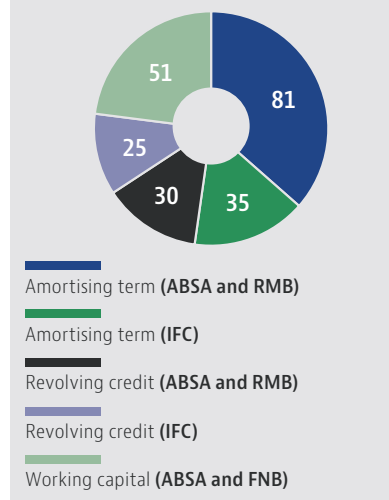
- ▶ a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US\$2.6 million; and
- ▶ interest on (i) the Group's working capital facility of US\$0.1 million and (ii) the Group's Absa/RMB/IFC debt facilities of US\$4.9 million (stated after the capitalisation of interest of US\$12.3 million associated with the funding of assets under development).

“ In November 2012, Petra completed an optimisation of its existing debt structure, serving to increase the Group’s debt and working capital facilities.

GROUP ADJUSTED EBITDA
FY 2012 vs. FY 2013



DEBT FACILITIES
US\$ million



Tax charge

The tax charge of US\$24.6 million (FY 2012: US\$10.5 million) arises due to deferred tax (net of charges and credits), reflecting the utilisation of certain capital allowances, predominantly at Finsch and Cullinan, during the Year.

Impairment and retrenchment costs

During the Year, the Group decided to put both Sedibeng and Star on care and maintenance subsequent to the disposal process which did not yield an acceptable offer. Management reviewed the carrying value of operational assets at each mine and recognised an overall impairment loss of US\$12.6 million (FY 2012: US\$nil), being management’s assessment of the higher of fair value less cost to sell and value in use of the mines. Further details are provided in note 8. The Group has also provided US\$2.6 million (FY 2012: US\$nil) for retrenchment costs at Sedibeng and Star.

Adjusted net profit

An adjusted net profit after tax attributable to equity holders of US\$52.3 million (refer to note 13) was recorded for the Year (FY 2012: US\$39.2 million), adjusted for unrealised foreign exchange movements, retrenchment costs, impairment charges and transaction costs. The Company recorded an adjusted profit of 10.31 cents per share (FY 2012: 7.82 cents per share – refer to note 13). These adjusted profit figures are considered to be more appropriate in comparing results year on year.

Group profit

A net profit after tax of US\$27.9 million was recorded for the Year (FY 2012: US\$2.1 million loss), reflecting the impact of the

Group’s solid trading for the Year. The prior year’s results were substantially impacted by the non-cash, unrealised loss on foreign exchange of US\$38.6 million, which was significantly lower for FY 2013 due to the restructuring of the Group’s treasury structure (as noted in “Net unrealised foreign exchange loss” on page 33).

Cash and diamond debtors

As at 30 June 2013, Petra had cash in hand of US\$26.2 million (30 June 2012: US\$47.3 million) and diamond debtors of US\$74.8 million (FY 2012: US\$25.1 million), which were settled in the normal course of business shortly after Year end. Of the cash balances, US\$14.1 million was held as unrestricted cash, US\$10.3 million was 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\$1.8 million was held by Petra’s bankers as security for other environmental rehabilitation bonds lodged with the Department of Mineral Resources in South Africa.

Diamond debtors of US\$74.8 million related to the June 2013 tender and were significantly higher than FY 2012 levels, due to the June tender being the largest held by Petra to date, again due to the strong production levels of Q4 FY 2013.

Diamond inventories

As at 30 June 2013, the Company had diamond inventories of ca. US\$31.5 million (ca. 348,403 carats) (30 June 2012: US\$24.5 million (ca. 221,748 carats)), due to the increased production levels in Q4 FY 2013 compared to the comparative period.

“ Capex for the year increased to US\$198.3 million, in accordance with the roll-out of the Group’s expansion programmes.

BEE loans receivable

The BEE loans of US\$85.2 million (FY 2012: US\$89.4 million) due to Petra arise from:

- ▶ Petra having financed the BEE partners’ share of the purchase consideration 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 decrease in the BEE loans over FY 2012 is due to the retranslation of the Rand-based loans into US Dollars (FY 2013: R9.88/US\$1 versus FY 2012: R8.16/US\$1), partially offset by interest accrued. The BEE loans are included in “Loans and other receivables” under “Non-current assets” on the face of the Consolidated Statement of Financial Position – refer to page 93.

Loans and borrowings

The Group had loans and borrowings at Year end of US\$147.0 million (FY 2012: US\$69.2 million).

In November 2012, Petra completed an increase and reorganisation of its existing debt structure by agreeing revised debt facilities with FirstRand Bank Limited (acting through its Rand Merchant Bank (“RMB”) and First National Bank (“FNB”) divisions), Absa Corporate and Investment Banking (“Absa”) (a division of Absa Bank Limited and a member of Barclays) and the International Finance Corporation (“IFC”) (a member of the World Bank Group). This served to increase the Group’s ZAR debt and working capital facilities by R900 million to R1.6 billion, with the US\$ portion of the debt facilities (US\$60 million) remaining unchanged.

The revised facilities comprise of an amortising term facility (“ATF”) of R800 million (US\$81.0 million) and US\$35 million, a revolving credit facility (“RCF”) of R300 million (US\$30.4 million) and US\$25 million and a working capital facility (“WCF”) of R500 million (US\$50.6 million).

At 30 June 2013 the Group had undrawn borrowing facilities of US\$71.3 million (30 June 2012: US\$66.3 million), net of US\$3.6 million utilised for foreign exchange settlement lines (30 June 2012: US\$nil).

Other liabilities

Other than trade and other payables of US\$64.7 million (comprising US\$23.8 million trade creditors, US\$17.4 million employee related accruals and US\$23.5 million other payables), 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.

Capex

Operations Capex for the Year was US\$198.3 million (FY 2012: US\$138.0 million), split as to US\$138.8 million on expansion Capex (FY 2012: US\$102.5 million) (see page 25

for more information mine by mine), US\$12.3 million on capitalised borrowing costs with regards to the expansion Capex (FY 2012: US\$6.3 million) and US\$47.2 million on sustaining Capex (FY 2012: US\$29.2 million). Refer to note 2 “Segment information” on page 104 for a breakdown of Capex for the Year and a reconciliation of corporate and Helam Projects timing eliminations to the additions of US\$191.2 million in the “Property, plant and equipment” note 14.

Expansion Capex increased in line with the roll-out of the Group’s expansion programmes, mainly at Finsch and Cullinan; refer to the Operational Review on pages 36 to 42 for more detail.

The increased level of sustaining Capex was largely due to Finsch being included for a full 12 month period, coupled with planned major equipment replacements. Sustaining Capex was also allocated for new trackless equipment purchased in relation to the project to open up access to additional ore on the 645 Level at Cullinan from FY 2014 onwards (one of the initiatives to manage the ROM grade at Cullinan until the new block cave is in place in the C-Cut).

Group Capex includes US\$4.4 million for the Year (FY 2012: US\$11.1 million), which was incurred by the Group’s internal projects facility in terms of projects/equipment under construction and which will be reflected as ‘on-mine’ Capex once these projects are finalised and invoiced to the respective operation.

▶ More Information on Capex Page 25



David Abery
Finance Director
11 October 2013

Finsch

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

DELIVERING OUR STRATEGY

OUTPUT A strong first full year under Petra management, contributing 53% of Group production by volume.

RECOVERIES Plant cut-off reduced to capture higher value small diamonds.

EFFICIENCIES Operating costs held in line with expectations.

Performance in FY 2013

Finsch performed strongly for the Year, contributing 1,412,465 carats (FY 2012: 1,104,618 carats) and revenue of US\$160.6 million (FY 2012: US\$136.9 million).

In line with Petra's strategy to optimise recoveries from each asset, the plant cut-off was reduced at Finsch towards the latter part of the Year to increase recovery of the high quality smaller goods produced by the Finsch orebody, with a resultant increase in both ROM and tailings grades in Q4 over the previous quarter. Although this plant change resulted in a reduced average value per carat, due to the increased volumes of the smaller diamonds, it served to increase gross revenues and contained value per tonne.

ROM grades for FY 2013 declined to 34.1 cpht (FY 2012: 36.8 cpht) due to the increasing dilution of the current mature Block 4 working areas; however the plant changes noted above are expected to provide some positive effect on ROM grade before the development plan provides first access to undiluted ore (from FY 2015 onwards).

Tailings throughput of 2,600,611 tonnes at a grade of 20.1 cpht delivered 522,106 carats.

Costs

The weighted average unit operating cost of R139/t (FY 2012: R134/t) at Finsch was in line with management's expectations. Above-inflationary cost pressures associated with labour and electricity were partially offset by increased levels of throughput resulting in a 4% unit cash cost increase (compared to South African CPI of 5.5%).

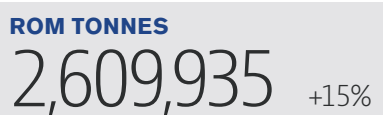
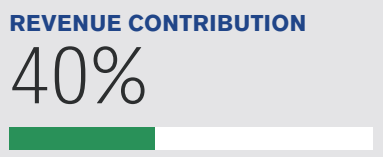
Development plan

Petra's expansion plan at Finsch will take production from ca. 1.4 Mctpa to ca. 1.8 Mctpa by FY 2016 and then on to ca. 2.0 Mctpa by FY 2019. With gross resources of 50.9 Mcts, Petra's initial mine plan has a life of 17 years, but resources in residual Block 6 and the Precursor kimberlite are expected to prolong the actual LOM for considerably longer.

Production is currently entirely from Block 4, a mature block where the ore is by now heavily diluted with waste rock. In order to provide earlier access to undiluted ore before the main Block 5 Cave is put in place, Petra will use the sub-level cave ("SLC") mining method over four levels from the 710 metre level ("mL") to 780 mL at a rate of 3.2 Mtpa. Once the transition is then made from mining the SLC to the main Block 5 Cave, which is currently planned at the 900 mL, tonnages will increase to 3.5 Mtpa from FY 2021.

On 12 August 2013, Petra announced enhancements to the expansion plan at Finsch, which focus on revisions to the ore-handling system (including the implementation of a conveyor system which can transfer 710–780 mL SLC material to the existing loading and hoisting infrastructure on 650 mL), a further enlarged footprint of the Block 5 SLC and the doubling up of crusher capacity to complement the enhanced ore-handling and engineering infrastructure planned at the SLC and the Block 5 Cave (originally planned on the Block 5 Cave elevation only).

These measures will serve to improve production flexibility, give the ability to manage grades more efficiently and enable the earlier decommissioning of the Block 4 automated ore-handling infrastructure, resulting in long-term savings in operating costs, as well as the added benefit of production efficiencies.



A drill rig ready for use underground at Finsch.



Finsch's rally to read



In FY 2013 Finsch, in partnership with neighbouring mines, organised the annual 'Rally to Read', an initiative supported by South Africa's Department of Education, which delivers educational materials to some of the most under-resourced schools in its local communities.

ROM throughput is guided at 2.83 Mt for FY 2014 at a grade of ca. 32–33 cpht. As the mine's production profile gradually changes from diluted to undiluted ore, the ROM grade is expected to increase to ca. 36 cpht by FY 2015, to ca. 43 cpht by FY 2016 and to ca. 56 cpht by FY 2017 (up from previous guidance of 47 cpht, assisted by the aforementioned plant changes), when full production is sourced from undiluted ore.

The development of the declines and access tunnels, which are key deliverables at this stage of the project, are progressing in line with expectations, and development and drilling contractor services have been put in place. The successful progression of the programme is demonstrated by the significant increase in development metres achieved for the Year (2,311 metres in FY 2013 versus 169 metres in FY 2012). Raiseboring activities also commenced during Q4 FY 2013 and yielded 165 metres.

Treatment of the 'Pre 79 Tailings' is planned at 2.65 Mt for FY 2014 and expected to be mined for a further two to three years (including FY 2014) at a grade of ca. 21–22 cpht (increased from prior guidance as a result of the aforementioned plant changes). Once the 'Pre 79 Tailings' have been depleted, treatment of the 'Post 79 Tailings' will continue until FY 2020, at a lower estimated grade of approximately 10 cpht.

Capex

Capex of US\$48.6 million for the Year (FY 2012: US\$12.0 million) reflects a full 12 month period of sustaining Capex for operating Finsch, as well as the progression of the expansion project and associated underground development in FY 2013 as mentioned above. The majority of sustaining Capex was spent on the replacement of equipment reaching the end of its useful life.



More detail online
petradiamonds.com/operations/operating-mines/finsch

Cullinan

One of the world's most celebrated diamond mines, Cullinan is renowned as an important source of large, high value diamonds and very rare blue diamonds.

DELIVERING OUR STRATEGY

OUTPUT Petra is opening up new mining areas to manage ROM grade, until the development plan delivers access to undiluted ore.

RECOVERIES Nine diamonds sold for +US\$1m each in FY 2013, including 25.5ct blue diamond.

EFFICIENCIES Development plan will drive efficiencies (simplified ore-handling and streamlined processing plant).

REVENUE CONTRIBUTION

33%

PRODUCTION (ROM + TAILINGS) carats

868,975 0%

REVENUE

US\$133.0m +19%

AVERAGE PRICE PER CARAT

US\$163¹ +27%

1. US\$142 per carat excluding the 25.5ct blue diamond sold for US\$16.9m.

ROM TONNES

2,595,004 +4%

ROM GRADE

30.7 cpht -8%

ON-MINE CASH COST PER TONNE

R158 -11%

Performance in FY 2013

Cullinan's revenue increased to US\$133.0 million (FY 2012: US\$112.0 million) despite flat production, due to a higher contribution from 'specials'. Cullinan is renowned as an important source of large top-quality white diamonds (Type IIa) and very rare top-quality blue diamonds (Type IIb), and in FY 2013, nine diamonds (including the exceptional 25.5 carat blue diamond) were each sold for more than US\$1 million.

FY 2013 production of 868,975 carats (FY 2012: 867,780 carats) was impacted by a combination of the lower ROM grade and the delay in the roll-out of the tailings expansion project. The lower ROM grade of 30.7 cpht (FY 2012: 33.3 cpht) was due to the increased dilution of the current mining areas.

As part of the Company's ongoing initiatives to manage the lower ROM grade prior to accessing the C-Cut, Petra has been working to open up access to tonnages in the BA5 production area and on the 645 mL, which had formerly been closed down. This part of the orebody has a historically proven higher frequency of high value stones, and increased pillar mining from this area in Q4 contributed towards both a strengthening ROM grade (to ca. 33.0 cpht) and an increased number of special stone recoveries (H2 FY 2013 revenue of US\$84.4 million versus H1 FY 2013 revenue of US\$48.6 million).

Petra will continue to support ROM grade in FY 2014 by mining Block B pillar tonnes and accessing higher grade undiluted tonnes on the BA5 645 mL. Given this approach, Petra is guiding ROM production of ca. 2.75 Mt for FY 2014, at a grade of ca. 31 – 32 cpht.

Tailings production disappointed in FY 2013, as only 1.5 Mt were treated (at a grade of 5.0 cpht) versus expectations of ca. 2.7 Mt. This lower throughput was caused by various delays, including strikes in the transport sector which hampered delivery of steel and other materials.

During the Year, Petra revised its plans for the tailings operation at Cullinan due to the early production results and grades achieved. Further investment in tailings treatment facilities has been put on hold whilst further analysis is undertaken. Tailings production is currently planned to increase to ca. 2.7 Mtpa for FY 2014 at a grade of ca. 5 – 6 cpht and to remain at this level, rather than ramping up to the previous forecast of 4 Mtpa. However, the grade is expected to increase to ca. 7.5 cpht from FY 2015, due to continuous plant improvements, including the re-crush facilities.

Costs

Unit cash operating costs at Cullinan decreased by 11% to R158/t (FY 2012: R177/t) mainly due to the increased volumes of tailings throughput. 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 200.8 Mcts (including 17.0 Mcts in tailings), and the Company is capitalising on this by undertaking an expansion programme at the mine to take annual production to 2.2 Mcts by FY 2019 (comprising 2.0 Mcts ROM and 0.2 Mcts tailings). This expansion plan, known as C-Cut Phase 1, 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 17 years, but given that the major portions of this world-class resource will remain untapped, the actual LOM could be in excess of 50 years.

As at Finsch, this development plan will enable the tonnage profile to gradually switch from diluted to undiluted ore. Petra therefore expects the ROM grade to increase to ca. 35 cpht by FY 2015, ca. 37 cpht by FY 2016 and to in excess of 50 cpht by FY 2019, when the C-Cut Phase 1 block cave is in full production.

Tailings retreatment underway at Cullinan.



More detail online
petradiamonds.com/operations/operating-mines/cullinan

C-Cut Phase 1 is on track, with the development of the declines, access tunnels and shaft deepening all progressing in line with expectations. Tunnel development activity ramped up significantly for the Year, yielding a total of 4,147 metres for FY 2013 (FY 2012: 771 metres), while raiseboring, which commenced during the Year, delivered 626 metres (FY 2012: nil).

During FY 2013, a number of refinements were approved to allow for increased flexibility in delivery of Cullinan's expansion project and to equip the mine's infrastructure to handle tonnages from across the whole footprint of the orebody (16 hectares versus the 5 hectare block which will be accessed for C-Cut Phase 1), should there be a future decision to ramp up the operation above the current planned 4 Mtpa rate.

These refinements followed progress with detailed planning, design and costing work, which resulted in additional capital requirements to cater for enhanced engineering requirements, specifically:

- ▀ the upgrading of support specifications to cater for the anticipated longer life of the block cave;
- ▀ the inclusion of a permanent batching plant to deliver concrete to shaft and production infrastructure, freeing up shaft time and reducing potential production disruptions; and
- ▀ the optimisation of the 880 mL ore-handling systems (including crushers, conveyors and the shaft barrel from 581 mL to 930 mL), allowing for potential future production ramp-ups utilising the entire C-Cut footprint.

Capex

Capex of US\$89.0 million for the Year (FY 2012: US\$54.4 million) 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. Sustaining Capex included new trackless equipment purchased in relation to the BA5 project to open up access to ore on the 645 mL.

Conserving protected habitats



Petra maintains large conservation areas adjacent to some of its operations, such as the game farm outside Cullinan, which provide protected habitats for local vegetation and wildlife.

Koffiefontein

One of the world's top kimberlite mines by average value per carat.

DELIVERING OUR STRATEGY

OUTPUT Production supplemented by Ebenhaezer satellite pipe until development plan increases ROM tonnage throughput.

RECOVERIES High average value per carat of US\$471 for FY 2013, despite lower value Ebenhaezer carats in the mix.

EFFICIENCIES Conveyor ore-handling installations to service SLC are in final commissioning.

REVENUE CONTRIBUTION

4%



PRODUCTION (ROM + EBENHAEZER + TAILINGS) carats

34,800 -13%

REVENUE

US\$16.6m -12%

AVERAGE PRICE PER CARAT

US\$471 -3%

ROM TONNES

239,161 -52%

ROM GRADE

6.0 cpht +22%

ON-MINE CASH COST PER TONNE

R136 +9%

Performance in FY 2013

Koffiefontein is one of the world's top kimberlite mines by average value per carat, achieving US\$471 for FY 2013, despite the fact that the overall average has to some extent been reduced by the higher proportion of lower value Ebenhaezer production in the total sales mix.

Diamond production for FY 2013 declined by 13% to 34,800 carats (FY 2012: 40,117 carats). Underground production (239,161 tonnes in FY 2013 at a grade of 6.0 cpht) continues to be supplemented with production from the Ebenhaezer satellite pipe (1,242,360 tonnes in FY 2013 at a grade of 1.6 cpht), where pre-mining of initial lower grade areas progressed in Q4 FY 2013, with the Company now having established access to higher grade ore. Koffiefontein is now in a position to deliver improved results for FY 2014.

Costs

Due to the high contribution from the lower-cost Ebenhaezer open pit, the on-mine cash operating unit cost of R136/t remained relatively low (FY 2012: R125/t), despite production constraints and cost pressures associated with electricity and labour increases.

Development Plan

Petra's expansion plan at Koffiefontein is expected to increase production from 34,800 ctpa in FY 2013 to ca. 105,000 ctpa by FY 2017. Petra will therefore be ramping up ROM production to 1.1 Mtpa by FY 2017. The current mine plan has a life of 12 years, but the orebody remains open at depth so the actual LOM could be considerably longer.

ROM throughput of 0.33 Mt is planned for FY 2014, consistent with H2 FY 2013 ROM production. ROM grade is guided at ca. 9 – 10 cpht, due to an increased contribution of tonnages from higher grade areas.

Surface mining of the Ebenhaezer satellite pit will continue in FY 2014, with ca. 1.2 Mt planned to be treated at a grade of ca. 2.7 cpht, and it is expected to continue for two to three years (including FY 2014), whilst mining of underground ROM tonnes is ramped up.

Petra's mine plan involves the installation of a SLC between 560 mL and 580 mL, before installing a new block cave at 690mL. The revised mining lay-out for the SLC (which will accelerate access to fresh kimberlite ore) was finalised in FY 2013 and detailed design commenced. Development work on the underground tunnel infrastructure is underway, while ore-handling conveyor installations servicing the SLC are in the final stages of commissioning.

In FY 2013, a revision to the mine design has led to ca. 450 Kt more tonnes being accessible from the Koffiefontein SLC, as well as an expected increase in the average grade from 8.7 cpht to ca. 9–10 cpht (due to the focus on higher grade areas). The new targeted areas are expected to produce a significant number of Type IIa diamonds (for which Koffiefontein is well known), which should have a positive impact on the average US\$/carat values.

Capex

Capex for the Year of US\$20.4 million was primarily focused on underground development and purchasing of plant, mining and surface equipment.



More detail online
petradiamonds.com/operations/operating-mines/koffiefontein

Kimberley Underground

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

DELIVERING OUR STRATEGY

OUTPUT Ramp up of plant throughput continued in FY 2013, leading to considerably higher production.

RECOVERIES A 95.0ct white diamond sold for US\$1.1m, being first +US\$1m stone from operation under Petra management.

EFFICIENCIES Continuing to increase throughput will further improve unit costs per tonne.



REVENUE CONTRIBUTION

8%



PRODUCTION (ROM ONLY) carats

115,400 +69%

REVENUE

US\$33.4m +69%

AVERAGE PRICE PER CARAT

US\$295 -8%

ROM TONNES

804,725 +37%

ROM GRADE

14.3 cpht +23%

ON-MINE CASH COST PER TONNE

R265¹ -10%

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

Performance in FY 2013

The Kimberley Underground operation comprises three kimberlite pipe mines: Bultfontein and Dutoitspan (serviced by Joint Shaft and the Joint Shaft plant) and Wesselton (serviced by the Wesselton Shaft and the Wesselton plant) – both plant facilities were constructed and commissioned by Petra’s in-house team, following takeover of the operation. A substantial stockpile of ore at each plant was built up while the Joint Shaft and Wesselton treatment plants were being constructed (estimated to be ca. 500 Kt at Year end).

At Kimberley Underground, the ramp up of plant throughput continued throughout the Year, with total carats produced increasing by 69% to 115,400 carats (FY 2012: 68,422 carats). The ROM grade of 14.3 cpht was in line with guidance. Petra continues to be encouraged by the quality of the Kimberley Underground production and during the Year a 95 carat white diamond sold for US\$1.1 million, being the first +US\$1 million stone from the operation under Petra management.

Costs

Unit costs of R265/t (FY 2012: R295/t) improved as expected due to an increase in tonnages treated.

Development plan

Petra’s mine plan at Kimberley Underground is to take production to an annual average steady state of ca. 130,000 ctpa by FY 2016.

Planned ROM tonnes mined for FY 2014 and FY 2015 are 800 Kt and 900 Kt respectively, whereas planned plant throughput for FY 2014 and FY 2015 is 1.1 Mt (augmented by material from the stockpiles at surface). Underground ROM tonnes are planned to ramp-up to in excess of 1 Mtpa by FY 2016, by which point the stockpiles will have been depleted.

Capex

Capex of US\$21.6 million for the Year (FY 2012: US\$21.0 million) mainly related to Wesselton plant and additional mining and engineering infrastructure.



More detail online
petradiamonds.com/operations/operating-mines/kimberley-underground

Williamson

Tanzania's only important diamond producer, Williamson is based upon the 146 hectare Mwadui kimberlite pipe.

DELIVERING OUR STRATEGY

OUTPUT Production recommenced in Q4 FY 2012 and ramped up to planned levels in FY 2013.

RECOVERIES A 35.8ct white diamond sold for US\$1.3m, being first +US\$1m stone from operation under Petra management.

EFFICIENCIES Focus on the plant design to deliver energy efficiency and water recovery circuit improvements.

REVENUE CONTRIBUTION

11%

PRODUCTION (ROM + ALLUVIAL) carats

164,376 +188%

REVENUE

US\$41.9m +261%

AVERAGE PRICE PER CARAT

US\$254 +7%

ROM TONNES

2,730,133 +230%

ROM GRADE

5.5 cpht +6%

ON-MINE CASH COST PER TONNE

US\$12 -33%

Performance in FY 2013

Williamson is an open pit operation, based upon the mining of the 146 hectare Mwadui kimberlite. Since taking over the mine in early 2009, Petra has implemented the Phase 1 development programme, which involved a substantial rebuild of the existing plant and major pit reshaping work, and production successfully recommenced in Q4 FY 2012.

Williamson delivered 150,342 carats of ROM production in FY 2013 (FY 2012: 42,855 carats), supplemented by 14,035 carats of alluvial production (which is carried out by contractors). Petra continues to be encouraged by the high quality of the Williamson production and it is positive to note that a 35.8 carat Williamson stone sold for US\$1.3 million during the June 2013 tender, being the first +US\$1 million stone from Williamson under Petra's stewardship.

Costs

The on-mine cash cost per total tonnes treated reduced to US\$12/t (FY 2012: US\$18/t) as the mine moved out of the start-up phase.

Development Plan

On 12 August 2013, Petra announced plans to increase ROM production to ca. 3.6 Mt in FY 2014, before steadily ramping up to ca. 5 Mtpa by FY 2017, which at a grade of ca. 6.0 cpht will deliver ca. 300,000 carats. This is an increase from previous guidance of 3.6 Mtpa, due to a focus on the plant design to deliver energy efficiency and water recovery circuit improvements, resulting in the ability to increase throughput.

Petra will continue to consider approaches to increase production beyond 5 Mtpa, but an expansion plan above this level is dependent upon security of appropriate electricity and water supplies. The Company will provide an update on this as and when appropriate.

Petra's current mine plan for Williamson has a life of 20 years, but given that the Mwadui kimberlite hosts a major resource of 39.4 Mcts, there is potential to extend the LOM considerably.

Capex

Capex reduced to US\$11.7 million for the Year (FY 2012: US\$22.0 million) and 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.

Focus on safety



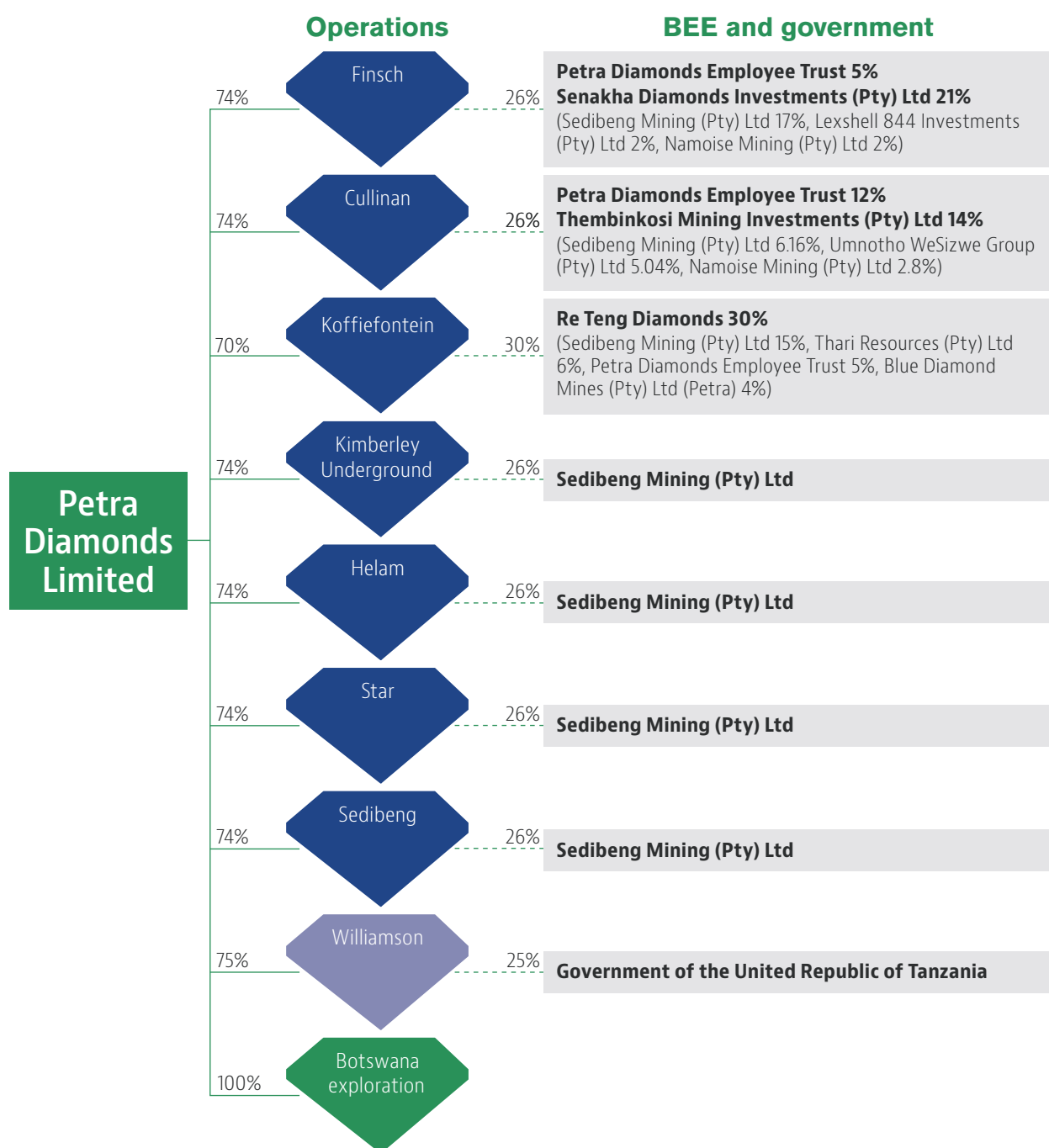
In FY 2013, Williamson reached a milestone of achieving 2.7 million man hours worked without recording a lost time injury ("LTI"), which is an exceptional safety performance.

Petra's Partners

The Company's partnerships are key in terms of stakeholder sustainability and the long-term success of its operations.

In South Africa, the Company has partner shareholders in its operations who represent the interests of black economic empowerment ("BEE") shareholders. These BEE partners include various commercial BEE entities (including women's groups), as well as, importantly, the Petra Diamonds Employee Trust.

In Tanzania, Petra's partner is the Government of the United Republic of Tanzania at the Williamson mine, the country's most important diamond producer.



1. Other than the direct percentage interests above, Petra has (i) an interest in Sedibeng Mining (Pty) Ltd (refer note 3 of the Financial Statements on pages 105 and 106) and (ii) an interest in Re Teng Diamonds (Pty) Ltd (refer note 30 of the Financial Statements on page 129).

Ensuring long-life operations

Exploration continues in Botswana and the careful management of Petra's major diamond resources will ensure sustainable, long-life mining operations for the Group.



Jim Davidson
Technical Director

The following table summarises the Reserves and Resources status of the combined Petra Group operations as at 30 June 2013:

Category	Gross		Contained diamonds (Mcts)
	Tonnes (millions)	Grade (Cpht)	
Reserves			
Proved	1.8	39.1	0.71
Probable	127.3	42.1	53.66
Subtotal	129.1	42.1	54.36
Resources			
Measured	14.7	8.4	1.24
Indicated	452.4	49.5	224.09
Inferred	1251.3	6.7	84.25
Sub-total	1,718.5	18.0	309.58

+ Petra's full 2013 Resource Statement can be found online at petradiamonds.com/operations/reserves-and-resources

Resources

The Petra Group manages one of the world's largest diamond resources. This major resource implies that the potential mine lives of Petra's core assets could be considerably longer than the current mine plans in place at each operation or could support significantly higher production rates.

Gross Reserves and Resources

As at 30 June 2013, the Group's gross diamond Resources (inclusive of Reserves) had increased by 2.5% to 309.6 Mcts, from 302.1 Mcts as at 30 June 2012. This is mainly due to an increase in gross Resources at Finsch as a result of decreasing the bottom cut-off used in the Resource estimation from 1.5mm to 1.0mm. This is in line with the decrease to the bottom cut-off at the Finsch production plant, effected by Petra during FY 2013, thereby serving to increase the grade and recoverable carats over the life of the mine.

The Group's gross diamond Reserves increased 14.3% to 54.4 Mcts (30 June 2012: 47.6 Mcts), mainly due to an increase in gross Reserves at Cullinan. This has resulted from the increased number of new tunnels that have been brought into production and the detailed mine plans being run through the PCBC block cave scheduling and simulation software, thereby allowing for a more representative Reserves figure to be calculated.

General notes on reporting criteria

- Resources are reported inclusive of Reserves.
- Tonnes are reported as millions; contained diamonds are reported as per million carats.
- Tonnes are metric tonnes and are rounded to the nearest 100,000 tonnes; carats are rounded to the nearest 10,000 carats; rounding off of numbers may result in minor computational discrepancies.
- Resource tonnages and grades are reported exclusive of external waste, unless where otherwise stated.
- 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.
- Reserves and Resources have been reported in accordance with the South African code for the reporting of mineral reserves and mineral resources (SAMREC 2007).
- The Petra 2013 Resource Statement 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.
- All Reserves and Resources have been independently reviewed and verified by John Kilham, Pr. Sci. Nat. (reg. No. 400018/07), a competent person with 33 years' relevant experience in the diamond mining industry, who was appointed as an independent consultant by the Company for this purpose.

Exploration

Petra's exploration programme is focused in Botswana, which 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 21,520 km², all of which is 'on craton'.

Petra's focus at present remains the evaluation of the KX36 kimberlite discovery and an intensified search for other kimberlites in the surrounding area.

Following the completion of the final processing of the KX36 mini bulk sample material in mid February 2013, with a total of ca. 285 carats recovered (including three stones of approximately 5 carats, two of which were of gem quality), detailed analysis of all micro/macrodiamond results and the petrographic and mineral chemistry data obtained from the +800 tonnes of kimberlite and calcrete processed was completed and is currently being interpreted.

In provisional analysing of possible reasons for the realised diamond grade to be lower than previously predicted, two main factors were identified: diamond breakage and the relatively fine diamond size frequency distribution ("SFD") obtained (probably in itself a result of diamond breakage). A diamond damage study undertaken by Dr Paddy Lawless indicated significant breakage for stones larger than the 3 DTC diamond sieve size. Diamond breakage would have occurred during the drilling process because of the high 'breakout forces' encountered with the tricone drilling bits, with diamond fragments smaller than 1mm being lost to the undersize material. The quantified diamond breakage translates into a potential 'up-grade' factor of 1.36 for all large diameter drill ("LDD") holes, in terms of total carats recovered.

The fine diamond SFD is possibly related to diamond breakage, or the fact that LDD samples are not large enough to recover a representative quantity of larger diamonds. Both these issues will be addressed through an additional bulk sampling programme, currently being planned for FY 2014.

A third phase of a narrow diameter drilling ("NDD") programme, involving eight inclined HQ core boreholes of between 250m and 400m, is nearing completion. The objective of this programme is to improve delineation of the KX36 pipe and to provide additional geological and geotechnical information. It is anticipated that all information available to date will be integrated in H1 FY 2014 to establish an initial resource model and classification for KX36.

In late FY 2012, a detailed deflation (soil) sampling programme was commenced to investigate the immediate surrounds of KX36 for other kimberlites that, together with KX36, may form a kimberlite cluster. To date, ca. 6,000 deflation samples have been collected and despatched for analysis. This programme is now nearing completion. Initial results indicate a zone of anomalous kimberlite indicator minerals ("KIM") extending south-west from KX36.



The SkyTEM Airborne Electromagnetic Survey conducted over KX36 and surrounds in FY 2013.

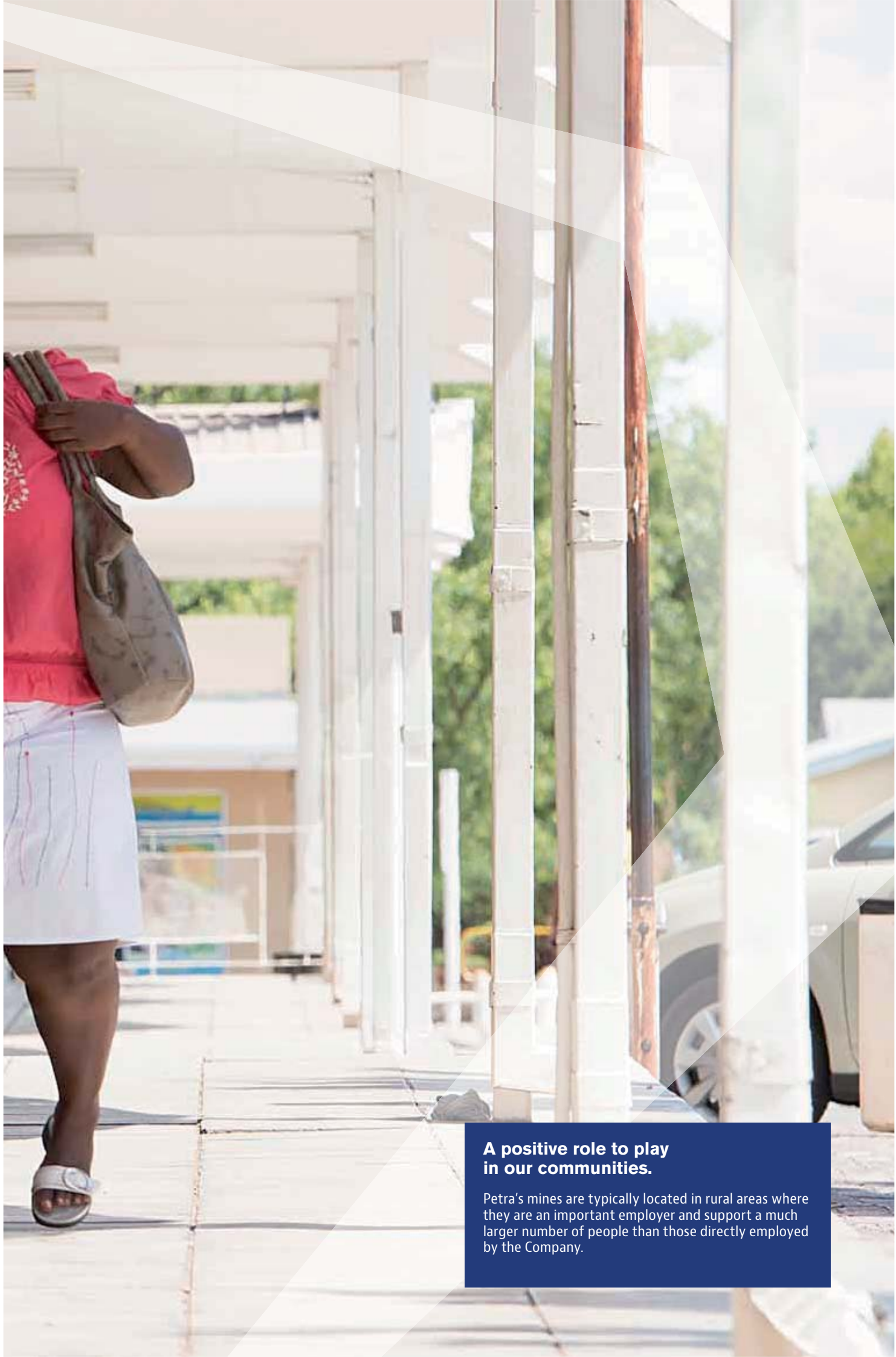
In addition to the sampling campaign, Petra has carried out a ca. 3,900 line km airborne electromagnetic survey over the KX36 region and the final processed data was received in H2 FY 2013. The geo-electrical signature of KX36 is clearly identifiable in the survey data and some additional high interest targets with similar signatures in the immediate area had been identified by Year end. All geophysical and soil sampling data will be used to select a final set of priority drill targets in the vicinity of KX36. The first exploration drilling is planned to commence in H1 FY 2014.

On a more regional scale, geophysical, geological, soil sampling and drilling data are being compiled into one new comprehensive regional geographic information system database for regional target generation. The Company continues to review its exploration holdings in Botswana and further desktop studies led to the identification of three new prospecting licences covering 1,140km² of prospective ground contiguous to the Kokong kimberlite field. An application for these licences was submitted in late FY 2013.

Jim Davidson
Technical Director
11 October 2013

Sustainability





**A positive role to play
in our communities.**

Petra's mines are typically located in rural areas where they are an important employer and support a much larger number of people than those directly employed by the Company.

Sustainable growth

Petra's strategy is to build a sustainable long-term future for the business, which in turn will deliver value to all stakeholders



Williamson was the overall winner for the category 'Large Scale Minerals Projects' in Tanzania's Presidential 2012 awards on Corporate Social Responsibility and Empowerment.

Petra Diamonds is committed to the responsible development of its assets to the benefit of all stakeholders.

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.

As at 30 June 2013, Petra's workforce encompassed over 5,000 people in South Africa, Tanzania and Botswana and as such the Company is a significant employer in Africa. Corporate social responsibility is integral to the way the Group structures and operates its mining, development and exploration projects, and this strategy aims to benefit Petra's employees and local communities for many years to come.



Petra reports in detail on its sustainability performance annually.



See our Sustainability Report online
petradiamonds.com/sustainability



Governance

Petra's strategy is to build a sustainable long-term future for the business and continued effective governance, in line with the Company's growing size and stature, is considered integral to achieving these aims.

Petra's Health, Safety, Social and Environmental ("HSSE") Committee's role is to formulate and recommend to the Board the Group's policy on all relevant health, safety, social and environmental issues as they affect the Group's operations.

The HSSE Committee is chaired by the Company's Chief Executive, Johan Dippenaar. The HSSE Committee's purpose is to drive the development of the Group's policies on all relevant HSSE issues and to ensure that the Board is cognisant of, and takes account of, corporate social responsibility best practice.

In particular its role is to focus on ensuring that effective systems and standards, procedures and practices are in place and to monitor the correct implementation of these procedures across the Group. In FY 2013, the key focus for the Committee was to assess the material sustainability issues facing the Group, particularly in light of the high growth rate of the business year on year.

The Company's 2013 Sustainability Report will be published in November 2013 and will be available for inspection at the 28 November 2013 AGM. Within this report, Petra discloses KPIs for material environmental, social and governance ("ESG") matters and provides forward looking objectives with regards to each KPI. The Company reviews the effectiveness of its ESG strategy through a review of these KPIs.



More information on the HSSE Committee
Page 70



Health and Safety

The health and safety of employees is Petra's top priority. The Company's approach to health and safety is centred upon a process of continuous risk assessment.

There is a high level of health and safety performance across Petra's operations. In order to drive continuous improvement, the Company undertakes regular internal and external audits to ensure it meets developing best practice standards and complies with international standards, as well as relevant local laws and regulations. These audits enable Petra to identify best practice at individual mines which can be rolled out across the rest of the Group.

All Petra's underground pipe mines are now OHSAS 18001 certified, an international occupational health and safety management system specification; Finsch and Cullinan achieved re-certification during the Year, whereas Koffiefontein and Kimberley Underground achieved certification for the first time in FY 2013.

Petra has adopted the Mining Industry Occupational Safety and Health ("MOSH") guidelines, an initiative by the South African Chamber of Mines to improve health and safety standards across the industry through the identification, promotion and application of best practice. Through MOSH, Petra has implemented additional best practice initiatives, which have had a positive impact on the Group's safety performance.

The improvement in Petra's LTIFR to 0.67 in FY 2013 (FY 2012: 1.13) represents a good performance in relation to underground mining operations and can be attributed to successful safety awareness programmes run during the Year.



Our People

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.

Petra is committed to the training and development of employees in order to ensure the current and future skills needs of the organisation are met, and the Company offers both legally required and career-oriented training in both the technical and non-technical disciplines.

As a growing company, Petra requires a productive and effective workforce who can lead the Company through its next stages of development. In addition to technical skills, this requires the ability to lead and motivate teams, to measure and manage team performance, manage resources, systems and processes, and develop and implement action plans to ensure operational objectives are met. Petra's leadership development programme is an important strategic tool to assist the organisation in the identification and development of employees who display the potential to fulfil leadership positions in the future.

The Company also offers ABET (adult basic education and training) in order to provide employees with a minimum level of education, thereby providing the basis for lifelong learning.

Petra encourages diversity in the workforce and treats its employees with respect and dignity. In FY 2013, the Company revised its Group Code of Ethical Conduct, which sets out expectations of employees with regards to areas such as appropriate conduct in the workplace and fraud prevention, as well as including new and revised recommendations on key areas such as human rights, whistle-blowing and anti-bribery policies.



Environment

Petra conducts its operations in an environmentally sustainable manner by using resources responsibly, protecting and restoring the environments where it operates and mitigating the impacts of its operations.

Petra is committed to implementing internationally recognised environmental management processes, developing long-term sustainable practices and meeting international best practice. The Company aims to continually improve its environmental management systems and promote environmental awareness among employees and the community in which it operates. 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's objective is that the Environmental Management Systems in place at each operation should comply with ISO 14001, which is a voluntary international environmental management standard. All the underground pipe mines have now achieved this goal, whilst Williamson is scheduled for certification by the end of FY 2014.

Petra recorded a number of improvements in environmental management and monitoring during FY 2013, including of carbon emissions, water usage and recycling of materials.

Minimising energy use is an economical and an environmental prerogative and the Group has therefore implemented initiatives to reduce energy consumption and increase energy efficiency wherever possible. Such measures served to decrease the Group's energy consumption per tonne in FY 2013 from 46kWh/t to 31kWh/t.

The Company is continuously revisiting its rehabilitation and closure plans to leave its mining areas in an improved environmental condition upon completion of mining activities.



Communities

Positive relationships with local communities around the Company's operations are vital to securing support for Petra's activities and maintaining its social licence to operate.

The Group takes a holistic and structured approach to corporate social responsibility and contributes to its local communities through a variety of initiatives.

Proactive and consistent engagement is central to Petra's community programmes and the Company works in partnership with Governments, communities (through the local municipalities that are elected to represent them) and other identified stakeholders to ensure that its operations have a long-term positive impact on host communities and to minimise any negative impacts.

Petra's operations are predominantly located in remote areas which have a low level of socio-economic development and high unemployment.

The Company's community development efforts therefore aim to contribute to these local communities through initiatives which focus on alleviating the issues identified through its community engagement programmes, namely: sustainable job creation; poverty alleviation; skills transfer; and local enterprise development.

Effectively managing the expectations of all stakeholders is an increasingly important challenge for the Company, which can only be mitigated through open and transparent communication. All operations focus on engaging with local community representatives to report on the progress of projects, which can then be communicated back to the community.

Stakeholder engagement is a key tool which is used by the Company to identify and address material issues and risks to its sustainability performance.



Product Assurance

Petra is committed to upholding the high value placed on diamonds, which are given to celebrate life's most special moments and are considered as prized possessions.

The Company will only operate in countries which are members of the Kimberley Process and only sells diamonds that have been mined from Petra-owned operations, thereby providing assurance that 100% of its production is certified as 'conflict-free'.

Petra monitors and manages each step in the diamond production process to the highest ethical standards: from exploration and mining, through to processing, sorting and finally marketing and sale. The Company is committed to a transparent and equitable sales process and is proud to offer the majority of its production for sale in Johannesburg, thereby contributing to beneficiation in Africa.

Petra's marketing team maintains an open dialogue with all customers and customer satisfaction is considered a priority. Petra receives feedback from clients regarding production, assortments, market movements and pricing. Any feedback regarding production is noted and considered for the next production cycle.

Petra has an open door policy with clients if they have any queries or concerns, and the Company always assists as far as possible.

Confidentiality is of the utmost importance to Petra. When previewing production, each client is allocated a private viewing room and invoices are issued directly to the clients. No tender information is divulged about results or top buyers and other related matters.

During FY 2013, there were no incidents of regulatory non-compliance or complaints raised with regards to the Company's sales and marketing processes.



See our Sustainability Report online
petradiamonds.com/sustainability

Corporate Governance



The Mine Overseer and Electrician Aide of the groundhandling section discuss the use of personal protective equipment in the lamproom at Finsch



Effective corporate governance is essential

Petra will continue to review and reinforce our governance and risk management procedures as it continues on its growth path.

Dear shareholder,

It is the Group's strategy to build a sustainable long-term future for the business and to maximise shareholder value; continued effective corporate governance, in line with best practice standards and the Company's increasing size and stature, is integral to achieving these aims.



Adonis Pouroulis
Non-executive Chairman

“ My fellow Board members and I look to lead by example and ensure that a culture of integrity, hard work and accountability is spread right through the business, from the top down.

FY 2013 Governance Highlights:

- ▶ the appointment of Tony Lowrie as Senior Independent Director, a position for which his years of business experience in the financial sector ably qualified him;
- ▶ further to the appointment of Mr Lowrie and the resignation of Dr Kamal, the number of independent Non-Executive Directors (“iNEDs”) on the Petra Board (excluding the Chairman) now stands at 50% (in compliance with corporate governance requirements);
- ▶ strengthening of Audit, Remuneration and Nominations Committees through the appointment of Mr Lowrie, both in terms of composition and skills;
- ▶ the completion of a rigorous and formal Board effectiveness and performance review process; and
- ▶ the implementation of the Group's Anti-Bribery Policy and the revision of the Group Code of Ethical Conduct.

The Petra Board composition has changed significantly over the last two years, as is appropriate given the Company's rapid development and its move in FY 2012 from AIM to the Main Market of the London Stock Exchange. We identified the principal areas of governance improvement when joining the Main Market and have continued to address these areas. We benefit from the guidance of our iNEDs, who provide valuable input to Board and Committee discussions, including strategic matters. Petra's Nomination Committee considers our Board to have a good balance of highly relevant business, governance, mining and Africa experience, however it will continue to review Board composition going forward.

In line with one of the core values at the heart of Petra – ‘Let's do it better’ – we are looking to continuously improve across all areas of our business, and we will continue to review and reinforce our governance and risk management procedures as the Company continues on its growth path.

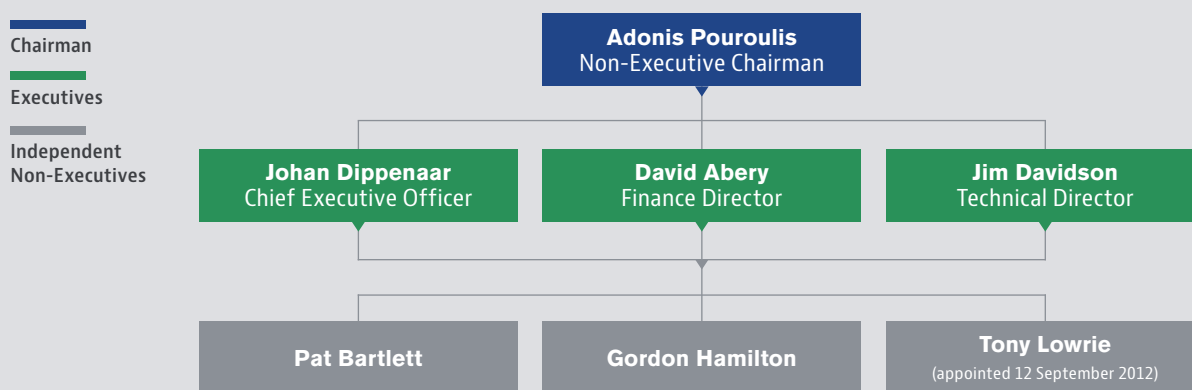
Finally, my fellow Board members and I look to lead by example and ensure that a culture of integrity, hard work and accountability is spread right through the business, from the top down.



Adonis Pouroulis
Non-Executive Chairman
11 October 2013

Composition of the Board

The Code provides that iNEDs should comprise at least half the Board, excluding the Chairman.



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 UK Corporate Governance Code 2010 (the "Code") or to explain in this statement why it has not complied in certain areas. Additionally, the Petra Board considers it core to the Group's status and development that it lives and complies with corporate governance best practice wherever possible.

The Company continued to make good progress during FY 2013 in resolving previously explained items of non-compliance with the Code; areas of non-compliance during the Year are set out below, together with the reason for any continuing non-compliance.

- 1) Board Composition – the Code requires that the Company appoints a senior independent director and in September 2012, Mr Lowrie was appointed the Company's Senior Independent Director and this Code provision was satisfied. The Code requires that at least half the Board members, excluding the Chairman, should comprise independent non-executive directors. Following the appointment of Mr Lowrie and the resignation of Dr Kamal during the Year, the percentage of iNEDs (excluding the Chairman in accordance with the Code) increased to 50% and the Code provision was satisfied. The appointment of Mr Lowrie to the Audit and Remuneration Committees ensured that the Company satisfies the relevant composition requirements set out by the Code for those committees.
- 2) Remuneration of Non-Executive Directors ("NEDs") – Petra's Non-Executive Chairman holds options granted prior to the Company's step-up 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 there have been no further option or share incentive awards to the Non-Executive Chairman since 17 March 2010. Other than this exception, the Group has incorporated the principles of the Code when determining remuneration for NEDs (for further information, please review the Directors' Remuneration Report on page 78).
- 3) Internal Audit – the Company currently has no formally constituted internal audit function further to changes to the management structure in the Year; rather it allocates responsibility to certain members of its head office operations finance team to regularly review the activities of the various mines within the Group and carry out specific internal control reviews as required. The reports prepared are then submitted to the Executive Directors. The Audit Committee has reviewed the need and appropriateness of a formally constituted internal audit function and has agreed that such function will be formed and appropriately staffed during FY 2014.



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



Adonis Pouroulis (43)

Non-Executive Chairman

Role Mr Pouroulis leads the Board of Directors and works with the Executive Directors on strategy and other matters. He serves as Chairman of the Nomination Committee.

Appointment date March 1997

Qualifications Mining engineer – University of Witwatersrand, South Africa

Experience 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. He 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 Non-executive director of Chariot Oil & Gas plc



Johan Dippenaar (56)

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. He chairs the HSSE Committee.

Appointment date June 2005

Qualifications Chartered accountant – member of the South African Institute of Chartered Accountants

Experience Since 1990 Mr Dippenaar has been involved 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, he has led Petra through a period of significant growth, taking the Company's annual production from ca. 175,000 carats in FY 2006 to 2.67 million carats in FY 2013, and establishing the Company as a leading independent producer.

External appointments None



David Aberly (50)

Finance Director

Role Mr Aberly leads the financial management of the Group and is responsible for financing, treasury, financial controls, reporting, legal, investor relations, compliance and corporate governance.

Appointment date July 2003

Qualifications Chartered accountant – ICAEW

Experience Mr Aberly has extensive 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 implementation of a number of innovative financing transactions. He is responsible for all matters pertaining to Petra's UK listing.

External appointments None



Jim Davidson (68)

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.

Appointment date June 2005

Qualifications Geologist – member of the Geological Society of South Africa and registered with the South African Council for Natural Scientific Professions

Experience 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 (71)

Independent Non-Executive Director

Role Senior Independent Director and member of the Audit, Remuneration and Nomination Committees.

Appointment date September 2012

Qualifications Royal Commission – Sandhurst Military Academy

Experience Mr Lowrie has over 36 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 of 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 other quoted Asian closed end funds.

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



Dr Pat Bartlett (68)

Independent Non-Executive Director

Role Independent Non-Executive Director and member of the Audit, Remuneration and Nomination Committees.

Appointment date November 2011

Qualifications Member of the South African Institute of Mining and Metallurgy; registered Professional Natural Scientist

Experience Dr Bartlett was formerly chief geologist for De Beers until his retirement in 2003 and is an acknowledged leading expert on kimberlite geology and block caving. He has extensive experience working across Southern Africa and has 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 Director of the Board of Trustees for the De Beers Benefit Society and the De Beers Pension Fund



Gordon Hamilton (68)

Independent Non-Executive Director

Role Independent Non-Executive Director, Chairman of the Audit and Remuneration Committees and a member of the Nomination Committee.

Appointment date November 2011

Qualifications Chartered accountant – ICAEW

Experience 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 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. Gordon has extensive experience as a non-executive director across a wide range of businesses.

External appointments Non-executive director of Barloworld Limited, Nedbank Private Wealth and other related companies within the Nedbank Group

Note On 4 February 2013, Dr Omar Kamal, a representative of one of the Company's major shareholders, Al Rajhi Holdings W.W.L., stepped down from the Board. Dr Kamal's letter of resignation did not highlight any governance issues which he felt required addressing.

The Role of the Board

In accordance with the provisions of the Code, Petra is headed by an effective Board which remains committed to the long-term success of the Company. There exists a clear distinction of responsibilities between the Chairman and the Chief Executive.

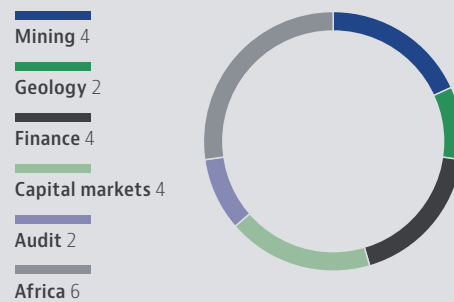
Assessment of Director independence

The Company's Non-Executive Chairman, Adonis Pouroulis, is not considered independent according to corporate governance guidelines due to his having served as Chairman since the incorporation of the Company in 1997, having acted as Chief Executive Officer until 2005, having been granted options under the 1997 and 2005 Executive Share Option Schemes and being eligible to receive benefits of membership from the Group's life insurance scheme. However, as part of their Board evaluation exercise in FY 2013, the Company's iNEDs determined that whilst not considered to be independent for the reasons stated, Mr Pouroulis demonstrated integrity in judgement, character and action. Furthermore, his contribution, leadership and accumulated experience and track record of building natural resource companies justified their recommendation that shareholders support his re-election to the Board at the Company's forthcoming Annual General Meeting.

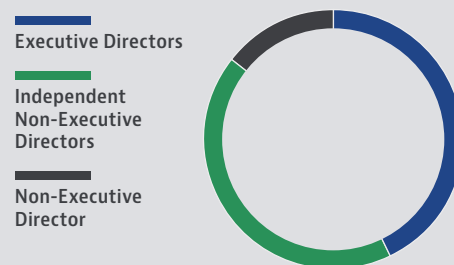
In accordance with the Code, the Board considers Mr Hamilton, Mr Lowrie and Dr Bartlett to be independent. All three iNEDs are independent of any relationship listed in the provisions of the Code in FY 2013. None of the iNEDs received any fees from the Company in FY 2013 other than their contractual iNED fees, as set out on page 78 of the Directors' Remuneration Report. Dr Kamal, who resigned during FY 2013, was not considered to be independent as he represented the Group's largest shareholder.

Our Board

DIRECTORS' EXPERIENCE/ BACKGROUNDS



BOARD COMPOSITION



Matters reserved for the Board

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

- ✔ 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 plans (supported by the Nomination Committee); and
- ✔ remuneration (supported by the Remuneration Committee).

The Board's role

The Board's role is the protection and enhancement of shareholder value.

In order to ensure the effective operation of the Board, there is a clear division between the responsibilities of the Chairman, the Chief Executive, the Senior Independent Director and the Independent Non-Executive Directors.

In order 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 and reviews management performance;
- ▶ develops and promotes a 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.

Chairman

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; 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.

Chief Executive Officer

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's spokesperson, communicating with external audiences, such as investors, analysts and the media.

Senior Independent Director

The Senior Independent Director's role is to:

- ▶ provide a sounding board for the Chairman and serve as an intermediary for the other Directors as necessary;
- ▶ be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or other Executive Directors has failed to resolve or for which such contact is inappropriate; and
- ▶ lead the NEDs in undertaking the evaluation of the Chairman's performance appraisal.

Independent Non-Executive Directors

The Independent Non-Executive Directors' role is to:

- ▶ challenge 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 Company;
- ▶ 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 the Executive Directors; and
- ▶ appoint or remove Executive Directors to or from the Board, when necessary.

Corporate Governance

The Report of the Board continued

Meetings attended by Directors in FY 2013

Attendance of Directors at the meetings of the Board and its committees in FY 2013:

▲ Attended

▢ Attended by invitation

	Board meetings and conference calls	Board visit to South African operations	Audit Committee	Remuneration Committee	Nomination Committee
Adonis Pouroulis	▲▲▲▲▲▲▲	▲	▢▢▢	▢▢▢▢	▲▲▲
Johan Dippenaar	▲▲▲▲▲	▲	▢▢	▢▢▢	▢▢▢
David Abery	▲▲▲▲▲▲▲	▲	▢▢▢	▢▢▢▢	▢▢▢
Jim Davidson	▲▲▲▲	▲	▢▢▢	▢▢▢	▢▢▢
Pat Bartlett	▲▲▲▲	▲	▲▲▲	▲▲▲▲▲	▲▲▲
Gordon Hamilton	▲▲▲▲▲	▲	▲▲▲	▲▲▲▲▲	▲▲▲
Tony Lowrie	▲▲▲▲	▲	▲▲▲	▲▲▲▲▲	▲▲
Omar Kamal	▲▲	n/a	▢	▢▢	▢▢

Neither the Executive Directors nor the Chairman attended the Remuneration Committee meetings when it considered matters in relation to their own remuneration.

All Directors attended the 2012 Annual General Meeting.

Board calendar – FY 2013

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Board (main meetings)			▲		▲			▲			▲	
Board (conference calls/ administration)				▲	▲	▲						
Board visit to South African operations										▲		
Audit Committee			▲					▲			▲	
Remuneration Committee			▲		▲	▲		▲			▲	
Nomination Committee			▲		▲						▲	
iNEDs with Chairman (without Executive team)					▲			▲			▲▲	
Board, Chairman and individual Director evaluation exercise											▲	
Annual General Meeting					▲							

Board process

1. Board Committees

The Committees currently established by the Board are:



2. Executive Directors

The Executive Directors are responsible for the execution of the Company's strategy and the management of the Company on a day-to-day basis. The Executive Directors are Mr Dippenaar, Mr Davidson and Mr Abery.

3. NED meetings

The Chairman held private meetings with the iNEDs during the Year, enabling free discussions without the Executive Directors present. The purpose of these meetings was to update the iNEDs on the various activities of the Group where necessary before a formal board meeting, in particular when the Executive Directors were reviewing matters of strategy, the budgetary process and other corporate activities.

4. Board time allocation

The Board believes that all the Directors are able to allocate sufficient time to the Company to fulfil their obligations. None of the Directors' performance evaluations indicated concern that a Director's allocation of time was insufficient. Directors' biographies and duties can be found on pages 56 to 59 and during the Year there have been no changes to their respective duties.

5. Other commitments

Executive Directors may, subject to Board consent, accept external appointments to act as non-executive directors of other companies. However, the Board would reserve the right to review such appointment to ensure that no conflict of interest would arise and that the time spent on fulfilling such obligations would not affect the respective Director's contribution to Petra. Any fees for such appointments would normally be retained by the Director concerned. Currently, none of the Executive Directors have any such external appointments. The Chairman and iNEDs would also be required to inform the Board of any proposed new directorships and a similar review process would be undertaken to ensure they can adequately fulfil their obligations as Directors of the Company.

Corporate Governance

The Report of the Board continued

Board objectives

	Progress in FY 2013	Objectives for FY 2014
Strategy	<ul style="list-style-type: none">▶ The continuing evaluation of the Group's growth and project expansion plans, in accordance with the Group's stated objective to reach production of ca. 5 million carats by FY 2019, ensuring sufficient time and attention is given to considering new value-add opportunities as they arise.	<ul style="list-style-type: none">▶ Continue to review and monitor at Board level the Group's production results and delivery against the approved expansion and development plans.▶ Continue to evaluate growth opportunities in the diamond sector that have the potential to deliver significant shareholder value.
Board and Committee composition	<ul style="list-style-type: none">▶ The appointment of a Senior Independent Director to the Board.▶ Discussion of succession planning for the Executive Directors.▶ The strengthening of the Board's Committees following the appointment of Mr Lowrie as Senior Independent Director.	<ul style="list-style-type: none">▶ Continue to consider Board composition, taking into account diversity and relevant expertise and experience.▶ Continue to consider succession planning.
Risk management	<ul style="list-style-type: none">▶ Ensuring the Board had a full understanding of the labour relations developments in South Africa and potential impact on the Company.▶ The implementation of the Group Anti-Bribery Policy and the revision of the Group Code of Ethical Conduct.▶ A full Board visit to the South African operations, with a specific focus on viewing the expansion project delivery at Finsch and Cullinan.	<ul style="list-style-type: none">▶ Implement a Group internal audit function, as approved by the Audit Committee.▶ Ongoing review of the Company's financing arrangements to ensure, as key factors change, that it is well managed and planned ahead of time.▶ A further full Board site visit to appropriate Group operations that are material to the Group's results and future development, with a focus on engagement with Group Senior Management.
Board process	<ul style="list-style-type: none">▶ Increased communication between the Executive and Non-Executive teams in between Board meetings, of both a formal and informal nature.▶ The introduction of an electronic Board pack system, ensuring a timeous and secure one-stop access point for Board packs and related documentation to further enhance Board effectiveness.	<ul style="list-style-type: none">▶ Continue the level of communication between all Board Directors, both on a formal and informal nature to ensure that all Directors are continually fully informed of the Group's business and in a position to contribute both during and outside of formal Board meetings.▶ Continue to provide relevant training programmes to Directors in order to ensure that all Board members stay abreast of relevant developments.

Induction of new Directors

At Petra, appropriate training and industry-related briefings are provided to all Directors on appointment to the Board, taking into account their individual qualifications and experience. In addition, the respective Directors are given access to appropriate corporate documents, including the Company's annual reports, sustainability reports, Main Market prospectus, the Bye-Laws and Committee Terms of Reference and other key policies, enabling them to familiarise themselves with the current Group activities.

In April 2013, the full Board carried out a visit to Petra's South African operations in order for the new iNEDs to familiarise themselves with the core activities of the Group and to meet the Senior Management team and the other employees so important to driving the future success of the Group. The visit included a detailed session on South Africa's regulated health, safety, social and environmental landscape, including an overview of Petra's compliance and sustainability programmes across the South African operations.

Director training

Ongoing training is arranged to suit each Director's individual needs and covers relevant areas such as industry developments, financial reporting, governance, regulatory changes and HSSE. The Chairman reviews and agrees with each Director their training and development needs.

Conflicts of interest

Whilst conflicts should be avoided, the Board acknowledges that instances arise where this is not always possible. In such circumstances, Directors are required to notify the Chairman before the conflict arises and the details are recorded in the minutes. If a Director notifies the Board of such an interest, they are excluded from any related discussion and decision.

Board performance and evaluation

The Board agreed that the FY 2013 Board evaluation would be delivered internally. The evaluation exercise was undertaken in May 2013, making use of individual questionnaires drawn up under the guidance of the Chairman and the Senior Independent Director. These questionnaires focused on:

- ▶ the Board's performance;
- ▶ the Audit Committee's performance;
- ▶ the Remuneration Committee's performance;
- ▶ the Nomination Committee's performance;
- ▶ the individual Director's performance; and
- ▶ the Chairman's performance (led by the Senior Independent Director).

The results of the exercise were shared with the Board. The overall result of the evaluation exercise was that the Board was considered to be effective, although certain areas were identified for focus as set out below. Recognising the Code requirement, Petra will hold an externally facilitated evaluation in FY 2014, and thereafter every three years. The Senior Independent Director led an evaluation of the Chairman with the iNEDs, further to consultation and input from the other Directors of the Board.

Actions taken in response to the 2013 Board and Committee evaluation

2013 evaluation recommendations	Proposed actions in response
To further participate in training in their specific areas of expertise as well as other areas relevant to their position.	Directors to continue to attend seminars and workshops in their specialised areas of expertise and other relevant areas.
To continue to focus on the Board's composition, considering succession and diversity.	For further Committee consideration in FY 2014.
To continue to evaluate each NED in accordance with the provisions of the Code in respect of independence.	The evaluation found no issues relating to a lack of independence by any NED, save for the position of the Chairman (refer 'Assessment of Director Independence' – page 58).
To encourage individual members to maintain the high levels of time allocated to Group interaction.	NEDs devoted a substantial portion of their time to the Company in performance of their duties and it was agreed that this level of valuable input should be maintained.

Corporate Governance

The Report of the Board continued

Activity of the Board

The activities of the Board can be summarised as follows:

Individual Board meeting dates are set in a format to address key events in the corporate calendar. The Board's schedule is formalised for the various issues under discussion, thereby ensuring adequate consideration time.

Given that meetings involve significant travel by many Directors, the holding of the Board and Committee meetings occurs over two days. This allows for considerable interaction by the members, both in formal meetings and outside thereof. The use of free time to discuss issues allows for clarification and engagement, meaning that debate during the meeting is more effective. It is also outside of the formal meetings that input on specific issues can be addressed, with individual Directors drawing on their personal experiences.

Packs for the Board meetings are prepared by management following input on the agendas formulated by the respective Chairmen, and circulated electronically. Distribution is arranged prior to the meeting, thereby allowing the Directors time to consider the variety of issues to be presented and debated. This also allows Directors the opportunity to seek clarity on issues which they have identified. In the minutes of the meetings, issues identified for follow-up are set out, ensuring that matters raised by the Directors are reported back timeously.

Management arranges an annual site visit for the Board, allowing the operations to be reviewed and enabling the Board and Senior Management to interact.

Directors dealing in Company shares

In accordance with the Company's Share Dealing Code, Directors and Senior Management are prohibited from dealing in shares or exercising share options whilst in possession of price sensitive information. Directors and Senior Management are required to seek approval from the Chairman (in the case of the Directors) or the Finance Director (in the case of Senior Management) before dealing in shares or exercising share options in the Company.

Independent professional advice and access to Company information

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

Remuneration of NEDs

The Board took independent advice from Deloitte and applied the appropriate benchmarks to set the NEDs' remuneration. NED fees provide for service on the Board and the Committees. Further information is contained in the Directors' Remuneration Report on page 78.

Investor relations calendar for FY 2013

July	FY 2012 Trading Update – investor/analyst conference call
August	Analyst guidance issued for FY 2013
September	FY 2012 results – analyst presentation/webcast and investor roadshow in UK, Canada and US
October	Annual report published
November	AGM Q1 FY 2013 Interim Management Statement Investor/analyst conference call
December	Morgan Stanley Digging Deeper Conference – London
January	H1 FY 2013 Trading Update – investor/analyst conference call Investor/analyst visit to Finsch
February	GMP Jamboree and Indaba Conferences in South Africa FY 2013 Interim Results – analyst presentation/webcast and investor roadshow in UK
March	
April	Q3 FY 2013 Interim Management Statement – Investor/analyst conference call
May	Bank of America Merrill Lynch Global Metals Mining & Steel Conference – Barcelona RBC African Precious Metals Conference – London
June	

Insurance for Directors and Officers

The Company has arranged appropriate Directors' and Officers' Insurance cover in respect of legal claims against its Directors and Management. During FY 2013, no claims were submitted in terms of the provision of the policy.

Communication with Shareholders

Petra supports an open dialogue with Shareholders, which ensures that Shareholders' needs and objectives and their views on the Company's performance are understood, as well as demonstrating the high emphasis placed on engagement and shareholder value by the Board. Investor relations is an important aspect of the Company's overall communications strategy. Petra has a dedicated in-house Corporate Communications Manager 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 corporate communications team regularly provides feedback to management and all members of the Board on shareholder and analyst communication, and ensures that analyst research notes are circulated as received.

As part of Petra's proactive investor relations approach, the CEO, Finance Director and the Corporate Communications Manager commit time to hold regular formal and informal meetings in person with the Company's Shareholders, in addition to twice yearly roadshows which coincide with the publication of Petra's interim and preliminary Financial Statements. 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 <http://www.petradiamonds.com/investors/financial-reports-and-results>.

In addition, the Chairman communicates directly with shareholders and holds meetings in person as and when appropriate and the NEDs, both as part of the induction process and subsequently, are also provided with opportunities to meet with shareholders throughout the year. Petra's Senior Independent Director is available to Shareholders to hear concerns that contact with the Chairman, CEO or Finance Director may have failed to resolve, or for which such contact was inappropriate.

Petra's website, www.petradiamonds.com, provides comprehensive and transparent information on the Company to all stakeholders, including investors looking to potentially make an investment decision. As such, the website is regularly reviewed and kept up to date with new information. It also makes available the Company's Annual and Sustainability Reports to all stakeholders.

The corporate communications team continually evaluates new methods by which to engage its shareholder base and aims towards best practice investor communications for a FTSE 250 company.

Annual general meeting ("AGM")

Shareholders are encouraged to participate at all shareholder meetings and especially the AGM, ensuring that there is a high level of accountability and identification with the Group's strategy and goals. The full Board (unless unavoidable circumstances dictate otherwise) are present at the AGM. The Board Committee chairmen are there to answer any questions which shareholders might raise with reference to their activity. 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 Rules and Transparency Rules. All public announcements are simultaneously posted on 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 all relevant information about the operations of the Group during the Year.

eCommunications and Shareholder Portal

Shareholders previously passed a resolution to allow the Company to use electronic means and its website to send or supply statutory documents and communications to Shareholders. Shareholders have the flexibility to receive such communications from Petra electronically, should they so choose, and can update their preferences at any time either by contacting Capita IRG (see contact details on page 135) or by logging into the Shareholder Portal (see below).

In addition to providing Shareholders with greater choice, eCommunications has allowed the Company to reduce its costs and environmental impact and to speed up the provision of such information to Shareholders.



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

“ **The Audit Committee had a highly productive year, working well together to provide assurance on the Group’s financial, governance and internal audit controls.** ”

Gordon Hamilton, Chairman of the Audit Committee



➤ **Independent Non-Executive Directors**

Gordon Hamilton
Chairman of the Audit Committee

Pat Bartlett

Tony Lowrie
(appointed 12 September 2012)



Gordon Hamilton
Chairman

FY 2013 highlights

- Review and approval of the half-year and full-year results.
- Review of the work and independence of the external auditors.
- Introduction of the Group’s Anti-Bribery Policy.
- Review and approval of the new Group treasury company structure.
- Oversaw the rotation process of the Petra audit partner at BDO LLP in accordance with best practice.
- Review of the FY 2013 Audit Committee Report prepared by BDO LLP and active engagement in considering the key audit and accounting judgements highlighted therein.

The members of the Audit Committee (“the Committee”) are considered to have the appropriate experience in order to monitor and ensure the integrity of the Group’s financial, governance, internal audit, internal control and risk management systems. The Chairman, Mr Hamilton, spent more than 30 years as a partner at Deloitte LLP primarily responsible for multinational and FTSE 350 listed company audits and remains abreast of continuing professional developments.

Mr Lowrie joined the Committee upon his appointment to the Petra Board on 12 September 2012 and brings his many years of business experience across international banking and financial sectors to the benefit of the Committee.

Role of the Audit Committee

The principal functions of the Audit Committee include the following:

- to monitor the integrity of all Financial Statements issued 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 are effective;
- 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 regulatory and legal requirements;
- to consider the need for the Company to create an internal audit function and, if deemed appropriate, recommend the creation of such function to the Board, ensuring 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, including the provisions of the Code and the requirements of the Listing Rules.

Activity in FY 2013

The Committee invites the Group Chairman and Executive Directors to attend the meetings as appropriate. In addition, the Committee as a whole and, on occasion, the Chairman of the Committee meet separately with the audit partner to discuss significant audit, accounting and governance developments.

In addition to chairing formal meetings of the Audit Committee and sessions with the external auditors, Mr Hamilton was regularly in Johannesburg and met with Mr Abery and his corporate and operational teams to discuss the financial activities of the Group.

The meetings during FY 2013 included presentations by BDO LLP regarding the results of the FY 2012 audit, the interim review for H1 FY 2013 and the audit planning proposal for FY 2013, as well as the results of the FY 2013 audit subsequent to year end. The Committee considered and approved the Financial Statements and formal financial announcements made during the Year, including key financial reporting judgements and accounting policies as a part of that review.

During FY 2013, the BDO audit partner responsible for the external audit was rotated in accordance with BDO internal policy and relevant professional ethical standards surrounding independence (IFAC International Ethics Standards Board Code of Ethics). As the Committee has primary responsibility for recommending the appointment, re-appointment and removal of the external auditors, discussions were held with BDO LLP regarding the selection and appointment of the new audit partner.

BDO LLP has been the Group's external auditors for eight years since the year ended 30 June 2006 (following a formal tender). Regarding placing the audit out on tender, the Company recognises the importance of audit independence and, based upon the forthcoming UK Corporate Governance Code 2012 and Financial Reporting Council transition guidelines, currently intends to put the audit out to tender when the next partner rotation is due to take place.

The Committee may, if considered necessary, take independent advice at the expense of the Company. Other than BDO LLP as the external auditors, no other external consultants have been engaged by the Audit Committee during FY 2013 to obtain such advice.

Business ethics

In FY 2013, the Committee submitted the Group's new Anti-Bribery Policy to the Board for approval. This policy was subsequently circulated throughout the Group, published on Petra's corporate website at petradiamonds.com/about-us/corporate-governance/the-uk-bribery-act and on the Group employee intranet. It has also been made available to the Group's third party contractors.

In addition, the Group's Code of Ethical Conduct was revised during the Year and strengthened with regards to developments in relevant legislation. This Code, along with the Anti-Bribery Policy is the subject of ongoing presentations and training for Petra employees and contractors.

The Company has established a dedicated telephone hotline and email through which interested parties may report on events which are deemed to have fallen foul of the provisions of the Policy and Ethics Code, including financial irregularities such as fraud or bribery. To date, there have been no calls made to the hotline to report non-compliance with the Group's Code of Ethical Conduct, fraud or financial irregularities.



More information on Petra's commitment to business ethics can be found at
petradiamonds.com/about-us/corporate-governance/business-ethics

Public reporting

The Committee reviewed and provided comment on both the financial and non-financial information in the Group's Annual Report. Accounting matters are discussed by the Finance Director and his team and the Chairman of the Audit Committee. Key auditing matters are discussed with the audit partner ahead of Committee meetings.

The Committee, on behalf of the Board, has a process of review that has enabled it to confirm that the information in the Annual Report and half-year results presents a fair, balanced and understandable assessment of the Group's position and prospects and it believes this will enable shareholders to assess the Company's performance, business model and strategy.

Internal controls and risk management

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. 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, at least annually, including financial, operational and risk management.

System of internal control

The Committee continued to review the effectiveness of the Company's risk management and internal control systems. The reviews covered 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.

Details of the identified key risks, how they are mitigated and specific action taken during FY 2013 are set out on pages 26 to 29 of this report.

Internal controls and risk management

The Committee regularly reviews the adequacy and effectiveness of the Group's internal control procedures and risk management systems through regular reports from the Group's key financial managers, business units and corporate teams, and through consideration of the external auditors' Audit Committee reports and face to face discussion between the audit partner and the Audit Committee Chairman and Committee members.

Internal controls and risk management continued

The Board's internal control processes, which include those over the financial reporting process, are comprehensive and include:

- operating unit controls – operating units comply with financial controls and procedures including information system controls;
- capital expenditure controls – the Group is currently involved in major capital projects at its mines; details of the controls to ensure that the projects remain on time and within budget are reported to the Board quarterly;
- 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 – whilst the Group has currently no formal internal audit function, it has been agreed that such a function will be formed and appropriately staffed during FY 2014. Currently, review of the internal controls takes place under the auspices of the Group's operations finance team, who prepare reports for submission to the Executive Directors. The team regularly undertakes reviews of activities on the various Group mines, both independently and at the request of mine management, to ensure compliance with standard policies and procedures; and
- Group Code of Ethical Conduct – the Group has revised its Code of Ethical Conduct. The Code of Ethical Conduct is designed to guide compliance with legal and other obligations to the Company's stakeholders.

Practices have been established to ensure:

- financial exposures are controlled, including the 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, with reports being prepared for submission to the Board by the Anti-Bribery Officer;
- business transactions are properly authorised and executed; and
- financial reporting accuracy and compliance with the financial reporting regulatory framework.

In FY 2013, no material weaknesses in internal control were identified. 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. When internal control reviews identified necessary or beneficial improvements, appropriate steps have been taken to ensure the control environment is effective.

Non-audit services

The Audit Committee requires that any non-audit services to be performed by BDO LLP are formally approved by the Committee. Audit-related services do not require pre-approval and encompass actions necessary to perform an audit, including internal control testing procedures; providing comfort letters to management and/or underwriters; and performing regulatory audits.

The provision of any non-audit service is subject to careful consideration, focused on the extent to which provision of such non-audit service may impact the independence or perceived independence of the auditors. The auditors are required to provide details of their assessment of the independence considerations, measures available to guard against independence threats and safeguard the audit independence.

The Audit Committee notes that BDO LLP acted as a reporting accountant for the move from AIM to the Main Market listing in FY 2012. In approving the non-audit service, the Audit Committee considered the auditor independence to be appropriately safeguarded, given a variety of factors including the fact that the non-audit service was non-recurring in nature, it was delivered by a separate engagement team to safeguard independence and it is commonplace for an incumbent audit firm to act as reporting accountant on such transactions.

During FY 2013, BDO LLP provided no non-audit services to the Group.


External auditors

As part of its meetings, the Committee proposed the re-appointment of BDO LLP to act as auditors for FY 2014, having considered the independence, objectivity, tenure and effectiveness of BDO LLP and the audit process.

Auditors' remuneration US\$ million	FY 2013	FY 2012
Audit services	0.7	0.6
Non-audit services	—	0.7 ¹
Total	0.7	1.3

1. US\$0.7 million was the cost in respect of admission to the Main Market. It is common practice for incumbent auditors to act as reporting accountants. The Company performed a review of comparable transactions and consistently found that companies who had been admitted to the Main Market of the London Stock Exchange in recent years had routinely used incumbent audit firms to provide such services.

The 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.

 **The Audit Committee Terms of Reference were reviewed during FY 2013 and remain in line with best practice. They can be accessed on the Company's website at petradiamonds.com/about-us/corporate-governance/board-committees**

“ I take pleasure in welcoming Tony Lowrie to the Petra Board as the Senior Independent Director, as the first Director to formally fulfil this important governance role for the Petra Group.

Adonis Pouroulis, Chairman of the Nomination Committee



Non-Executive Chairman
Adonis Pouroulis
Chairman of the
Nomination Committee

Independent Non-Executive Directors
Pat Bartlett
Gordon Hamilton
Tony Lowrie
(appointed 12 September 2012)

Adonis Pouroulis
Non-Executive Chairman

FY 2013 Nomination Committee highlights

- ▶ Preparation of a detailed role specification with regards to the search for a Senior Independent Director
- ▶ The appointment of Tony Lowrie as Senior Independent Director
- ▶ Oversight of the Board performance evaluation exercise

Role of the Nomination Committee

The principal functions of the Nomination Committee include the following:

- ▶ to review the structure, size and composition of the Board (including appropriate skills, knowledge, experience and diversity), and to make recommendations to the Board with regards 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 make recommendations to the Board concerning membership of the Audit and Remuneration Committees;
- ▶ to satisfy itself, with regards to succession planning, that plans are in place with regards to both Board and Senior Management positions; and
- ▶ to assess and, if appropriate recommend to the Board the re-election by shareholders at the AGM of any Director under the retirement and re-election provisions of the Company's Bye-Laws.

Activity in FY 2013

The Committee's focus for the Year was the identification of a candidate who would have the right attributes required of a Senior Independent Director of a FTSE 250 mining company. A search consultant, independent to the Company, was engaged to assist with the recruitment process.

A shortlist was put together and evaluated, following which the Nomination Committee recommended the appointment of Mr Lowrie, who fulfilled the requirements of a Senior Independent Director with strong financial and UK capital markets experience, given his 35 years within the equities business, as well as his specific experience acting as an iNED of other FTSE 250 mining companies.

Diversity

Petra understands that diversity is important to the effective functioning of a Board. The Petra Board is considered to have a broad but highly relevant skillset; however the Committee will continue to evaluate its composition going forward and any new appointments would be based on a range of factors, including diversity.

+ The Nomination Committee's Terms of Reference can be accessed on the Company's website at petradiamonds.com/about-us/corporate-governance/board-committees

“ FY 2013 marked the first full year of operation for the HSSE Committee and we focused on addressing safety performance and the other HSSE matters most material to the Group.

Johan Dippenaar, Chairman of the HSSE Committee



- ▶ **Chief Executive Officer**
 Johan Dippenaar
- ▶ **Senior Management**
 Group Operations Manager
 Head of Mining Operations
 Group Support Manager
 Group Legal Services Manager
 Group SHE Manager
 Group Environmental Coordinator



Johan Dippenaar
Chairman

Role of the HSSE Committee

The principal functions 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 regulatory requirements with respect to health, safety, social and environmental aspects;
- ▶ to assess the performance of the Group with regards 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 and serious accidents;
- ▶ to evaluate the quality and integrity of any reporting to external stakeholders concerning health, safety, social and environmental aspects; and
- ▶ to review the Group’s performance indicators in connection with health, safety, social and environmental aspects.

FY 2013 HSSE Committee highlights

- ▶ Review of relevant legislation and regulations, reporting to the Board on levels of compliance as appropriate.
- ▶ Review of international guidelines and best practice in respect of Petra’s sustainability reporting.
- ▶ Introduction of a revised Group Code of Ethical Conduct, providing a reference point on the high standard of conduct we expect from all Petra employees.
- ▶ Focus on labour relations and improved employee communication, with a number of internal communications initiatives launched and rolled out.
- ▶ Oversaw the commencement of Group carbon emissions reporting and consideration of the various emissions disclosure mechanisms.
- ▶ Monitoring of HSSE performance and reporting to the Board on any material issues.
- ▶ Review of the Group’s compliance with the Global Reporting Initiative Guidelines, using the Indicator as a useful review measure.

+ Additional HSSE activity details are contained in the Company’s annual Sustainability Report, which can be found on the Company’s website at petradiamonds.com/sustainability

+ A copy of the revised HSSE Committee’s Terms of Reference can be accessed on the Company’s website at petradiamonds.com/sustainability/hsse-committee

Dear shareholder,

I am pleased to present the Directors' Remuneration Report for FY 2013.



Gordon Hamilton
Chairman of the Remuneration Committee

“ Our objective is to operate a remuneration policy which reinforces the Company's ambitious growth strategy.

Petra is a leading diamond mining group that offers shareholders an exceptional growth and value proposition. The Remuneration Committee's ("the Committee") objective is to operate a remuneration policy which reinforces the Company's ambitious growth strategy.

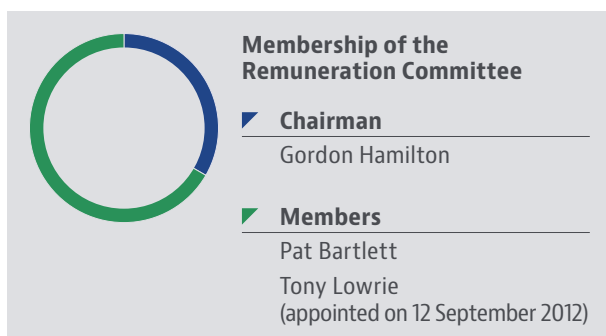
The Committee is cognisant of the unique nature of the organisation, as well as the specialist skills and experience required in the industry in which we operate, and will continue to consider the levels of salaries, as well as performance pay, against this specific background. The Committee is of the view that the Group's remuneration policies, which are weighted towards performance pay, support the objectives of Petra and its shareholders.

Salary increases for FY 2014 (effective 1 July 2013) for the Executive Directors were less than the average increases made across the Group's wider workforce. The bonus outcomes for FY 2013 reflect the Group's production and revenues, as well as successful delivery of key corporate and operational objectives in what were challenging circumstances over the past year.

Further details regarding Directors' remuneration are set out in the main body of this report.

A handwritten signature in black ink, appearing to read 'Gordon Hamilton'.

Gordon Hamilton
Chairman of the Remuneration Committee
11 October 2013



Role and responsibilities of the Remuneration Committee

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

- ▶ the Company's general policy on the remuneration of the Chairman, the Executive Directors and the Senior Management team;
- ▶ the total individual remuneration for the Chairman, Executive Directors and Senior Management, including base salary, benefits, performance bonuses and share awards;
- ▶ 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 petradiamonds.com/about-us/corporate-governance/board-committees**

Operation of the Committee

Where appropriate, the Chairman and Executive Directors attend Committee meetings to provide suitable context regarding the business. Individuals who attend meetings do not participate in discussions which determine their own remuneration.

The Committee engages the services of Deloitte LLP to provide independent advice to the Committee relating to remuneration matters. During the Year, Deloitte LLP and the Deloitte firm in South Africa also provided unrelated tax and general advisory services to the Company. Deloitte's Tanzanian practice (a separate Deloitte Touche Tohmatsu entity) undertakes the local statutory audit for Williamson Diamonds Ltd, a subsidiary of the Petra Group. BDO LLP remain the Group auditors.

Remuneration strategy

The Company's remuneration strategy was adopted following an in-depth review undertaken in 2011 and 2012. The Committee engaged with major shareholders to consult on the proposed approach, with the primary objective to develop a remuneration framework that fully supported the delivery of Petra's strategic ambitions, whilst taking into account evolving best practice.

The Committee spent considerable time developing suitable performance metrics to fully support the Company's strategy, aligned to performance outcomes that create long-term shareholder value. Petra has acquired and developed an exceptional portfolio of assets and 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 and therefore, for long-term incentives, our approach includes a balance of total shareholder return and achievement of capital expansion project and production targets.

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 very much 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 rewards 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.

Approval of FY 2012 Directors' Remuneration Report

The Directors' Remuneration Report for FY 2012 was approved at the November 2012 Annual General Meeting, with 99.94% of votes cast approving the FY 2012 Report.

Remuneration for Executive Directors – summary of key elements

Salary	<ul style="list-style-type: none"> ➤ Comprises annual base salary ➤ Influenced by role, scope, individual performance and experience, and market positioning 	<p>Base salaries effective from July 2013:</p> <ul style="list-style-type: none"> ➤ Johan Dippenaar £303,050 ➤ David Abery £282,150 ➤ Jim Davidson £282,150
Benefits	<ul style="list-style-type: none"> ➤ Cash allowance ➤ Group life, disability and critical illness insurance 	<p>Executive Directors receive an allowance of 10% of salary in lieu of both pension and other benefits</p>
Annual bonus	<ul style="list-style-type: none"> ➤ Short-term annual incentive based on performance during the financial year ➤ Linked to key financial, operational and strategic objectives 	<p>Maximum award of up to 150% of base salary. For FY 2013, 25% of the award earned for the Year has been deferred for two years into shares (or a cash equivalent)</p> <p>For FY 2014, the bonus will be linked to:</p> <ul style="list-style-type: none"> ➤ carat production; ➤ cost management; ➤ profit; ➤ project/expansion plan delivery; ➤ health, safety, social and environmental objectives; and ➤ strategic and corporate priorities.
2012 Performance Share Plan ("2012 PSP")	<ul style="list-style-type: none"> ➤ Conditional share awards which vest subject to achievement of performance targets ➤ Aligned to shareholder value and Petra's long-term delivery objectives 	<p>Normal maximum award of up to 150% of base salary (plan maximum of 200% of salary)</p> <p>Performance measured over three financial years against the following metrics:</p> <ul style="list-style-type: none"> ➤ Total Shareholder Return ("TSR") relative to FTSE 350 mining companies; ➤ absolute TSR; ➤ carat production; and ➤ project/expansion plan delivery.
Legacy arrangements	<ul style="list-style-type: none"> ➤ Share awards under two legacy plans: 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 two legacy plans ➤ The last awards to Executive Directors under the 1997 Executive Share Option Scheme ("1997 ESOS") were exercised in December 2012 and subsequently there are no further share awards outstanding under the plan for Executive Directors 	<p>The last award under the 2005 ESOS was granted in March 2010. Outstanding awards are subject to share price targets</p> <p>The awards under the 2011 LTSP are based on carat production and project/expansion plan delivery. The performance period for outstanding awards ends on 30 June 2016</p>

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

Performance measures for incentives

Production	➤ Growth in carat production is at the core of Petra's strategy and is therefore fully embedded in the performance measurement framework
Expansion project delivery	➤ Progress is measured as part of the short-term annual bonus, and the long-term share awards include stretching targets supporting Petra's long-term ambitions
Profit and costs	➤ Petra remains focused on managing costs and profitability. Profit and cost measures form part of the annual bonus metrics
HSSE	➤ Health, safety, social and environmental 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 TSR

Base salary and benefits

The base salaries for Executive Directors are determined by the 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 Company employee population. Base salaries are normally reviewed to take effect from the start of the financial year on 1 July.

For FY 2014, the Committee has determined that the base salaries (per annum) for Executive Directors should be as below:

	Base salary to 30 June 2013 £	Base salary from 1 July 2013 £
Mr Dippenaar	290,000	303,050
Mr Abery	270,000	282,150
Mr Davidson	270,000	282,150

Base salaries for the Executive Directors were increased by 4.5% (effective 1 July 2013), which is less than the average increases made across the Group.

Other benefits

In lieu of pension plan participation and other benefits, the Executive Directors receive a cash benefit supplement of 10% of base 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.

Annual performance bonus

The annual bonus plan is designed to reward and incentivise performance over the financial year. The bonus framework uses a balanced scorecard approach, linked to the financial, operating and strategic objectives of the Company. The maximum bonus for Executive Directors for delivery of exceptional performance is capped at 150% of base salary. Prior to determining bonus outcomes, the Committee considers performance in the round to ensure that actual bonuses are appropriate.

For FY 2013, the Committee's assessment of performance against the balanced scorecard of key measures and milestone achievements in the Year included the following key achievements:

- production increased 21% to 2.67 million carats;
- the major expansion programmes at Finsch and Cullinan are on track and in line with expectations;
- revenue increased 27% to US\$402.7 million;

Annual performance bonus continued

- profitability improved with adjusted EBITDA increasing 36% to US\$122.4 million, adjusted operating cashflow increasing 57% to US\$132.8 million and adjusted net profit after tax increasing 22% to US\$48.3 million; and
- Group LTIFR reduced to 0.67 (FY 2012: 1.13), an encouraging trend in the context of the increased activity coupled with the expansion programme progress.

On the basis of this review, the Committee determined that the bonus for Executive Directors would be 72.5% of the maximum award (equating to 108.75% of base salary), of which 25% (as was the case for FY 2012) is deferred for two years into shares (or a cash equivalent). The deferred amount for FY 2012 and FY 2013 is subject to a malus provision.

Breakdown of metric type for FY 2014 balance scorecard

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

2012 PSP

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. Long-term share awards are granted under the 2012 PSP (approved by shareholders at the January 2012 AGM).

Against the background of the Committee's remuneration strategy (as set out earlier in this report), the performance targets for the 2012 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).

The award is split into the following elements:

TSR (50%)	TSR vs FTSE 350 mining companies 25% of award	<ul style="list-style-type: none"> Half of the award is linked to returns made for shareholders The first element is linked to relative TSR measured against other mining peers
	Absolute TSR 25% of award	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> The Company is committed to realising value from its asset portfolio; key to this is the successful delivery of expansion projects at its core operations 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 Committee and the Board The assessment is based on various factors including the achievement of key milestones, execution, timeframe of 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 2013, the Executive Directors were granted a maximum share award with a face value of 150% of base salary. Full vesting is subject to achievement of performance targets measured over the three financial years ending on 30 June 2015.

2012 PSP continued

The targets for outstanding awards under the 2012 PSP are set out below:

	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				
FY 2012 award (1 July 2011–30 June 2014)	Less than 7.6m carats	7.6m carats	8.0m carats	8.4m carats
FY 2013 award (1 July 2012–30 June 2015)	Less than 8.8m carats	8.8m carats	9.3m carats	9.8m 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

Carat targets have been adjusted to reflect the previously announced revised mining scope for Finsch (enlargement of the Block 4 Sub-Level Cave footprint and deferral of the main Block 5 Cave) and to exclude the Fissure Mines. Major shareholders were advised of these adjusted targets.

Legacy plans

Petra has three legacy plans which were adopted by the Company prior to moving from AIM 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

The Company previously operated the 1997 ESOS (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.

Following the exercise in December 2012 of vested share options originally granted in 2003, there are now no further outstanding awards held by Executive Directors under this plan.

(ii) 2005 Employee Share Option Scheme

The Company previously operated the 2005 ESOS (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.

The last award under this plan was granted to the Executive Directors in March 2010.

Legacy plans continued**(iii) 2011 Longer-Term Share Plan**

The 2011 LTSP 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 2011 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 below. The carat targets have been adjusted in a manner consistent with the approach adopted for the 2012 PSP described earlier in this report.

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 8.4 million carats cumulative production is delivered to 30 June 2015, rising to 50% for an accelerated target of 9.3 million carats cumulative production. The assessment of performance conditions, malus and exceptional adjustment provisions are in line with the 2012 PSP.

2011 LTSP**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 11.7m carats	11.7m carats	12.3m carats	12.8m 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

Shareholding guidelines

It is the Company's policy that each of the Executive Directors holds a meaningful number of Petra 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 Executive Directors are detailed on page 82 of the Directors' Report and are repeated below. Executive Directors currently exceed the guideline for Petra share ownership.

Executive Director	Role	Shareholding (number of shares) as at 30 June 2013
Mr Dippenaar	Chief Executive Officer	640,000
Mr Abery	Finance Director	1,979,649
Mr Davidson	Technical Director	640,000

Service contracts

The Executive Director service contracts are terminable by 12 months' written notice on either side and contain non-compete and non-solicitation clauses (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 NEDs have letters of appointment with the Company. 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 NEDs would be entitled to payment of fees for the one month contractual notice period.

Corporate Governance

Directors' Remuneration Report continued

Service contracts continued

Director	Role	Date of contract	Term	Notice period by Company or Director
Executive Directors				
Mr Dippenaar	Chief Executive Officer	28 November 2011	n/a	12 months
Mr Abery	Finance Director	28 November 2011	n/a	12 months
Mr Davidson	Technical Director	28 November 2011	n/a	12 months
Non-Executive Directors¹				
Mr Pouroulis	Non-Executive Chairman	28 November 2011	36 months	1 month
Mr Lowrie	Senior Independent Non-Executive Director	12 September 2012	36 months	1 month
Dr Bartlett	Independent Non-Executive Director	28 November 2011	36 months	1 month
Mr Hamilton	Independent Non-Executive Director	28 November 2011	36 months	1 month

Non-Executive Directors' remuneration

Adonis Pouroulis

Non-Executive Chairman; Chairman of Nomination Committee
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

Chairman and iNEDs' fees

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

With effect from 28 November 2011, Mr 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 2005 ESOS. 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.

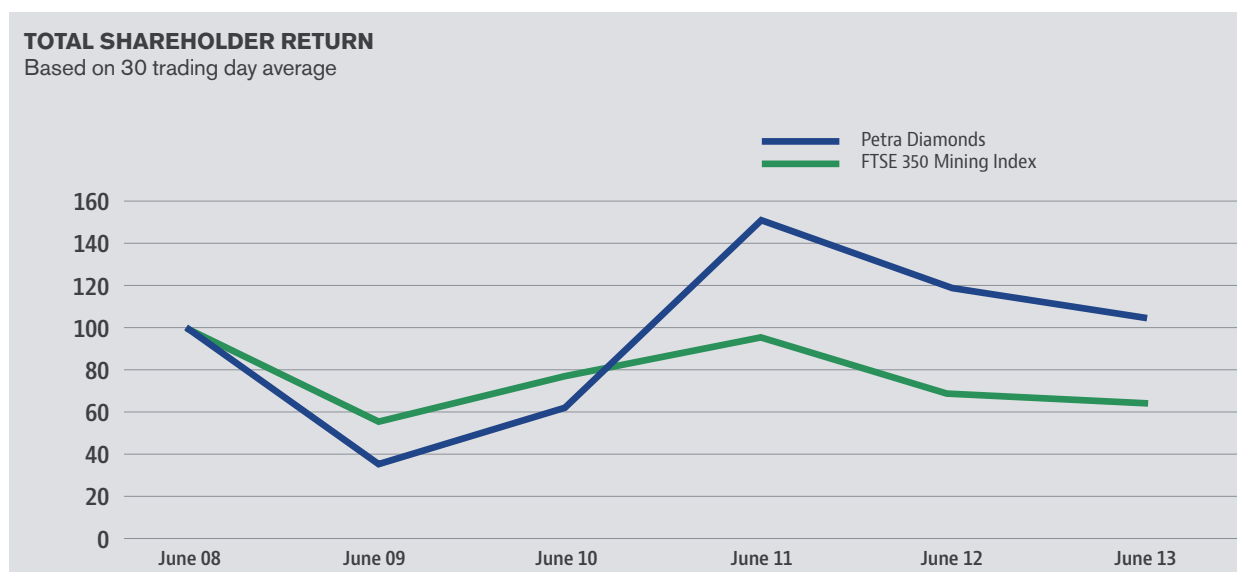
NEDs receive a fixed basic fee for their normal services rendered during the Year and a fee for chairmanship of Committees. The annual fees for NEDs are provided above. All fees are payable in cash.

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.

iNEDs do not participate in the Company's bonus arrangements, share schemes or pension plans, and for FY 2013 (in accordance with the Company's normal policy) did not receive any other remuneration from the Company outside of the fee policy outlined above.

Performance graph

The graph below shows a comparison between the TSR for Petra shares for the five-year period to 30 June 2013 and the TSR for the companies comprising the FTSE 350 Mining Index over the same period. This index has been selected to provide a relevant sector comparator to Petra. The TSR measure is based on a 30 trading day average.



Source: Datastream

Directors' emoluments

The following table gives a breakdown of the remuneration of the individual Directors who held office in FY 2013. 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 2013							
	Basic salary and fees £	Cash in lieu of pension and benefits ¹ £	Non-cash benefits ² £	Annual performance bonus – paid in cash £	Annual performance bonus – deferred into shares £	2013 Total £	2012 Total £
Executive Directors							
Mr Dippenaar	290,000	29,000	5,484	236,531	78,844	639,859	566,800
Mr Abery	270,000	27,000	4,898	220,219	73,406	595,523	534,695
Mr Davidson	270,000	27,000	3,018	220,219	73,406	593,643	532,895
Chairman							
Mr Pouroulis	140,000	—	2,539	—	—	142,539	137,022
Non-Executive Directors							
Dr Bartlett	50,000	—	—	—	—	50,000	29,722
Mr Hamilton	70,000	—	—	—	—	70,000	41,611
Mr Lowrie	56,144	—	—	—	—	56,144	—
Dr Kamal ³	23,836	—	—	—	—	23,836	38,167
	1,169,980	83,000	15,939	676,969	225,656	2,171,544	1,880,912

1. The Executive Directors receive a cash benefit supplement in lieu of pension and other benefits, calculated as 10% of their basic salary.

2. Non-cash benefits comprise contributions made by the Company to the Group's life assurance, disability and critical illness scheme.

3. Dr Kamal stepped down from the Board on 5 February 2013. Prior to stepping down, Dr Kamal received an annual fee of £40,000 per annum.

Corporate Governance

Directors' Remuneration Report continued

Directors' interests in the 2012 PSP

As at 30 June 2013, Executive Directors held the following interests (shares) in the 2012 PSP:

	Date of award	Outstanding at 1 July 2012	Awarded during the Year	Vested during the Year	Lapsed during the Year	Outstanding at 30 June 2013	Performance period
Mr Dippenaar	15 May 2012	267,516	—	—	—	267,516	1 July 2011–30 June 2014
	20 December 2012	—	418,672	—	—	418,672	1 July 2012–30 June 2015
Total		267,516	418,672	—	—	686,188	
Mr Abery	15 May 2012	248,408	—	—	—	248,408	1 July 2011–30 June 2014
	20 December 2012	—	389,798	—	—	389,798	1 July 2012–30 June 2015
Total		248,408	389,798	—	—	638,206	
Mr Davidson	15 May 2012	248,408	—	—	—	248,408	1 July 2011–30 June 2014
	20 December 2012	—	389,798	—	—	389,798	1 July 2012–30 June 2015
Total		248,408	389,798	—	—	638,206	

1. The performance conditions applicable to the 2012 PSP 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 "2012 Performance Share Plan" section of this report.

2. The share price on 15 May 2012 was 133.0 pence and on 20 December 2012 was 109.7 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 and 103.9 pence respectively.

Directors' interests in the 2011 LTSP

As at 30 June 2013, the Executive Directors held the following interests (shares) under the 2011 LTSP:

	Date of award	Outstanding at 1 July 2012	Awarded during the Year	Vested during the Year	Lapsed during the Year	Outstanding at 30 June 2013	Performance period
Mr Dippenaar	15 May 2012	400,000	—	—	—	400,000	1 July 2012–30 June 2016
Total		400,000	—	—	—	400,000	
Mr Abery	15 May 2012	400,000	—	—	—	400,000	1 July 2012–30 June 2016
Total		400,000	—	—	—	400,000	
Mr Davidson	15 May 2012	400,000	—	—	—	400,000	1 July 2012–30 June 2016
Total		400,000	—	—	—	400,000	

1. The performance conditions applicable to the 2011 LTSP 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.

2. The share price on 15 May 2012 was 133.0 pence.

Directors' interests in share options

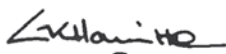
As at 30 June 2013, the following share options were outstanding:

	Date of grant	Exercisable from	Exercise price (pence)	Options outstanding at 1 July 2012	Granted in Year	Lapsed in Year	Exercised in Year	Options outstanding at 30 June 2013	Expiry date
Mr Pouroulis	5 Sep 2003	5 Sep 2006	44.0	500,000	—	—	500,000	—	5 Sep 2013
1997 and	16 June 2005	16 June 2008	85.0	250,000	—	—	—	250,000	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	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	17 March 2013	60.5	100,000	—	—	—	100,000	17 March 2020
Total				1,450,000	—	—	500,000	950,000	
Mr 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	17 March 2013	60.5	350,000	—	—	—	350,000	17 March 2020
Total				2,450,000	—	—	—	2,450,000	
Mr Abery	5 Sep 2003	5 Sep 2006	44.0	500,000	—	—	500,000	—	5 Sep 2013
1997 and	16 June 2005	16 June 2008	85.0	250,000	—	—	—	250,000	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	17 March 2013	60.5	350,000	—	—	—	350,000	17 March 2020
Total				2,450,000	—	—	500,000	1,950,000	
Mr 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	17 March 2013	60.5	350,000	—	—	—	350,000	17 March 2020
Total				2,450,000	—	—	—	2,450,000	

1. The closing market price of an ordinary share on 30 June 2013 was 114.7 pence.

2. On 19 December 2012, Mr Pouroulis and Mr Abery exercised vested options originally granted in 2003. The share price on 19 December 2012 (the date of these exercises) was 106.5 pence.

3. During FY 2013, the highest market price was 131.6 pence and the lowest market price was 97.0 pence.



Gordon Hamilton
Chairman of the Remuneration Committee
11 October 2013

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.

The Directors present their Management Report, which includes the Corporate Governance Statement on pages 54 to 65, together with the audited Financial Statements of the Group for the year ended 30 June 2013 on pages 88 to 133.

For the purpose of DTR4.1.8R, this Directors' Report plus any cross-references made herein is deemed the 'Management Report' and should be read with the annual Financial Statements on pages 88 to 133.

Principal activities

Petra 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 six producing mines: five in South Africa (Finsch, Cullinan, Koffiefontein, Kimberley Underground and Helam) and one in Tanzania (Williamson). Petra also has controlling interests in the Sedibeng and Star mines in South Africa, which were placed on care and maintenance subsequent to the Year end. In addition, the Company has an exploration operation in Botswana.

Business review

The 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 developments of the Group, as well as the principal risks and uncertainties which could affect the Group's performance.

Going concern

Following a review of the Group's financial position and forecasts, the Directors have concluded, having taken into account key assumptions including (but not limited to) production levels, diamond price and exchange rate sensitivities, flexibility around capital expansion expenditure and debt facility headroom, that sufficient financial resources will be available to meet the Group's current and foreseeable cashflow requirements for a period of at least 12 months from the date of this report. On this basis, they consider it appropriate to prepare the Financial Statements on a going concern basis.

Dividend policy

No dividend has been declared or paid in the current or prior Year. 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. The Board will formalise the Group's dividend policy when the Group's free cashflow, currently being reinvested in expanding its key operations, is sufficient to support the ongoing payment of a dividend.

Stock exchange listing

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 attached to the ordinary shares are governed by the Companies Act 1981 (Bermuda) (as amended) and the Company's Bye-Laws.

The Company is a constituent of the FTSE 250.

Directors and their interests

The interests of the Directors and their families in the issued share capital of the Company as at 30 June 2013 (other than in respect of share incentives granted to the Directors, which are detailed in the Directors' Remuneration Report on pages 80 to 81 and note 27 to the Financial Statements) were as follows:

Name	30 June 2013	30 June 2012
Mr Pouroulis ^{1,2}	9,564,650	9,564,650
Mr Dippenaar	640,000	640,000
Mr Davidson	640,000	640,000
Mr Abery ²	1,979,649	1,979,649
Dr Bartlett	—	—
Mr Gordon Hamilton	70,000	70,000
Mr Tony Lowrie ³	—	n/a
Dr Omar Kamal ⁴	n/a	—

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 Lowrie was appointed to the Board on 12 September 2012.

4 Dr Kamal resigned from the Board on 4 February 2013.

There have been no changes to the Directors' interests since 30 June 2013 to the date of this Management Report.

Substantial shareholdings

The interests as indicated in the table below in the ordinary shares of the Company represented more than 3% of the issued share capital as at 30 September 2013.

	Number of shares	Percentage of issued share capital
Al Rajhi Holdings W.L.L.	66,525,600	13.1%
Saad Investments Company Limited/Awal Bank	60,844,185	11.9%
T.Rowe Price ¹	52,756,589	10.4%
JPMorgan Asset Management Holdings Inc.	39,603,194	7.8%
BlackRock Investment (UK) Limited	37,221,723	7.3%
Prudential plc group of companies ²	31,143,330	6.1%
The Capital Group Companies, Inc.	18,998,011	3.7%

1. T. Rowe Price holds 51,615,487 shares with voting rights attached to them, being 10.1% of Petra voting rights.

2. Of this holding, 30,929,516 shares are held by M&G Investment Funds 3.

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 Annual General Meeting.



The Bye-Laws of the Company may only be amended by a resolution of the Board and by a resolution of the shareholders. The Bye-Laws of the Company can be accessed here: petradiamonds.com/investors/company-documents

Share capital

The Company has one class of 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 20 to the Financial Statements.

Power to issue shares

At the AGM held on 29 November 2012 ("the 2012 AGM"), 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 £14,430,557.00, being an amount equal to the unissued share capital of the Company as at 19 October 2012.

The Directors are seeking approval from shareholders to renew this authority at the 2013 AGM to be held on 28 November 2013, further details of which are set out in the Notice of the 2013 AGM.

A special resolution passed at the 2012 AGM granted authority to the Directors to allot equity securities (as defined in the Bye-Laws) in the Company for cash (a) on a non-pre-emptive basis pursuant to the rights issue or other offer to shareholders and (b) otherwise up to an aggregate nominal value of £2,528,472.15 (being equal to approximately 5% of the issued share capital of the Company as at 19 October 2012).

The Directors are also seeking approval from shareholders to renew this authority at the 2013 AGM to be held on 28 November 2013, further details of which are set out in the Notice of the 2013 AGM.

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.

Restriction on transfer of shares

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

- the Board may at 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. During the Year, the Board did not place a lien on any shares nor did it refuse to transfer any Ordinary Shares;
- the Board may also refuse to register a transfer if it is not satisfied that all the 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.

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.

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 (as well as the integrity of the Financial Statements contained therein) is the responsibility of the Directors.

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 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 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.

Al Rajhi Holdings W.L.L. ("Al Rajhi") has a right to appoint a Director, provided its shareholding in the Company is greater than 10%. Dr Kamal stepped down from the Board on 5 February 2013 and as at the date of this report, there are no immediate plans to appoint a new Al Rajhi representative.

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 Group's website (petradiamonds.com), which is regularly updated with current news about the Group, Petra maintains an employee-only intranet, which gives access to all Group 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 highlight key developments and provide insight into areas such as integrity, accountability, personal finance, safety and wellbeing. All the mines have highly visible notice boards, where important and current employee information is available.

The Group is committed to the principle and achievement of equal opportunities in employment irrespective of gender, 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 regards to their particular abilities and aptitude.

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 75 to 77 and note 27 of the Financial Statements.

Financial instruments

The Group makes use of financial instruments in its operations as described in note 25 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.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the Companies Act 1981 (Bermuda) (as amended).

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ("IFRS") 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 of the profit and loss for the Group for that period.

In preparing the 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 IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements; and
- ▶ 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 the Companies Act 1981 (Bermuda) and, as regards to 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.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- ▶ the Group's Financial Statements have been prepared in accordance with IFRS 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 together with a description of 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 Companies Act 1981 (Bermuda) (as amended), a resolution to confirm the appointment of BDO LLP as auditors of the Company is to be proposed at the 2013 AGM to be held on 28 November 2013.

The Financial Statements were approved by the Board of Directors on 11 October 2013 and are signed on its behalf by:




David Abery
Director

11 October 2013

Group Accounts





88	Independent Auditors' Report – Group
89	Consolidated Income Statement
90	Consolidated Statement of Other Comprehensive Income
91	Consolidated Statement of Changes in Equity
93	Consolidated Statement of Financial Position
94	Consolidated Statement of Cashflows
95	Notes to the Annual Financial Statements
134	Five-year Summary of Consolidated Figures
135	Shareholder and Corporate Information
137	Glossary

Independent Auditors' Report – Group

To the members of Petra Diamonds Limited

We have audited the Financial Statements of Petra Diamonds Limited for the year ended 30 June 2013 which comprise the Consolidated Income Statement, the 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 ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 Bermuda Companies Act 1981 and IFRSs as adopted by the European Union, 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 are required to comply with the requirements of rules 9.8.7 and 9.8.7A of the Listing Rules of the UK Financial Conduct Authority in preparing their Annual Report.

Auditor's responsibility

Our responsibility is to audit and express an opinion on these Financial Statements in accordance with the Bermuda 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 auditor's judgement, including the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of Financial Statements 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 Financial Statements:

- ✔ present fairly, in all material respects, the state of the Group's affairs as at 30 June 2013 and of its financial performance and its cashflows for the year then ended;
- ✔ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ✔ have been prepared in accordance with the requirements of the Companies Act 1981 as enacted in Bermuda.

Report on other legal and regulatory requirements

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



Scott McNaughton

BDO LLP

Chartered Accountants

London

United Kingdom

11 October 2013

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 2013

US\$ million	Notes	2013	2012
Revenue		402.7	316.9
Mining and processing costs	4	(316.7)	(263.9)
Other direct income	5	6.2	9.0
Exploration expenditure	6	(4.9)	(3.1)
Corporate expenditure	7	(14.1)	(13.7)
Impairment charge	8	(12.6)	—
Total costs		(342.1)	(271.7)
Other financial income		12.7	19.1
Unrealised foreign exchange gain		2.0	—
Other financial expense		(16.1)	(17.3)
Unrealised foreign exchange loss		(6.7)	(38.6)
Financial income	9	14.7	19.1
Financial expense	9	(22.8)	(55.9)
Profit before tax		52.5	8.4
Income tax charge	10	(24.6)	(10.5)
Profit/(loss) for the year		27.9	(2.1)
Profit/(loss) for the year attributable to:			
Equity holders of the parent company		32.0	(2.4)
Non-controlling interest		(4.1)	0.3
		27.9	(2.1)
Earnings per share attributable to the equity holders of the parent during the year			
From continuing operations:			
Basic profit/(loss) – US\$ cents	12	6.30	(0.48)
Diluted profit/(loss) – US\$ cents	12	6.13	(0.48)

The notes on pages 95 to 133 form part of these Financial Statements.

Overview

Strategic Review

Performance Review

Sustainability

Corporate Governance

Group Accounts

Consolidated Statement of Other Comprehensive Income

For the year ended 30 June 2013

US\$ million	2013	2012
Profit/(loss) for the year	27.9	(2.1)
Exchange differences recognised on translation of the share-based payment reserve	0.2	0.2
Exchange differences on translation of foreign operations	(97.9)	(34.4)
Exchange differences on non-controlling interest	(4.7)	(4.9)
Valuation loss on available-for-sale financial asset	(0.1)	(0.2)
Total comprehensive expense for the year	(74.6)	(41.4)
Total comprehensive income and expense for the year attributable to:		
Equity holders of the parent company	(65.8)	(36.8)
Non-controlling interest	(8.8)	(4.6)
	(74.6)	(41.4)

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

The notes on pages 95 to 133 form part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

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 2012	85.7	651.1	(45.1)	10.3	(0.7)	(63.7)	637.6	27.4	665.0
Profit/(loss) for the year	—	—	—	—	—	32.0	32.0	(4.1)	27.9
Other comprehensive (expense)/income	—	—	(97.9)	0.2	(0.1)	—	(97.8)	(4.7)	(102.5)
Non-controlling interest purchased (note 3)	—	—	—	—	—	(8.9)	(8.9)	(2.3)	(11.2)
Transfer between reserves for exercise of options and warrants	—	—	—	(0.5)	—	0.5	—	—	—
Equity settled share-based payments	—	—	—	3.9	—	—	3.9	—	3.9
Allotments during the year:									
– Share options exercised	0.2	1.0	—	—	—	—	1.2	—	1.2
– Warrants exercised	0.4	2.7	—	—	—	—	3.1	—	3.1
At 30 June 2013	86.3	654.8	(143.0)	13.9	(0.8)	(40.1)	571.1	16.3	587.4

The notes on pages 95 to 133 form part of the Financial Statements.

Overview

Strategic Review

Performance Review

Sustainability

Corporate Governance

Group Accounts

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013 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 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

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 entities with a functional currency other than US Dollars 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 and director options as measured at grant date and spread over the period during which the employees or directors become unconditionally entitled to the options;
- the fair value of shares awarded under the 2011 Longer-term Share Plan and the 2012 Performance Share Plan measured at grant date (inclusive of market based vesting conditions) with estimated numbers of awards to vest due to non-market based vesting conditions evaluated each period and the fair value spread over the period during which the employees or directors become unconditionally entitled to the awards;
- 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\$0.8 million (30 June 2012: US\$0.7 million). The Directors do not consider there to be objective evidence that the available-for-sale financial asset is permanently impaired.

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 BEE (in South Africa) and Government (in Tanzania) shareholders in the Finsch, Cullinan, Koffiefontein, Kimberley Underground, Helam, Sedibeng JV, Star and Williamson mines. The non-controlling interest share of total comprehensive expense includes US\$8.8 million total comprehensive expense (30 June 2012: US\$4.6 million total comprehensive expense) for the year.

Consolidated Statement of Financial Position

At 30 June 2013

US\$ million	Notes	2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment	14	735.6	740.5
Available-for-sale financial assets		0.1	0.2
Deferred tax asset	24	5.9	9.3
Loans and other receivables	18	85.4	89.6
Total non-current assets		827.0	839.6
Current assets			
Inventories	17	53.7	47.8
Trade and other receivables	18	93.7	56.5
Cash and cash equivalents – including restricted amounts	19	26.2	47.3
Total current assets		173.6	151.6
Total assets		1,000.6	991.2
EQUITY AND LIABILITIES			
Equity			
Share capital	20	86.3	85.7
Share premium account		654.8	651.1
Foreign currency translation reserve		(143.0)	(45.1)
Share-based payment reserve		13.9	10.3
Other reserves		(0.8)	(0.7)
Retained losses		(40.1)	(63.7)
Attributable to equity holders of the parent company		571.1	637.6
Non-controlling interest		16.3	27.4
Total equity		587.4	665.0
LIABILITIES			
Non-current liabilities			
Loans and borrowings	21	109.9	46.9
Trade and other payables	22	65.3	66.6
Provisions	23	67.3	85.0
Deferred tax liabilities	24	64.1	54.4
Total non-current liabilities		306.6	252.9
Current liabilities			
Loans and borrowings	21	37.1	22.1
Trade and other payables	22	64.7	49.0
Provisions	23	4.8	2.2
Total current liabilities		106.6	73.3
Total liabilities		413.2	326.2
Total equity and liabilities		1,000.6	991.2

The notes on pages 95 to 133 form part of the Financial Statements.

The Financial Statements were approved and authorised for issue by the Directors on 11 October 2013.

Overview

Strategic Review

Performance Review

Sustainability

Corporate Governance

Group Accounts

Consolidated Statement of Cashflows

For the year ended 30 June 2013

US\$ million	Notes	2013	2012
Profit before taxation for the year from continuing operations		52.5	8.4
Depreciation of property, plant and equipment	14	42.8	41.0
Impairment	8	12.6	—
Decrease in other provisions		(0.2)	(0.7)
Provision for retrenchments	23	2.6	—
Other finance income	9	(12.7)	(19.1)
Unrealised foreign exchange gain	9	(2.0)	—
Other finance expense	9	16.1	17.3
Unrealised foreign exchange loss	9	6.7	38.6
Present value adjustment of rehabilitation provision – change in assumptions		(1.9)	(4.8)
Profit on sale of property, plant and equipment		—	(0.1)
Share-based payment provision	27	3.3	1.0
Acquisition costs in respect of Finsch		—	0.4
Operating profit before working capital changes¹		119.8	82.0
(Increase)/decrease in trade and other receivables		(57.3)	4.5
Increase in trade and other payables		28.6	4.3
Increase in inventories		(15.5)	(11.6)
Cash generated from operations		75.6	79.2
Finance expense		(2.6)	(2.0)
Taxation paid (corporate income tax)		—	—
Net cash generated from operating activities		73.0	77.2
Cashflows from investing activities			
Acquisition of assets at Finsch net of cash	3	—	(192.0)
Acquisition costs in respect of Finsch assets and liabilities		—	(0.4)
Acquisition of property, plant and equipment (including cash interest paid and capitalised of US\$9.3 million (30 June 2012: US\$6.3 million))		(190.6)	(135.5)
Payments for acquisition of increased interest in the Group's South African mines	3	(0.6)	(11.2)
Dividend received	3	6.6	—
Proceeds from sale of property, plant and equipment		—	1.4
Finance income		0.4	1.8
Transfer from restricted cash deposits		3.9	212.0
Net cash utilised in investing activities		(180.3)	(123.9)
Cashflows from financing activities			
Proceeds from the issuance of share capital		4.3	6.4
Increase in borrowings		98.9	—
Repayment of borrowings		(9.2)	(20.0)
Net cash generated by/(utilised in) financing activities¹		94.0	(13.6)
Net decrease in cash and cash equivalents		(13.3)	(60.3)
Cash and cash equivalents at beginning of the year	19	31.3	96.9
Effect of exchange rate fluctuations on cash held		(3.9)	(5.3)
Cash and cash equivalents at end of the year	19	14.1	31.3

1. In the prior year US\$2.7 million of transaction costs in respect of step up from AIM to the Main Market of the London Stock Exchange have been reallocated from Cashflows from financing activities to Cash generated from operations as this is considered a more appropriate classification. The adjustments to profit before tax previously included US\$2.7 million for the transaction costs, with the cash outflow then presented in Cashflows from financing activities.

The notes on pages 95 to 133 form part of the Financial Statements.

Significant non-cash transactions which are not reflected in the Consolidated Statement of Cashflows are set out in note 29.

Notes to the Annual Financial Statements

For the year ended 30 June 2013

1. Accounting policies

Petra Diamonds Limited ("Petra" or "the Company"), a limited liability company listed on the Main Market of the London Stock Exchange, is registered in Bermuda and 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 detailed in note 1.2, consistent with those adopted in the previous year's Financial Statements.

1.1 Basis of preparation

The Financial Statements of the Company and its subsidiaries and associates ("the Group") 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 Strategic Review and the Performance 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 or R). The Group Financial Statements are presented in US Dollars (US\$). Further details are provided on the foreign currency accounting policy in note 1.13. ZAR balances are translated to US Dollars at R9.88 as at 30 June 2013 (30 June 2012: R8.16) and at an average rate of R8.83 for transactions during the year ended 30 June 2013 (30 June 2012: R7.76).

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 on or prior to 1 July 2012 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 12	Amendment – Deferred Tax: Recovery of Underlying Assets	1 January 2012	No material impact
IAS 1	Amendment – Presentation of Items of Other Comprehensive Income	1 July 2012	No material impact

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 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
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	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.

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

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 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.

IAS 19 – The amendment to IAS 19 Employee Benefits withdraws the corridor method that the Group uses in its accounting policy. Before the amendments, IAS 19 permitted leaving actuarial gains and losses unrecognised if they were within a 'corridor' and deferred recognition of actuarial gains and losses outside the corridor in profit or loss (the corridor approach). The amendments to IAS 19 result in the elimination of the corridor approach. They also require immediate recognition of actuarial gains and losses and the return on plan assets in the Consolidated Statement of Other Comprehensive Income. There are additional amendments to presentation. The Group is currently quantifying the impact as pension and medical aid liabilities are, by their nature, long-term and subject to assumptions.

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 commenced production from its open cast mine (Williamson) and so this standard is anticipated to be relevant in future periods. 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 (as described in the depreciation accounting policy note 1.4), over the expected useful life of the identified component of the orebody that becomes more accessible as a result of the stripping activity. The Group will adopt IFRIC 20 in the year ended 30 June 2014 and is currently assessing its impact.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are those entities over whose 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 date control ceases. 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 acquisition 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 Income Statement and 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' proportionate share of the acquiree's identifiable net assets (after any relevant fair value adjustments to the assets, liabilities and contingent liabilities recognised as part of the business combination). 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.

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. 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.

The Group holds an equity interest in one of its South African BEE partners which has non-controlling interests in the Group's mines through its investment in Nelesco 651 (Pty) Limited ("Nelesco"), detailed in note 3 and note 16. Where the Group acquires interests in a company which holds non-controlling interests in the Group's existing consolidated subsidiaries, the acquisition is treated as a change in the Group's ownership interests that does not result in a loss of control and is accounted for as an equity transaction with the existing shareholders, reflecting the economic objective of the transaction. As a result, the non-controlling interest is reduced and the difference between the consideration paid and non-controlling interest reduction is recognised within retained losses. Subsequent to acquisition, the Group reflects profits and losses attributable to the shareholders of the parent company based on the effective interest (direct and indirect interests).

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.

The Group depreciates its mining assets using a unit of production or straight-line basis, depending on its assessment of the most appropriate method for the individual asset. When a unit of production basis is used, the relevant assets are depreciated at a rate determined as the tonnes of ore treated (typically production facility assets) or hoisted (typically underground development and conveying assets) from the relevant orebody section, divided by the Group's estimate of ore tonnes held in reserves and resources which have sufficient geological and geophysical certainty and are economically viable. The relevant reserves and resources are matched to the existing assets which will be utilised for their extraction. The assets depreciated in the units of production method are existing assets. Future capital expenditure is only subject to depreciation over remaining reserves and resources once incurred.

The Group depreciates its assets according to the relevant sections of the orebody over which they will be utilised. A key estimate involves determination of future production units assigned to on-mine shared infrastructure, which is an ongoing assessment given the mining plan and development projects. Shared infrastructure is defined as common infrastructure enabling ore extraction, treatment and related support services, shared across more than one section of the orebody (such as the mine shaft).

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. Assets under construction, such as the Group's expansion projects, start to be depreciated once the asset is ready and available for use and commercially viable levels of production are being obtained.

The depreciation rates are as follows:

Mining assets:

Plant, machinery and equipment	Units of production method or 4%–33% straight-line basis depending on the nature of the asset
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

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.

Surplus/(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.

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

1. Accounting policies *continued*

1.5 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 units 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 have been proven, is capitalised within mineral properties. Amortisation only occurs upon commencement of commercial production. No brownfield exploration costs have been capitalised in the Consolidated Statement of Financial Position.

1.6 Intangible assets

Prospecting licences are capitalised at cost and are amortised over the original licence life of the associated prospecting right. Amortisation is included within exploration expenditure.

1.7 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. The life of mine plan is the approved management plan at the reporting date for ore extraction and its associated capital expenditure. The capital expenditure included in the impairment model does not include capital expenditure to enhance the asset performance outside of the existing life of mine plan. Details of each life of mine are provided in note 8. The ore tonnes included in the reserves and resources statement, which management consider economically viable, often includes ore tonnes in excess of those used in the life of mine model and therefore the impairment test. 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. Each mine represents a separate cash-generating unit. 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.

1.8 Financial instruments

Financial assets

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

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 category 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 2013 a cumulative loss of US\$0.8 million (30 June 2012: US\$0.7 million) was recorded in other reserves in respect of the available-for-sale financial assets.

1. Accounting policies *continued*

1.8 Financial instruments *continued*

Financial liabilities

The Group classifies its financial liabilities into one category; other liabilities. The Group's accounting policy is as follows:

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 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.

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. Trade receivables are recorded net of such provisions. The 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.

1.9 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.

1.10 Finance and other income

Finance and other income comprises 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.

1.11 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.

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.

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

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

1. Accounting policies continued

1.12 Provisions continued

Decommissioning, mine closure and environmental rehabilitation continued

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.

1.13 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.

1.14 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.

1.15 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, the Group's insurance cell captive and other financial institutions as guarantees in respect of environmental rehabilitation obligations in respect of the Group's South African mines.

1.16 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.

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.

1. Accounting policies *continued*

1.16 Employee pension schemes *continued*

Defined benefit scheme *continued*

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 every second year unless the actuarial assumptions are considered to have materially changed since the previous external valuation, in which case the valuation is revisited earlier.

1.17 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 actuarial calculation is performed by a qualified actuary using the projected unit credit method every second year unless the actuarial assumptions are considered to have materially changed since the previous external valuation, in which case the valuation is revisited earlier.

1.18 Share-based payments

Employee and Director share option scheme

The fair value of options granted to employees or 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 employees or Directors 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 ("LTSP") and 2012 Performance Share Plan ("PSP")

Share-based awards granted under the LTSP and PSP are valued using the Monte Carlo model at the date of grant and the associated expense recognised over the vesting period during which the associated vesting conditions are satisfied unconditionally by the beneficiaries with a corresponding increase in reserves.

Where the awards are subject to non-market based performance conditions, the expense will be adjusted subject to the actual vesting outcome of those specific performance conditions.

The LTSP performance conditions are non-market based (i.e. production which is independent of the Company's share price) such that performance conditions are not reflected in the fair value of the award at grant date; however, at each reporting period the Company will assess the likelihood of the conditions being met and revise the cumulative expense accordingly. In the event that vesting conditions are not met the charge is reversed.

The PSP performance conditions are a combination of market based (i.e. movement/growth in company share price) and non-market based conditions. The vesting conditions attributable to market based are valued by taking into account the considered likelihood of meeting the vesting condition at the date the fair value is calculated. Unlike non-market conditions, no adjustment is made for changes in the likelihood of the market conditions being met. The non-market based vesting conditions are treated as per the LTSP above.

When a share award or option is cancelled it is treated as an acceleration of vesting, and the Group recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

1.19 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. Net realisable value also incorporates costs of processing in the case of the ore stockpiles. 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.

1.20 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.

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

1. Accounting policies continued

1.21 Assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

If the Group has classified an asset (or disposal group) as held for sale, but the criteria above are no longer met, the Group ceases to classify the asset (or disposal group) as held for sale. The Group measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of: a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and b) its recoverable amount at the date of the subsequent decision not to sell.

1.22 Borrowing costs

Borrowing costs, including any up-front costs and warrant 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. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. When the Group's borrowings are refinanced, the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is accelerated when the refinancing is considered to be a substantial modification of terms. The refinancing is considered a substantial modification if either the quantitative tests set out by IFRS are breached or the Directors consider the qualitative factors (coupon rate, security, term, etc.) to be a substantial modification.

Other borrowing costs are recognised as an expense in the period in which the borrowing cost is incurred.

1.23 Critical accounting estimates 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.

Life of mine and ore reserves/resources

There are numerous risks inherent in estimating ore reserves and resources and the associated current life of mine plan. The life of mine plan is the current approved management plan for ore extraction that considers specific ore reserves and resources and associated capital expenditure. The life of mine plan frequently includes less tonnes than the total reserves and resources that are set out in the Group's Reserves and Resources Statement and which management may consider to be economically viable and capable of future extraction.

Management must make a number of assumptions when making estimates of reserves and resources, 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 resources and may ultimately result in the restatement of the ore reserves and resources and potential impairment to the carrying value of the mining assets and life of mine.

The current life of mine plan is used to determine the ore tonnes and capital expenditure in the impairment tests.

Ore reserves and resources, both those included in the life of mine and certain additional tonnes which form part of reserves and resources considered to be sufficiently certain and economically viable, also impact the depreciation of mining assets depreciated on a unit of production basis, as set out in note 1.4. Ore reserves and resources further impact the estimated date of decommissioning and rehabilitation.

Impairment reviews

While conducting an impairment review of its assets, the Group exercises judgement in making assumptions about future rough diamond prices, volumes of production, ore reserves and resources included in the current life of mine plans, feasibility studies, future development and production costs and macroeconomic factors such as inflation and discount rates. 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 Helam and Kimberly Underground mining assets are sensitive to rough diamond prices, foreign exchange rates, forecasted growth in production rates and the successful exploitation of orebodies. The policy in respect of impairment reviews is set out in note 1.7 and details of impairment reviews carried out during the year are set out in note 8.

1. Accounting policies *continued*

1.23 Critical accounting estimates and judgements *continued*

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 5.6%–7.9% (30 June 2012: 7.7%–8.9%), estimated rehabilitation timing of 12 to 52 years (30 June 2012: 10 to 50 years) and an inflation rate range of 1.8%–5.9% (30 June 2012: 5.6%–6.9%). 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\$56.3 million (30 June 2012: US\$73.2 million).

Pension scheme

The Company operates a defined benefit scheme and a defined contribution scheme. The pension charge or income for the defined benefit scheme is regularly assessed in accordance with the advice of a qualified actuary using the projected unit credit method and was updated for 30 June 2013. The most important assumptions made in connection with the scheme valuation and charge or income are the return on the funds, the average yield of South African Government long dated bonds, salary increases, withdrawal rates, life expectancies and the current South African consumer price index. The details of these assumptions are set out in note 31.

Post-retirement medical fund

The Company operates a post-employment health care liability scheme. The benefit liability for the post-employment health care liability scheme is regularly assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The most recent actuarial valuation was at 30 June 2012 and the Directors have reviewed the assumptions at 30 June 2013 and consider them to remain materially appropriate. The most important assumptions made in connection with the scheme valuation and charge or income are the health care cost of inflation, the average yield of South African Government long dated bonds and salary increases, withdrawal rates and life expectancies. The details of these assumptions are set out in note 32.

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. Significant judgements include the determination of appropriate inputs to valuation models and assessment of the likelihood of vesting. The details of these assumptions are set out in note 27.

Deferred tax

Judgement is applied in making assumptions about recognition of deferred tax assets. Judgement is required in respect of recognition of such deferred tax assets including the timing and value of estimated future taxable income, as well as the timing of rehabilitation costs and the availability of associated taxable income.

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 the estimated useful life of individual assets and residual values and the appropriate units of production tonnes. The assumptions are reviewed at least annually by management.

Net investments in foreign operations

Management assess the extent to which intra-group loans to foreign operations that give rise to unrealised foreign exchange gains and losses are considered to be permanent as equity or repayable in the foreseeable future. The foreign exchange on permanent as equity loans are recorded in foreign currency translation reserve until such time as the operation is sold, whilst the foreign exchange on loans repayable in the foreseeable future are recorded in the Consolidated Income Statement.

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 year 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, South Africa and Antwerp, Belgium 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\$730.0 million (30 June 2012: US\$741.7 million), Tanzania US\$96.5 million (30 June 2012: US\$95.6 million), Botswana US\$0.4 million (30 June 2012: US\$0.5 million) and Jersey US\$0.1 million (30 June 2012: US\$1.8 million).

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

2. Segment information continued

The Group's property, plant and equipment included in non-current assets are located in South Africa US\$638.7 million (30 June 2012: US\$644.4 million), Tanzania US\$96.5 million (30 June 2012: US\$95.6 million) and Botswana US\$0.4 million (30 June 2012: US\$0.5 million).

Operating segments US\$ million	South Africa – mining activities				Fissure Mines 2013	Tanzania – mining activities	Botswana	Jersey	Inter- segment 2013	Consolidated 2013
	Cullinan 2013	Finsch 2013	Koffiefontein 2013	Kimberley Underground 2013		Williamson 2013	Exploration 2013	Corporate administration 2013		
Revenue	133.0	160.6	16.6	33.4	17.2	41.9	—	—	—	402.7
Segment result ¹	49.5	61.2	(9.4)	(0.2)	(12.1)	(3.8)	(4.9)	(14.1)	0.8	67.0
Impairment charges	—	—	—	—	(12.6)	—	—	—	—	(12.6)
Other direct income	1.7	3.0	0.6	0.2	0.3 ³	0.4	—	—	—	6.2
Operating profit/(loss) ²	51.2	64.2	(8.8)	—	(24.4)	(3.4)	(4.9)	(14.1)	0.8	60.6
Other financial income										12.7
Unrealised foreign exchange gain										2.0
Other financial expense										(16.1)
Unrealised foreign exchange loss										(6.7)
Income tax expense										(24.6)
Non-controlling interest										4.1
Profit attributable to equity holders of the parent company										32.0
Segment assets	542.8	241.5	92.2	87.9	85.9	121.1	0.9	1,824.8	(1,996.5)	1000.6
Segment liabilities	322.9	186.0	88.2	106.1	131.9	240.0	31.7	877.1	(1,570.7)	413.2
Capital expenditure	89.0	48.6	20.4	21.6	7.0 ³	11.7	—	5.4	(12.5)	191.2

1. Included in the segment result is total depreciation of US\$42.8 million incurred at Cullinan US\$11.2 million, Finsch US\$15.8 million, Koffiefontein US\$2.2 million, Kimberley Underground US\$9.0 million, Helam US\$1.2 million, Sedibeng JV US\$0.4 million, Star US\$0.1 million, Williamson US\$2.5 million, Exploration US\$0.1 million and Corporate administration US\$0.3 million.

2. Operating profit is equivalent to revenue of US\$402.7 million less total costs of US\$342.1 million as disclosed in the Consolidated Income Statement.

3. Capital expenditure at the Fissure Mines includes work in progress of US\$4.4 million in respect of the manufacture of plant and equipment for other mines within the Group. Other direct income in respect of the Fissure Mines includes US\$35.9 million of revenue and US\$36.9 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.

2. Segment information continued

Operating segments US\$ million	South Africa – mining activities				Tanzania – mining activities	Botswana	Jersey		Inter- segment 2012	Consolidated 2012
	Cullinan 2012	Finsch 2012	Koffiefontein 2012	Kimberley Underground 2012	Fissure Mines 2012	Williamson 2012	Exploration 2012	Corporate administration 2012		
Revenue	112.0	136.9	18.9	19.8	17.7	11.6	—	—	—	316.9
Segment result ¹	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) ³	0.3	—	—	—	9.0
Operating profit/(loss) ²	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 ³	20.7 ³	0.5	0.3	—	137.3

1. Included in the segment result is total depreciation of US\$41.0 million incurred at Cullinan US\$14.4 million, Finsch US\$14.2 million, Koffiefontein US\$2.0 million, Kimberley Underground US\$5.2 million, Helam US\$1.1 million, Sedibeng JV US\$2.0 million, Star US\$0.2 million, Williamson US\$1.6 million, Exploration US\$0.1 million and Corporate administration US\$0.2 million.

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

3. Capital expenditure at the Fissure Mines includes work in progress of US\$111 million in respect of the manufacture of plant and equipment for other mines within the Group. Other direct income in respect of the Fissure Mines includes US\$38.4 million of revenue and US\$39.3 million of costs in respect of the projects division at Helam for the manufacture of plant and equipment for other mines within the Group. Capital expenditure at Williamson includes US\$19.5 million of cash costs capitalised in respect of the plant rebuild and expansion programme.

The Group acquired Finsch effective 14 September 2011.

Segment assets and liabilities include inter-company receivables and payables which are eliminated on consolidation.

3. Acquisitions

30 June 2013

Acquisition of 49.24% of Nelesco 651 (Pty) Ltd

With effect from 1 January 2013, the transaction whereby the Group acquired a 49.24% interest in Nelesco 651 (Pty) Ltd ("Nelesco") completed. Nelesco owns 100% of the shares of Sedibeng Mining (Pty) Ltd ("Sedibeng Mining").

Sedibeng Mining has direct and indirect interests in each of Petra's South African operations. Sedibeng Mining has no investments other than its interests in these mines. Petra consolidated the mines prior to the increase in its effective interest.

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

3. Acquisitions continued

30 June 2013 continued

Acquisition of 49.24% of Nelesco 651 (Pty) Ltd continued

Mine	Sedibeng Mining's interest (%)	Resultant Group's effective interest (%)
Cullinan	6.16	77.03
Finsch	17.01	82.38
Koffiefontein	15.00	81.39
Kimberley Underground	26.00	86.80
Helam	26.00	86.80
Sedibeng JV	25.50	87.06
Star	26.00	86.80

The total cash consideration paid by Petra was US\$17.8 million. The total included US\$11.2 million paid as consideration for the Group's acquisition of the interest in its non-controlling interests and US\$6.6 million consideration paid to acquire Nelesco, as an equivalent amount of cash was retained in Nelesco at completion and was wholly attributable to the Group under the terms of the transaction. The Company paid US\$0.6 million in the current year with all other amounts having been paid to vendor in prior periods (which were classified under trade and other receivables in the Consolidated Statement of Financial Position). On completion of the transaction, the Group became entitled to a dividend of US\$6.6 million from Nelesco and received US\$6.6 million in cash.

Effect of the acquisition

The purchase had the following effect on the Group:

US\$ million

Book value of additional effective % interest acquired	(2.3)
Fair value of consideration paid:	
– Settled in cash	11.2
Excess of carrying value of additional effective % interest purchased over fair value consideration paid	(8.9)

As set out in note 1.3 of the Group's accounting policies, the acquisition of the non-controlling interests has been treated as a change in the Group's ownership interests that does not result in a change of control. This has been accounted for as an equity transaction with the existing shareholders, reflecting the economic objective of the transaction which was to increase the Group's effective ownership of its mines.

The carrying value of the effective percentage interest acquired of US\$2.3 million as at 1 January 2013 has been deducted from the Group's non-controlling interest balance relating to the Group's mines. The US\$8.9 million deficit of the carrying value of the effective percentage acquired in the Group's mines over the fair value consideration of US\$11.2 million has been recognised directly in equity and attributed to the Group. The initial investment in associate value of US\$6.6 million was reduced to US\$nil by the US\$6.6 million dividend on completion. Nelesco has no significant other profits or losses since the Group acquired its interest. Refer to note 1.3 for the Group's accounting policy and note 16 for the details of the investment in Nelesco.

Sedibeng Mining is one of Petra's BEE partners and holds direct interests in the Kimberley Underground, Helam, Sedibeng JV and Star mines and indirect interests in Finsch, Cullinan and Koffiefontein through its shareholding in Thembinkosi Mining Investments (Pty) Ltd ("Thembinkosi"), Senakha Diamonds Investments (Pty) Ltd ("Senakha") and Re Teng Diamonds (Pty) Ltd ("Re Teng Diamonds") respectively. The Group has a non-current receivable due from Sedibeng Mining of US\$19.0 million (30 June 2012: US\$16.7 million) and a non-current payable due to Sedibeng Mining of US\$4.6 million (30 June 2012: US\$2.8 million). Included in Net finance expense (note 9) the Group has finance income due from Sedibeng Mining of US\$1.7 million (30 June 2012: US\$1.8 million) and finance expense payable to Sedibeng Mining of US\$0.7 million (30 June 2012: US\$0.8 million). These sums arise due to the funding that the Group has provided to Sedibeng Mining to finance its interests in Koffiefontein (through Re Teng Diamonds), Kimberley Underground and Sedibeng JV mines.

Senakha, another of Petra's BEE partners, holds a 21% direct interest in the Finsch mine. The Group has a non-current receivable due from Senakha of US\$36.7 million (30 June 2012: US\$40.0 million) and a non-current payable due to Senakha of US\$36.7 million (30 June 2012: US\$40.0 million). Included in Net finance expense (note 9) the Group has finance income due from Senakha of US\$4.1 million (30 June 2012: US\$3.5 million) and finance expense payable to Senakha of US\$4.1 million (30 June 2012: US\$3.5 million). These sums arise due to the funding that the Group has provided to Senakha to finance its interests in Finsch.

Re Teng Diamonds, another of Petra's BEE partners, holds a 30% direct interest in the Koffiefontein mine. The Group has an interest free receivable due from Re Teng Diamonds of US\$1.2 million (30 June 2012: US\$1.2 million) – refer to notes 18 and 28.

3. Acquisitions continued

30 June 2012

Acquisition of Finsch

On 21 January 2011, the Company announced that the Group had entered into an agreement, (together with its Finsch BEE partners ("BEE partners")), to acquire 100% of the trade and assets of the Finsch mine in South Africa from De Beers for a cash consideration of R1.425 billion.

The acquisition was completed on 14 September 2011 when the Group took control of the mine and was made by Finsch Diamond Mine (Pty) Ltd ("FDM") (formerly Afropean Diamonds (Pty) Ltd), a subsidiary of the Company in which the Group has a 74% interest. The other 26% of FDM is owned by the BEE partners.

Prior to the acquisition, the Company and its BEE partners agreed to advance debt funding to FDM, (in proportion to their respective equity interests), so that FDM could finance the purchase of Finsch from De Beers. As part of the transaction, the Company advanced the BEE partners' share of the R1.425 billion funds directly to FDM so that it could complete the acquisition. The loan advanced by the Company to the BEE partners and the loan from the BEE partners to FDM were therefore non-cash transactions (see note 29).

Using the loans it had received to fund the acquisition, FDM's net assets were unchanged on the transaction and, therefore, there was no change in the non-controlling interest in the Group.

In US\$, the final cash consideration paid was US\$192 million, reflecting the benefit of an effective hedge of the foreign exchange risk on the firm commitment to acquire Finsch.

Costs of US\$0.4 million associated with the acquisition were expensed in full in the Consolidated Income Statement.

It was not practical to obtain the turnover and operating results for the Finsch mine for the period from 1 July 2011 to the date of acquisition, as the Finsch turnover and operating results were treated as a branch within a larger corporate by the vendor and were not available to the Group. The Finsch mine generated revenue from the date of acquisition to 30 June 2012 of US\$136.9 million.

Effect of the acquisition

The acquisition 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 Group			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.

4. Mining and processing costs

US\$ million	2013	2012
Raw materials and consumables used	149.7	138.0
Employee expenses	134.5	103.2
Depreciation of mining assets	42.4	40.7
Diamond royalty	3.7	1.4
Changes in inventory of finished goods and stockpiles	(13.6)	(19.4)
	316.7	263.9

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

5. Other direct income

US\$ million	2013	2012
Profit on disposal of fixed assets	—	(0.1)
Revaluation of environmental rehabilitation liability – change in assumption/estimate	(1.9)	(4.8)
Other mining income	(4.3)	(4.1)
	(6.2)	(9.0)

6. Exploration expenditure

US\$ million	2013	2012
Employee expenses	1.0	1.0
Depreciation of exploration assets	0.1	0.1
Drilling, sampling and air survey expenses	3.0	1.6
Rental and equipment hire	0.1	0.1
Other exploration expenses	0.7	0.3
	4.9	3.1

7. Corporate expenditure

US\$ million	2013	2012
Auditors' remuneration:		
– Audit services ¹	0.7	0.6
Depreciation of property, plant and equipment	0.3	0.2
Operating lease rentals – buildings	0.7	0.6
Other charges	4.2	3.6
Share-based expense – Directors	1.4	0.3
Share-based expense – Senior Management	0.5	0.1
Other staff costs	5.8	5.2
Total staff costs	7.7	5.6
Transaction costs ²	0.5	3.1
	14.1	13.7

1. Audit fees for the year ended 30 June 2013 stated above refer to fees for the 2012 audit and audit fees for the year ended 30 June 2012, refer to fees for the 2011 audit.

2. In the current year, transaction costs comprise those costs incurred when the Group was considering the disposal of the Fissure Mines together with other costs associated with the Group's refinancing. In the prior period, transaction costs comprised Finsch acquisition costs (US\$0.4 million) and costs related to the step up from AIM to the Main Market of the London Stock Exchange (US\$2.7 million). The costs in respect of the step up to the Main Market included US\$0.7 million paid to the auditors for non-audit services in their capacity as reporting accountants.

All share-based payments are in respect of equity-settled share option schemes and share award schemes as stated in note 27.

8. Impairment of operational assets and investments

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 over its useful economic life. 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.

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 notes 1.7 and 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.

8. Impairment of operational assets and investments continued

30 June 2013

At 31 December 2012, the Group had, in conjunction with its BEE partners, decided to undertake a sale process in respect of its fissure mine operations, comprising the Helam, Sedibeng JV and Star mines in South Africa (the "Fissure Mines"). On initial reclassification of the Fissure Mines as held for sale, the Group recognised Consolidated Income Statement charges of US\$17.8 million, being management's re-measurement to fair value less costs to sell the discontinued Fissure Mines in a disposal group, allocated to property, plant and equipment. During H2 FY 2013, the sale process was concluded without an acceptable funded offer being received. The mines were declassified out of held for sale status accordingly and the fair value adjustment of US\$17.8 million was reversed to the extent of the lower of carrying value (adjusted for depreciation that would have arisen), value in use and fair value less cost to sell of each mine as assessed following the end of the sale process. The reversal totalled US\$5.2 million.

Accordingly, the Group recognised an impairment loss for the year relating to operational assets at Sedibeng JV and Star of US\$12.6 million (30 June 2012: US\$nil). The Group has formally decided to put both Sedibeng JV and Star on care and maintenance, meaning that they will not be actively mined until the economic viability of those mines improve. Management reviewed the Helam operational assets for indicators of impairment and following the assessment no impairment of property, plant and equipment was considered appropriate. Details of the impairment test assessments are shown in notes 8.1 and 8.2.

Impairment (US\$ million)	Asset class	Segment	Impairment	Carrying value
Sedibeng JV	Property, plant and equipment	Fissure mines	11.8	1.8
	Mineral properties		3.4	
	Underground development		3.4	
	Buildings		0.9	
	Mining property, plant and equipment		4.1	
Star	Property, plant and equipment	Fissure mines	0.8	0.5
	Mineral properties		—	
	Underground development		0.2	
	Buildings		—	
	Mining property, plant and equipment		0.6	
Total			12.6	2.3

30 June 2012

During the year ended 30 June 2012, the Group had 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 were considered appropriate.

8.1 Impairment testing assumptions

a) Impaired operations: Sedibeng JV and Star

30 June 2013

The recoverable values for Sedibeng JV and Star were derived by estimating the expected values to be recovered through the sale of these assets, less cost to sell, which gave rise to a value in excess of the value in use.

30 June 2012

Subsequent to the 30 June 2012 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 was used to assess year-end asset carrying values for Sedibeng JV as well as the Helam mine (which is not impaired at 30 June 2013 and is therefore detailed in note 8.2). The key assumptions used in determining the recoverable value calculations for Helam and Sedibeng JV at 30 June 2012, determined on a value in use basis, were diamond prices, a before-tax risk-free rate per RSA Government bonds adjusted for market risk and volatility, diamond prices, inflation rates, exchange rates, life of mine ore reserves and resources and life of mine capital expenditure. No impairment was considered to exist based on the value in use models but it was noted that the carrying values were sensitive to diamond prices and achieving forecast production growth rates.

The recoverable amount of Star was assessed using fair value less cost to sell.

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

8. Impairment of operational assets and investments continued

8.2 Impairment tests – other mining operations 30 June 2013 and 30 June 2012

a) Non-impaired operations

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 Sedibeng JV and Star, the Group also performed impairment testing for Cullinan, Finsch, Helam, Koffiefontein, Kimberley Underground and Williamson. The results of the impairment testing performed did not indicate any impairments on the remaining mining operations. As set out in the Group's accounting policies, only reserves and resources and capital expenditure plans included within the Group's life of mine plans are used. 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 and resources at mine sites and technical studies undertaken in-house and by third party specialists. Resources remaining after the current life of mine plans have not been included in impairment testing for the above operations.
Life of mine – reserves and resources	<p>Cullinan – Life of mine includes C-cut Phase 1 and reprocessing of certain tailings over the next 17 years (30 June 2012: 18 years); total resource processed 101 Mt (57.6 Mt underground ROM and 43.4 Mt tailings) (30 June 2012: 115.0 Mt (65.3 Mt underground ROM and 49.7 Mt tailings)) at a rate of 5.5 Mtpa (2.8 Mtpa underground ROM tonnes and 2.7 Mtpa tailings tonnes) (30 June 2012: 5.7 Mtpa (3.0 Mtpa underground ROM tonnes and 2.7 Mtpa tailings tonnes)) increasing to 6.7 Mtpa (4.0 Mtpa underground ROM tonnes and 2.7 Mtpa tailings tonnes) (30 June 2012: 8.0 Mtpa (4.0 Mtpa underground ROM tonnes and 4.0 Mtpa tailings tonnes)).</p> <p>Finsch – Life of mine includes Block 5 over the next 17 years (30 June 2012: 18 years); total resource processed 74.5 Mt (53.0 Mt underground ROM and 21.5 Mt tailings) (30 June 2012: 87.1 Mt (61.3 Mt underground ROM and 25.8 Mt tailings)) at a rate of 5.5 Mtpa (2.8 Mtpa underground ROM tonnes and 2.7 Mtpa tailings tonnes) (30 June 2012: 5.6 Mtpa (2.8 Mtpa underground ROM tonnes and 2.8 Mtpa tailings tonnes) increasing to 6.2 Mtpa (3.2 Mtpa underground ROM tonnes and 3.0 Mtpa tailings tonnes)) (30 June 2012: 7.0 Mtpa (3.5 Mtpa underground ROM tonnes and 3.5 Mtpa tailings tonnes)).</p> <p>Helam – 17 years (30 June 2012: 18 years) life of mine plan; total resource processed 1.9 Mt (30 June 2012: 2.0 Mt) at a rate of 0.1 Mtpa (30 June 2012: 0.1 Mtpa).</p> <p>Koffiefontein – 12 years (30 June 2012: 13 years) life of mine plan; total resource processed 14.2 Mt (12.0 Mt underground ROM and 2.2 Mt surface/tailings tonnes) (30 June 2012: 22.3 Mt (13.3 Mt underground ROM tonnes and 9.0 Mt surface/tailings tonnes)) at a rate of 1.5 Mtpa (0.3 underground ROM tonnes and 1.2 Mtpa surface/tailings tonnes) (30 June 2012: 1.7 Mtpa (0.3 Mtpa underground and 1.4 Mtpa surface/tailings tonnes) reducing to 1.1 Mtpa (1.1 Mtpa underground and 0.0 Mtpa surface/tailings tonnes)).</p> <p>Kimberley Underground – 13 years (30 June 2012: 10 years) life of mine plan; total resource processed 12.8 Mt (30 June 2012: 9.8 Mt) at a rate of 1.1 Mtpa increasing to 1.25 Mtpa (30 June 2012: 1.0 Mtpa).</p> <p>Williamson – 20 years (30 June 2012: 18 years) life of mine plan: total resource processed 95.5 Mt (30 June 2012: 64.0 Mt) at a rate of 3.9 Mtpa increasing to 5.0 Mtpa (30 June 2012: 3.0 Mtpa increasing to 3.6 Mtpa).</p>
Life of mine – capital expenditure	Management has estimated the timing and quantum of the capital expenditure based on the Group's current life of mine plans for each operation. There is no inclusion of capital expenditure to enhance the asset beyond exploitation of the life of mine plan orebody.
Diamond prices	Diamond prices are based on guidance prices as shown on page 19. The ROM US\$/carat price range used in the calculations was US\$140–US\$650 (30 June 2012: US\$140–US\$600).

8. Impairment of operational assets and investments continued

8.2 Impairment tests – other mining operations 30 June 2013 and 30 June 2012 continued

a) Non-impaired operations continued

Key assumptions	Explanation
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, volatility and risks specific to the asset. The discount rate used for Williamson represents the before-tax risk-free rate per the Tanzanian Government bonds adjusted for market risk, volatility and risks specific to the asset.
Inflation rate	Long-term inflation rate of 4.0% (30 June 2012: 4.0%) above a long-term US inflation rate of 2.5% (30 June 2012: 2.5%) per annum was used for US\$ diamond prices. Long-term inflation rates of 3.5%–7.5% (30 June 2012: 3.5%–5.0%) 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\$/R exchange rate range used commenced at R9.00 (30 June 2012: R8.00), further devaluing at 3.5% (30 June 2012: 3.5%) per annum.
Valuation basis	Discounted present value of future cashflows.
Sensitivity	Management notes that a 3.4%/7.4% movement in diamond prices or a 7.8%/21.2% movement in production (for FY 2014, FY 2015 and FY 2016) or a 3.6%/8.0% movement in foreign exchange rates as compared to the R9.00/US\$ base foreign exchange rate for FY 2014 at Kimberley Underground and Helam would result in a break-even impairment scenario. In addition, the impairment test for Helam and Kimberley Underground includes initial increases in production tonnes of 36% and 37% respectively for FY 2014 compared to FY 2013 actuals. Helam and Kimberley Underground have the lowest headroom of the mines already detailed. The diamond prices used in the impairment test have been set with reference to recent market trends and long-term diamond price escalators reflect the Group's assessment of market supply/demand fundamentals, although short-term volatility remains possible within the market. Foreign exchange rates of R9.00:US\$1 are considered to be conservatively forecast given current exchange rates, but the ZAR-USD exchange rate volatility remains. The production growth included in the forecasts is considered sufficiently probable, given the commissioning and ongoing optimisation of the Wesselton plant at Kimberley Underground, the expected reduction in Section 54 safety stoppages and operational management strategies.

9. Net financing (expense)/income

US\$ million	2013	2012
Gross interest on bank loans and overdrafts ¹	(17.3)	(7.7)
Interest on bank loans and overdrafts capitalised ¹	12.3	6.3
Net interest expense on bank loans and overdrafts ¹	(5.0)	(1.4)
Other debt finance costs ¹	(8.2)	(9.8)
Unwinding of present value adjustment for rehabilitation costs	(2.6)	(5.9)
Realised foreign exchange losses	(0.3)	(0.2)
Unrealised foreign exchange losses ²	(6.7)	(38.6)
Financial expense	(22.8)	(55.9)
Realised foreign exchange gains and other	3.1	7.6
Unrealised foreign exchange gains	2.0	—
Interest received on loans and other receivables	9.2	9.7
Interest received on bank deposits	0.4	1.8
Financial income	14.7	19.1
	(8.1)	(36.8)

1. Calculated using the effective interest method in respect of financial liabilities calculated at amortised cost. Included in the current year interest on bank loans and overdrafts is the extinguishment of historical borrowing costs on refinancing as a result of a significant modification in the financing arrangements as detailed in note 21.

2. In prior years, foreign exchange movements on retranslation of Rand denominated loans, not classified as permanent as equity under IFRS, by companies in the Group which did not have a Rand functional currency were recognised in the Condensed Consolidated Income Statement. Effective 1 July 2012, the Group reorganised its intra-Group funding arrangements and restructured its treasury structure, which has removed significant foreign exchange translation exposure; as the Rand loans are now held between entities with Rand functional currencies.

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

10. Taxation

US\$ million	2013	2012
Current taxation		
– Current tax credit	—	—
Deferred taxation		
– Current period (origination and reversal of temporary differences)	24.6	10.5
	24.6	10.5
Reconciliation of tax rate		
– Profit before taxation	52.5	8.4
Tax at South African corporate rate of 28%	14.7	2.4
Effects of:		
– Tax charge at rates in foreign jurisdictions	3.5	7.7
– Non-deductible expenses	4.5	5.7
– Non-taxable income	(7.6)	(3.7)
– Tax losses and timing differences not recognised	9.5	(1.6)
Total tax charge	24.6	10.5

During the year, the Group did not utilise taxation benefits of previously unrecognised tax losses which reduce the current taxation payable (30 June 2012: US\$nil). 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 available but not utilised as at 30 June 2013 amount to US\$147.0 million (30 June 2012: US\$101.4 million) and primarily arise in South Africa and Tanzania; amounts stated provide tax benefit at 28%, being the tax rate in South Africa, and 30%, being the tax rate in Tanzania. Gross other temporary differences as at 30 June 2013 amount to US\$24.6 million (30 June 2012: US\$8.6 million) and arise in South Africa. The Group has amended the presentation of the prior year tax reconciliation to reflect the notional tax on profits at the tax rate applicable to South African operations rather than the 0% tax rate applicable to the parent, as this is considered to be more meaningful for users of the Financial Statements. The prior year tax reconciliation line items have been amended to reflect this change and allocation changes determined to be necessary to reflect the Group's tax profile.

11. Directors' and employees' remuneration

Staff costs (excluding the Non-Executive Directors) during the year were as follows:

US\$ million	2013	2012
Wages and salaries – mining	134.5	103.2
Wages and salaries – exploration	1.0	1.0
Wages and salaries – administration	7.6	5.5
Pension – administration	0.1	0.1
	143.2	109.8
	Number	Number
The number of employees (excluding the Non-Executive Directors and contractors) employed was as follows:		
Mining and exploration	4,902	4,536
Administration	237	232
	5,139	4,768

Key management is considered to be the Executive Directors and the Non-Executive Directors. Total remuneration for the year, which includes base salary, cash benefits and annual performance bonus, for the Executive Directors was US\$2.9 million (30 June 2012: US\$2.6 million). The share-based payment charge relating to the Executive Directors for the year was US\$1.4 million (30 June 2012: US\$0.3 million). See note 27 in respect of share-based payments.

The Chairman received remuneration, which comprises base remuneration, of US\$0.2 million (30 June 2012: US\$0.2 million).

Non-Executive Directors received remuneration, which includes base remuneration, of US\$0.3 million (30 June 2012: US\$0.2 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 71 to 81.

12. Earnings per share

Numerator	Total 2013 US\$	Total 2012 US\$
Profit/(loss) for the year	32,008,858	(2,409,520)
Denominator	Shares	Shares
Weighted average number of ordinary shares used in basic EPS		
As at 1 July	505,654,430	499,874,009
Effect of shares issued during the year	2,362,221	2,013,545
As at 30 June	508,016,651	501,887,554
	Shares	Shares
Dilutive effect of potential ordinary shares	14,093,941	—
Weighted average number of ordinary shares in issue used in diluted EPS	522,110,592	501,887,554
	US cents	US cents
Basic profit/(loss) per share – US\$ cents	6.30	(0.48)
Diluted profit/(loss) per share – US\$ cents	6.13	(0.48)

In the current year, the number of potentially dilutive ordinary shares, in respect of employee share options, Executive Director and Senior Management share award schemes and warrants is 14,093,941. These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share. In the prior year, the impact of potentially dilutive ordinary shares of 14,411,634 was anti-dilutive, therefore they were excluded for the prior year diluted earnings per share calculation. There have been no significant post balance sheet changes to the number of options and warrants to impact the dilutive number of ordinary shares.

13. Adjusted earnings per share

In order to show earnings per share 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	2013 US\$	2012 US\$
Profit/(loss) for the year	32,008,858	(2,409,520)
Adjustments:		
Net unrealised foreign exchange loss (note 9)	4,670,690	38,604,888
Transaction costs (note 7)	536,248	3,070,563
Retrenchment costs (note 23)	2,603,377	—
Impairment charges (note 8)	12,560,534	—
Adjusted profit for the year	52,379,707	39,265,931
Denominator	Shares	Shares
Weighted average number of ordinary shares used in adjusted basic EPS		
As at 1 July	505,654,430	499,874,009
Effect of shares issued during the year	2,362,221	2,013,545
As at end of year	508,016,651	501,887,554
	Shares	Shares
Dilutive effect of potential ordinary shares	14,093,941	14,411,634
Weighted average number of ordinary shares in issue used in diluted adjusted earnings per share	522,110,592	516,299,188
	US cents	US cents
Adjusted basic profit per share – US\$ cents	10.31	7.82
Adjusted diluted profit per share – US\$ cents	10.03	7.61

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

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 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	58.1	0.1	0.4	0.3	—	78.4	137.3
Transfer of assets under construction	44.2	—	—	—	—	(44.2)	—
Change in rehabilitation asset	1.5	—	—	—	—	—	1.5
Disposals	(5.8)	—	—	—	—	—	(5.8)
Balance at 30 June 2012	600.4	1.3	1.4	0.5	109.5	117.7	830.8
Balance at 1 July 2012	600.4	1.3	1.4	0.5	109.5	117.7	830.8
Exchange differences	(103.9)	(0.2)	(0.4)	(0.1)	(18.4)	(29.8)	(152.8)
Additions	58.0	—	1.8	0.1	—	131.3	191.2
Transfer of assets under construction	30.1	—	—	—	—	(30.1)	—
Change in rehabilitation asset	(8.3)	—	—	—	—	—	(8.3)
Disposals	(0.8)	—	—	—	—	—	(0.8)
Balance at 30 June 2013	575.5	1.1	2.8	0.5	91.1	189.1	860.1
Depreciation							
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
Balance at 1 July 2012	79.3	0.1	0.7	0.2	10.0	—	90.3
Exchange differences	(18.6)	—	(0.2)	(0.1)	(1.8)	—	(20.7)
Disposals	(0.5)	—	—	—	—	—	(0.5)
Impairment charge	9.2	—	—	—	3.4	—	12.6
Provided in the year	41.9	—	0.3	0.1	0.5	—	42.8
Balance at 30 June 2013	111.3	0.1	0.8	0.2	12.1	—	124.5
Net book value							
At 30 June 2012	521.1	1.2	0.7	0.3	99.5	117.7	740.5
At 30 June 2013	464.2	1.0	2.0	0.3	79.0	189.1	735.6

1. The mining assets are secured against the loan facilities as set out in note 21.

2. Mineral properties are in respect of various mines within the Group and the useful life determinants are disclosed in note 14.

3. Assets under construction include expansion projects and stay in business capital expenditure of mining property, plant and equipment at the Finsch, Cullinan, Koffiefontein, Kimberley Underground, and Williamson mines of US\$125.2 million (30 June 2012: US\$85.4 million).

The Group's total commitments at year end were in respect of assets under construction and future capital expenditure projects of US\$87.2 million (30 June 2012: US\$28.5 million). Borrowing costs of US\$12.3 million (30 June 2012: US\$6.3 million) have been capitalised to assets under construction.

15. Intangible assets

US\$ million	Total
Cost	
Balance at 1 July 2012 and 30 June 2013	14.5
Amortisation	
Balance at 1 July 2012 and 30 June 2013	(14.5)
Net book value	
At 30 June 2012	—
At 30 June 2013	—

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\$4.9 million (30 June 2012: US\$3.1 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	
		2013	2012
Nelesco 651 (Pty) Ltd ¹	South Africa	49.2%	—
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%

1. Refer to note 3 for detail relating to the acquisition of 49.24% of Nelesco 651 (Pty) Ltd.

The unrecognised share of losses of the associates in aggregate is US\$nil (30 June 2012: US\$nil) and no individual associate has assets, liabilities or trading activity that are significant. The assets, liabilities and trading results of Nelesco are not material to the Group, other than its 100% shareholding in Sedibeng Mining which gives rise to indirect interests in certain Petra mines as set out in note 3. If the investments in associates had been included at cost, they would have been included at US\$nil (30 June 2012: US\$nil).

17. Inventories

US\$ million	2013	2012
Diamonds held for resale	31.5	24.5
Work in progress stockpiles	13.8	15.3
Consumables and stores	8.5	8.5
Livestock	0.2	0.2
	54.0	48.5
Provision for impairment of slow moving consumables and stores	(0.3)	(0.7)
	53.7	47.8

As at 30 June 2013, diamonds (inventories held for resale) with a cost value of US\$4.7 million (30 June 2012: US\$13.7 million) have been written down by US\$1.0 million (30 June 2012: US\$3.8 million) to fair value less costs to sell of US\$3.7 million (30 June 2012: US\$9.9 million) (due to fair value less cost to sell being below cost) within the overall carrying value of US\$31.5 million (30 June 2012: US\$24.5 million). The movement in provisions against slow moving consumables and stores resulted in a charge to the income statement of US\$nil (30 June 2012: US\$0.4 million).

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

18. Trade and other receivables

US\$ million	2013	2012
Current		
Trade receivables	74.8	25.1
Other receivables	12.7	11.9
Prepayments ¹	6.2	19.5
	93.7	56.5
Non-current		
Other	0.2	0.2
BEE partners ²	85.2	89.4
	85.4	89.6

1. Included within prepayments is US\$nil (30 June 2012: US\$16.6 million) relating to a deposit paid for further investment in the Group's South African projects (refer to note 3).

2. Interest on loans advanced to BEE partners (refer to notes 3 and 28) is charged at the prevailing South African prime interest rate plus 2%. The movement in the year includes accrued interest and foreign exchange retranslation. The loans are repayable from future cashflows attributable to those loan holders generated from the underlying mining operations.

The financial assets classified as loans and receivables included in receivables are as follows:

US\$ million	2013	2012
Current trade receivables	74.8	25.1
Other receivables (excluding VAT and prepayments)	0.1	4.5
Non-current receivables	85.4	89.6
	160.3	119.2

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 tender's 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	2013	2012
Pounds sterling	5.1	1.0
South African Rand	143.2	102.9
US Dollars	12.0	15.3
	160.3	119.2

19. Cash

US\$ million	2013	2012
Cash and cash equivalents – unrestricted	14.1	31.3
Cash – restricted	12.1	16.0
	26.2	47.3

As security for the Group's rehabilitation obligations at the Sedibeng JV and Star mines, the Company has ceded US\$1.8 million (30 June 2012: US\$6.0 million) in a fixed deposit. The restricted cash will return to the Group's sole control when the above mentioned operations are transferred to the Group's rehabilitation insurance product which currently includes the Finsch, Cullinan, Koffiefontein, Kimberley Underground and Helam mines. The insurance product has secured cash assets of US\$10.3 million (30 June 2012: US\$10.0 million) held in a cell captive. The Group has a commitment to pay insurance premiums over the next year of US\$3.2 million (30 June 2012: US\$3.8 million) to fund the insurance product. The rehabilitation provisions are disclosed in note 23.

20. Issued capital

US\$ million	Number of shares	2013	Number of shares	2012
Authorised – ordinary shares of 10p each				
As at 1 July 2012 and 30 June 2013	650,000,000	115.2	650,000,000	115.2
Issued and fully paid				
At 1 July	505,654,430	85.7	499,874,009	84.8
Allotments during the year	3,946,618	0.6	5,780,421	0.9
At 30 June	509,601,048	86.3	505,654,430	85.7

Allotments during the year were in respect of the exercise of 2,100,000 warrants held over ordinary shares by the International Finance Corporation and the exercise of 1,846,618 share options held by employees and Directors.

20. Issued capital continued

Allotments during the prior 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.

Warrants

Holder	Expiry	Exercise price (pence)	2013 Number of warrants	2012 Number of warrants
International Finance Corporation	2 November 2012	90	—	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 2,100,000 ordinary shares were exercised by the International Finance Corporation at an exercise price of 90 pence.

In the prior 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.

The Black-Scholes methodology was used to value the warrants on issue.

21. Interest-bearing loans and borrowings

US\$ million	2013	2012
Current		
Bank loan – secured (i)	1.4	—
Bank loan – secured (ii)	28.8	—
Bank loan – secured (iii)	5.3	11.3
Bank loan – secured (iv)	1.6	10.8
	37.1	22.1
Non-current		
Bank loan – secured (i)	23.6	—
Bank loan – secured (iii)	52.8	19.9
Bank loan – secured (iv)	33.5	23.4
Associate loans	—	3.6
	109.9	46.9

(i) Bank loans – secured

FirstRand, Absa and IFC – Revolving Credit Facility ("RCF")

On 16 November 2012 the Company entered into agreements with FirstRand Bank Ltd (acting through its Rand Merchant Bank ("RMB") and First National Bank divisions), Absa Corporate and Investment Banking ("Absa") (a division of Absa Bank Ltd and a member of Barclays) and the International Finance Corporation ("IFC") (a member of the World Bank Group) with regards to new Group debt facilities. The new facilities replace all of the Group's previous bank debt and working capital facilities.

The facilities comprise of a RCF of R300 million (US\$30.4 million) and US\$25 million. The RCF is available for draw-down up to August 2018. The RCF bears interest at the South African JIBAR rate plus 5.5% (ZAR facility) and the United States LIBOR rate plus 5.5% (US\$ facility). The RCF is repayable by September 2018. Only the US\$ portion of the RCF was drawn down at year end. The interest rate at 30 June 2013 is 5.7% (30 June 2012: nil%).

The RCF is secured on the Group's interests in Finsch, Cullinan, Koffiefontein, Kimberley Underground and Williamson.

In the prior year, the Company (through its wholly owned subsidiary FDM) entered into an agreement with RMB (a division of FirstRand Bank Ltd) with regards to debt facilities of R400 million (US\$49.0 million). The facilities comprised a revolving credit facility of R300 million (US\$36.8 million) and a working capital facility of R100 million (US\$12.2 million). These facilities have been replaced as detailed above.

(ii) Bank loans – secured

FirstRand and Absa – Working Capital Facility ("WCF")

As part of the new Group debt facilities, the Company's previous WCF for its South African subsidiaries has been renegotiated and increased to R500 million (US\$50.6 million) (30 June 2012: R70.0 million (US\$8.6 million)) with FirstRand and Absa. The facility comprises a R350 million (US\$35.4 million) overdraft facility and a R150 million (US\$15.2 million) foreign exchange settlement line. The facility is subject to an annual review and is repayable on demand. The loan incurs interest at the South African Prime rate less 0.5%. The interest rate for the WCF at 30 June 2013 is 8.0% (30 June 2012: nil%).

The WCF is secured on the Group's interests in Finsch, Cullinan, Koffiefontein, Kimberley Underground and Williamson.

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

21. Interest-bearing loans and borrowings continued

(iii) Bank loans – secured

FirstRand and Absa – Amortising Term Facility (“ATF”)

As part of the new Group debt facilities entered into on 16 November 2012, the previous ATF has been renegotiated and increased from R300 million (US\$30.4 million) to R800 million (US\$81.0 million). The ATF is available for the Company’s draw-down up to and including 20 December 2013. The loan is repayable in five semi-annual payments commencing on 20 March 2016 with a final payment due on 20 March 2018. The loan incurs interest at the South African JIBAR rate plus 4.0% payable quarterly (March, June, September and December). The interest rate for the debt facility at 30 June 2013 is 9.1% (30 June 2012: 10.1%).

The ATF is secured on the Group’s interests in Finsch, Cullinan, Koffiefontein, Kimberley Underground and Williamson.

(iv) Bank loans – secured

IFC – Amortising Term Facility (“ATF”)

The historical loan facility of US\$40 million was renegotiated and revised terms agreed. As at year end the outstanding balance of US\$35 million was fully drawn down. The accrued interest on the loan at year end is US\$0.1 million. The loan is repayable in five annual payments commencing on 20 March 2016 with the final payment due on 20 March 2018. The loan incurs interest at the US\$ LIBOR rate plus 4.0% payable quarterly (March, June, September and December). The interest rate for the debt facility at 30 June 2013 is 4.3% (30 June 2012: 5.2%).

Historically the IFC and RMB were granted 6.3 million warrants each over Petra shares, a number of which have subsequently been part exercised in accordance with the terms of the warrants. No new warrants were granted on the refinanced loans. During the year the IFC exercised 2,100,000 warrants. The warrants vested on grant and the warrant expiry dates are in equal tranches at the end of years two, three and four from the warrant grant date. The warrant exercise prices for the remaining tranches are 95 pence and 100 pence respectively. The Black-Scholes methodology as outlined in IFRS 2 was used to value the warrants. The unamortised fair value of the warrants has been accelerated in the year and disclosed in note 9 as part of gross interest expense on bank loans and overdraft, as part of the refinancing that was considered to represent a substantial modification of terms under IFRS.

The ATF is secured on the Group’s interests in Finsch, Cullinan, Koffiefontein, Kimberley Underground and Williamson.

There are no significant differences between the fair value and carrying value of loans and borrowings.

22. Trade and other payables

US\$ million	2013	2012
Current		
Trade payables	23.8	17.2
Deferred consideration ¹	2.3	2.8
Accruals and other payables	38.6	29.0
	64.7	49.0
Taxation payable	—	—
	64.7	49.0
Non-current		
Amounts owing to BEE partners ²	65.3	66.6
	65.3	66.6

Current

1. The Group is liable to pay US\$3.2 million (30 June 2012: US\$3.2 million) (US\$2.3 million after discounting (30 June 2012: 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\$3.2 million has been extinguished. At year end no portion of the liability had been repaid and the total liability is carried forward.

2. The loans (refer to notes 3 and 28) bear interest at the prevailing South African prime interest rate. The movement in the year includes accrued interest and foreign exchange retranslation. The loans are repayable from future cashflows from the underlying operations only when the loans advanced to BEE partners (refer to note 18) 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	2013	2012
Trade payables	23.8	17.2
Other payables (includes deferred consideration)	40.9	31.8
Non-current trade payables owing to BEE partners	65.3	66.6
	130.0	115.6

The carrying values of financial liabilities classified as trade and other payables are denominated in the following currencies:

US\$ million	2013	2012
Botswana pula	0.7	0.3
Pounds sterling	2.6	1.8
South African Rand	104.0	103.2
US Dollar	22.7	10.3
	130.0	115.6

23. Provisions

US\$ million	Retrenchment	Post-retirement medical fund and income tax	Rehabilitation	Total
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
Balance at 1 July 2012	—	14.0	73.2	87.2
Decrease in rehabilitation liability provision – change in estimate	—	—	(10.2)	(10.2)
Increase in provisions	2.6	1.3	—	3.9
Unwinding of present value adjustment of rehabilitation provision	—	—	2.6	2.6
Exchange differences	—	(2.1)	(9.3)	(11.4)
Balance at 30 June 2013	2.6	13.2	56.3	72.1
Current	2.6	2.2	—	4.8
Non-current	—	11.0	56.3	67.3
Balance at 30 June 2013	2.6	13.2	56.3	72.1

Employee entitlements and other provisions

The provisions relate to provision for an unfunded post-retirement medical fund, retrenchment costs and income tax. The provision for the post-retirement medical fund is further disclosed in note 32. The provision for taxation is based on estimates made, where appropriate, from historical information and professional advice. The provision for retrenchments is based on estimates and relates to Sedibeng JV and Star, as the care and maintenance plans and associated retrenchment plans were communicated to employees prior to year end.

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 of US\$6.2 million (30 June 2012: US\$6.8 million), provided over 12 years which reflects management's current estimated decommissioning period;
- ▶ Cullinan of US\$12.2 million (30 June 2012: US\$14.7 million) provided over 52 years which reflects management's current estimated decommissioning period including the C-cut Phase 1 and 2;
- ▶ Finsch of US\$18.4 million (30 June 2012: US\$23.0 million) provided over 20 years which reflects management's current estimated decommissioning period including Block 5 and certain Block 6 tonnes;
- ▶ Kimberley Underground of US\$9.0 million (30 June 2012: US\$9.9 million) provided over 13 years which reflects management's current estimated decommissioning period;
- ▶ Williamson of US\$7.5 million (30 June 2012: US\$15.3 million) provided over 20 years which reflects management's current estimated decommissioning period; and
- ▶ Helam, Sedibeng JV and Star of US\$3.0 million (30 June 2012: US\$3.5 million) provided over 12 years which reflects management's current estimated decommissioning period.

The vast majority of the rehabilitation expenditure is expected to be incurred at the end of mining.

The reduction in the provisions are attributable to unrealised foreign exchange on retranslation from functional to presentational currency, together with a reduction at Williamson arising due to changes in inflation and discount rates.

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 19.

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

24. Deferred taxation

US\$ million	2013	2012
Balance at beginning of the year	45.1	37.7
Income statement charge	24.6	10.5
Foreign currency translation difference	(11.5)	(3.1)
Balance at the end of the year	58.2	45.1
Comprising:		
Deferred tax asset	(5.9)	(9.3)
Deferred tax liability	64.1	54.4
	58.2	45.1

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	2013 Recognised	2013 Unrecognised
Deferred tax liability:			
– Property, plant and equipment	155.5	155.5	–
– Foreign exchange allowances	0.3	0.3	–
	155.8	155.8	–
Deferred tax asset:			
– Capital allowances	(81.5)	(78.3)	(3.2)
– Provisions and accruals	(17.7)	(15.5)	(2.2)
– Foreign exchange allowances	(2.5)	(0.8)	(1.7)
– Tax losses	(42.1)	(3.0)	(39.1)
	(143.8)	(97.6)	(46.2)
Net deferred taxation liability/(asset)	12.0	58.2	(46.2)

US\$ million	Total	2012 Recognised	2012 Unrecognised
Deferred tax liability:			
– Property, plant and equipment	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)

Deferred tax assets of US\$5.9 million (30 June 2012: US\$9.3 million) have been recognised in respect of tax losses and other temporary differences 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 Wesselson plant has now been commissioned.

Movements in deferred tax include amounts recognised in the income statement, together with foreign exchange retranslation. The income statement charge for the year comprises movements in deferred tax of US\$20.0 million (30 June 2012: US\$21.3 million) in respect of property, plant and equipment and associated capital allowances, US\$0.4 million credit (30 June 2012: US\$7.4 million credit) in respect of provisions and US\$3.7 million (30 June 2012: US\$0.9 million credit) in respect of tax losses, with the remainder US\$1.3 million (30 June 2012: \$2.5 million credit) comprised of immaterial items.

25. Financial instruments

Exposures to currency, liquidity, market price, credit and interest rate risk arise in the normal course of the Group's business. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. The Group uses financial instruments, in particular forward currency option contracts, to help manage foreign exchange risk. 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	2013	2012
Financial assets:		
Loans and receivables:		
– Non-current trade receivables	85.4	89.6
– Trade receivables	74.8	25.1
– Other receivables (excluding prepayments and VAT)	0.1	4.5
– Cash and cash equivalents – restricted	12.1	16.0
– Cash and cash equivalents – unrestricted	14.1	31.3
Available-for-sale financial assets (Level 1 valuation)	0.1	0.2
	186.6	166.7
Financial liabilities:		
Held at amortised cost:		
– Non-current amounts owing to BEE partners	65.3	66.6
– Non-current loans and borrowings	109.9	46.9
– Current loans and borrowings	37.1	22.1
– Trade and other payables (includes deferred consideration)	64.7	49.0
	277.0	184.6

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 and payables bear interest. Available-for-sale financial assets are valued based on the share price at the reporting date. A loss of US\$0.1 million (30 June 2012: US\$0.2 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.

The available-for-sale financial assets were valued using Level 1 of the financial instrument valuation hierarchy using quoted prices.

The currency profile of the Group's financial assets and liabilities is as follows:

US\$ million	2013	2012
Financial assets:		
Botswana pula	0.5	0.8
Pounds sterling	8.3	2.5
South African Rand	144.9	141.4
US Dollar	32.9	22.0
	186.6	166.7
Financial liabilities:		
Botswana pula	0.7	–
Pound sterling	2.5	36.3
South African Rand	191.0	137.9
US Dollar	82.8	10.4
	277.0	184.6

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

25. Financial instruments continued

Principal financial instruments

Further quantitative information in respect of these risks is presented throughout these Financial Statements.

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. 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, prior to any payments to the BEE partners, from future cashflows generated by the Group's operations in which the BEE partners hold interests. The amounts due from the Group's principal BEE partner are recoverable either through cashflows from the mines against which the loans were originally made or through cashflows from other Group mines in which the BEE has an interest, by virtue of a contractual agreement.

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 19 for restricted cash secured in respect of rehabilitation obligations. At year end the Group had undrawn borrowing facilities of US\$71.3 million (30 June 2012: US\$66.3 million), net of US\$3.6 million utilised for foreign exchange settlement lines (30 June 2012: US\$nil).

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in parts of the world where the functional currency is not 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 having converted US Dollar diamond revenues to local currencies. 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 sensitivity analysis to foreign currency rate changes is as follows:

US\$ million	30 June 2013			
	Year-end US\$ rate	Year-end amount	US\$ strengthens 10%	US\$ weakens 10%
Financial assets:				
Botswana pula	0.1168	0.5	0.5	0.6
Pounds sterling	0.6574	8.3	7.5	9.1
South African Rand	0.1012	144.9	130.4	159.4
US Dollar	1.0000	32.9	32.9	32.9
		186.6	171.3	202.0
Financial liabilities:				
Botswana pula	0.1168	0.7	0.6	0.8
Pounds sterling	0.6574	2.5	2.2	2.8
South African Rand	0.1012	191.0	171.9	210.1
US Dollar	1.0000	82.8	82.8	82.8
		277.0	257.5	296.5

25. Financial instruments continued

Foreign exchange risk continued

US\$ million	30 June 2012			
	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

The table above reflects the impact of a 10% cumulative currency movement over the next 12 months and is shown for illustrative purposes.

Liquidity risk

Liquidity risk arises from the Group's management of working capital, capital expenditure, 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 11. The maturity analysis of the actual cash payments 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 22, as reflected under non-current.

Maturity analysis

The below maturity analysis reflects cash and cash equivalents and loans and borrowings based on actual cashflows rather than carrying values.

US\$ million	Notes	30 June 2013					
		Interest rate	Total	6 months or less	6–12 months	1–2 years	2–5 years
Cash							
Cash and cash equivalents – unrestricted	19	0.1%–4.5%	14.1	14.1	—	—	—
Cash – restricted	19	0.1%–4.5%	12.1	—	—	—	12.1
Total cash			26.2	14.1	—	—	12.1
Loans and borrowings							
Bank loan – secured	21(i)	5.7%	30.8	0.8	0.8	1.5	27.7
Bank loan – secured	21(ii)	8.0%	28.8	28.8	—	—	—
Bank loan – secured	21(iii)	9.1%	77.9	2.5	2.8	5.2	67.4
Bank loan – secured	21(iv)	4.3%	40.7	0.7	0.8	1.5	37.7
Cashflow of loans and borrowings			178.2	32.8	4.4	8.2	132.8

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

25. Financial instruments continued

Liquidity risk continued

Maturity analysis continued

US\$ million	Notes	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	19	0.1%–4.5%	31.3	31.3	—	—	—
Cash – restricted	19	0.1%–4.5%	16.0	—	—	—	16.0
Total cash			47.3	31.3	—	—	16.0
Loans and borrowings							
Bank loan – secured	21(iii)	10.1%	40.0	5.7	5.5	10.4	18.4
Bank loan – secured	21(iv)	5.2%	40.3	5.4	5.3	10.3	19.3
Other loans ¹	21	9.5%	—	—	—	—	—
Cashflow of loans and borrowings			80.3	11.1	10.8	20.7	37.7

1. The loans have been reclassified to non-current trade and other payables as this is considered a more appropriate classification. The loans bear interest at the prevailing South African prime interest rate and are repayable from future cashflows from the underlying operations only when the loans advanced to BEE partners (refer to note 18) have been repaid in full to the Group.

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 below. The table below reflects the impact of a 100% basis points change in interest rates over the next 12 months and is shown for illustrative purposes.

The effect of an interest rate increase/(decrease) on the Group in the year is as follows:

		30 June 2013			
US\$ million	Notes	Year-end interest rate	Year-end interest-bearing liability	Interest rate increases 1%	Interest rate (decreases) 1%
Bank loan – secured	21(i)	5.7%	25.0	0.2	(0.2)
Bank loan – secured	21(ii)	8.0%	28.8	0.3	(0.3)
Bank loan – secured	21(iii)	9.1%	58.1	0.6	(0.6)
Bank loan – secured	21(iv)	4.3%	35.1	0.3	(0.3)
			147.0	1.4	(1.4)
		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	21(iii)	10.1%	31.2	0.3	(0.3)
Bank loan – secured	21(iv)	5.2%	34.2	0.3	(0.3)
Other loans ¹	21	9.5%	—	—	—
			65.4	0.6	(0.6)

1. The loans have been reclassified to non-current trade and other payables as this is considered a more appropriate classification. The loans bear interest at the prevailing South African prime interest rate and are repayable from future cashflows from the underlying operations only when the loans advanced to BEE partners (refer to note 18) have been repaid in full to the Group.

25. Financial instruments *continued*

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\$/R 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 2013 and 30 June 2012 are as follows:

US\$ million	2013	2012
Total debt	277.0	184.6
Cash and cash equivalents	(26.2)	(47.3)
Net debt	250.8	137.3
Total equity attributable to equity holders of the parent company	571.1	637.6
Net debt to equity ratio	0.44:1	0.21:1

The Group manages its capital structure by the issue of ordinary shares, raising debt finance where appropriate, and managing Group cash and cash equivalents.

26. Contingent liabilities

Environmental

The controlled entities of the Company provide for all known environmental liabilities. While the Directors believe that, based upon current information, the 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.

27. Share-based payments

The Company has established share plans to address the retention of Directors and Senior Management over the period to FY 2016, which is a pivotal period as the expansion programmes are rolled out across the Group. The total share-based payment charge of US\$3.9 million (30 June 2012: US\$1.0 million) comprises US\$3.3 million (30 June 2012: US\$1.0 million) charged to the income statement and US\$0.6 million (30 June 2012: US\$nil) capitalised within property, plant and equipment.

Share grants to Directors: 2011 LTSP, 2012 PSP and deferred awards

The share-based payment awards are considered to be equity settled, albeit they can be cash settled at the Company's option. The fair value of the 2011 LTSP and 2012 PSP granted during the current and prior 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	—

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

27. Share-based payments continued

Share grants to Directors: 2011 LTSP, 2012 PSP and deferred awards continued

2012 PSP – market and non-market-based performance conditions	2013	2012
Fair value (PSP absolute TSR/PSP relative TSR/PSP non-market)	39.0p/60.0p/110.0p	47.0p/85.0p/133.0p
Grant date	20 December 2012	15 May 2012
Share price at grant date	109.7p	133.0p
Expected volatility	51%	53%
Life of award	2.8 years	2.4 years
Expected dividends	—	—
Performance period	3 years	3 years
Correlation	41%	41%
Risk-free interest rate (based on national Government bonds)	0.5%	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, 1,198,268 PSP (30 June 2012: 764,332) shares were awarded at a fair value price of 109.7 pence (30 June 2012: 133.0 pence). There were no shares awarded under the 2011 LTSP (30 June 2012: 1,200,000). The correlation factor used above is based on analysis of historical correlation rates between the Company and mining companies within the FTSE 350. The grant date fair values incorporate the effect of the relevant market-based conditions. The awards have no exercise price.

On 18 December 2012, the Executive Directors of the Company were granted a total of 196,911 deferred awards over ordinary shares in the Company. The deferred share awards were fair valued using a Black-Scholes model at the date of grant. The share price at grant date was 110.0 pence. The awards represent 25% of the total bonus in respect of performance for the financial year ended 30 June 2012. The awards vest on 30 June 2014 and vesting is subject to continued employment. These awards have no exercise price.

Further information on the terms of the awards (including their vesting conditions) can be found on pages 75 to 77 of the Directors' Remuneration Report, together with a reconciliation of the awards for the year and the remaining contractual term on pages 80 to 81.

Share grants to Senior Management: 2011 LTSP

The share-based payment awards are considered to be equity settled, albeit they can be cash settled at the Company's option. The fair value of the 2011 LTSP granted to Senior Management during the year and the assumptions used in the Monte Carlo model are as follows:

2011 LTSP – non-market-based subject to performance conditions	2013	2012
Fair value	118.1p	—
Grant date	25 September 2012	—
Share price at grant date	118.1p	—
Life of award	3.4 years–4.4 years	—
Expected dividends	—	—

During the year, 7,055,000 2011 LTSP (30 June 2012: nil) shares were awarded. These awards have no exercise price. The awards vest in full based on performance conditions measured over the period ending 30 June 2016. The awards have the same performance targets as the awards to Directors under the 2011 LTSP and have been valued using a Monte Carlo model. Further information on the performance targets of the awards can be found on page 77 of the Directors' Remuneration Report.

The interests of Senior Management under the 2011 LTSP are as follows:

	2013	
	Weighted average exercise price (pence)	Number
Outstanding at beginning of the year	—	—
Granted during the year	—	7,055,000
Outstanding at the end of the year	—	7,055,000
Exercisable at the end of the year	—	—

The awards outstanding at 30 June 2013 have no exercise price and a weighted average remaining contractual life of 3.4 years to 4.4 years.

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 (30 June 2012: nil). The share-based payment expense has been calculated using the Black-Scholes model. All share options are equity-settled.

27. Share-based payments *continued*

Employee and Director share options *continued*

The terms and conditions of the options in issue, whereby all options are equity settled by delivery of shares, are as follows:

Employees and Directors entitled	Grant date	Number	Vesting period	Remaining life of options (years)
Options granted to Directors	16 June 2005	2,000,000	1/3 per annum from grant date	2
	31 May 2006	1,000,000	1/3 per annum from grant date	3
	12 March 2009	2,500,000	1/3 per annum from grant date	6
	30 September 2009	1,150,000	1/3 per annum from grant date	7
	17 March 2010	1,150,000	1/3 per annum from grant date	7
Options granted to Senior Management	28 January 2005	12,500	25% from grant date for two years, then 50% in third year	2
	27 November 2005	48,098	1/3 per annum from grant date	2
	31 May 2006	97,544	1/3 per annum from grant date	3
	31 July 2006	210,608	1/3 per annum from grant date	5
	12 March 2009	2,539,668	1/3 per annum from grant date	6
	30 September 2009	1,568,006	1/3 per annum from grant date	7
	17 March 2010	2,395,003	1/3 per annum from grant date	7
	25 November 2010	483,333	1/3 per annum from grant date	8

	2013		2012	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at beginning of the year	49.5	17,079,428	47.8	19,583,923
Cancelled during the year	58.2	(78,050)	46.4	(188,333)
Lapsed during the year	—	—	—	—
Exercised during the year	42.1	(1,846,618)	39.6	(2,316,162)
Granted during the year	—	—	—	—
Outstanding at the end of the year	52.9	15,154,760	49.1	17,079,428
Exercisable at the end of the year	52.5	14,993,167	49.5	14,506,959

The weighted average market price of the shares in respect of options exercised during the year was 108.9 pence (30 June 2012: 170.4 pence). The options outstanding at 30 June 2013 have an exercise price in the range of 27.5 pence to 96.0 pence (30 June 2012: 27.5 pence to 96.0 pence) and a weighted average remaining contractual life of five years (30 June 2012: six years).

Employees received cash payments of US\$43,278 (30 June 2012: US\$nil) 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\$36,926 (30 June 2012: US\$nil) in the Consolidated Income Statement.

Warrants

During the year 2,100,000 (30 June 2012: 3,464,259) warrants were exercised with an option price of 90 pence (30 June 2012: 80 pence to 100 pence).

The terms and conditions of the grants are as follows, whereby all warrants are settled by delivery of shares:

	2013		2012	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at beginning of the year	95.0	6,300,000	93.9	9,764,259
Exercised during the year	90.0	(2,100,000)	92.1	(3,464,259)
Granted during the year	—	—	—	—
Outstanding at the end of the year	97.5	4,200,000	95.0	6,300,000
Exercisable at the end of the year	97.5	4,200,000	95.0	6,300,000

The warrants outstanding at 30 June 2013 have an exercise price in the range of 95 pence to 100 pence (30 June 2012: 90 pence to 100 pence) and a weighted average remaining contractual life of one year (30 June 2012: two years).

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

28. Related parties

Subsidiaries, associates and joint ventures

Details of subsidiaries and associates are disclosed in note 30 and note 16 respectively.

Directors

Details relating to Directors' emoluments are disclosed in note 11 and in the Directors' Remuneration Report on pages 71 to 81. Details relating to Directors' shareholdings in the Company are disclosed in the Director's Report on page 82. Key management remuneration is disclosed in note 11.

There are no loans to Directors or Senior Management.

During the year, a subsidiary of the Group paid US\$1.7 million (R14.9 million) (30 June 2012: US\$2.7 million (R22.3 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 (R85.5 million) (30 June 2012: US\$8.6 million (R70.6 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 Group paid an additional US\$0.6 million (30 June 2012: US\$11.2 million) to Sirius Resource Fund 1 Ltd ("Sirius") as part of a transaction whereby the Company acquired from Sirius 49.24% of the share capital of Nelesco. The cumulative amount paid to Sirius is US\$17.8 million. Refer note 3 for detail regarding the transaction. Mr Pouroulis is a director of Sirius Investment Management (GP) Ltd, the general partner of Sirius Investment LP Inc, a licensed investment advisory firm.

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\$25.9 million (30 June 2012: US\$29.6 million) and a non-current payable due to Thembinkosi of US\$24.0 million (30 June 2012: US\$26.6 million). Included in net finance expense (note 9) the Group has finance income due from Thembinkosi of US\$2.5 million (30 June 2012: US\$3.2 million) and finance expense payable to Thembinkosi of US\$1.2 million (30 June 2012: US\$2.4 million). These sums arise due to the funding that the Group has provided to Thembinkosi to finance its interests in Cullinan. Mr Abery is a director of Umnotho. Mr Pouroulis and Mr Abery are beneficiaries of a trust that is a shareholder in Umnotho.

Shareholders

The principal shareholders of the Company are detailed in the Directors' Report on page 83.

29. Significant non-cash transactions

US\$ million	2013	2012
Operating activities		
Depreciation of property, plant and equipment	42.8	41.0
Impairment	12.6	—
Decrease in provisions	(0.2)	(0.7)
Other finance expense – other	2.4	1.0
Other finance expense – unwinding of present value adjustment for rehabilitation costs	2.6	5.9
Other finance expense – post-retirement medical fund	1.3	1.4
Unrealised foreign exchange gain	(2.0)	(18.2)
Unrealised foreign exchange loss	6.7	56.8
Present value adjustment of rehabilitation provision – change in assumptions	(1.9)	(4.8)
Profit on sale of property, plant and equipment	—	(0.1)
Provision for retrenchments	2.6	—
Share-based payment provision	3.3	1.0
	56.4	83.3
Investing activities		
Non-cash capital expenditure (capitalisation of borrowing costs, employee costs)	6.0	1.5
Non-cash rehabilitation asset adjustment – change in estimate	(8.2)	1.5
Non-cash interest receivable on investing activity	9.2	9.7
	7.0	12.7
Investing activities		
Non-cash interest payable on investing activity	6.9	7.9
	6.9	8.0

During the year the Group renegotiated new debt facilities with FirstRand Bank Limited, Absa and the IFC. These facilities replaced all of the Group's previous bank debt and working capital facilities. There was no cash repayment and subsequent re-draw of the previous facilities as part of the transaction and it is therefore non-cash in nature.

During the prior 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. A further US\$11.9 million of BEE non-current receivable and payable arose on the transaction, totalling BEE funding of US\$49.9 million to FDM (refer to note 3). The US\$11.9 million was non-cash and offset in the Consolidated Statement of Financial Position as an agreement is in place which permits the Group to offset and settle on a net basis.

30. Subsidiaries

At 30 June 2013 the Group held 20% or more of the allotted share capital of the following significant subsidiaries:

	Country of incorporation	Class of share capital held	Direct percentage held 2013 ²	Direct percentage held 2012	Nature of business
Autumn Star Investments (Pty) Ltd ¹	South Africa	Ordinary	40%	40%	Mining and exploration
Blue Diamond Mines (Pty) Ltd ³	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%	Investment holding
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	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		74%	74%	Mining and exploration
Koffiefontein Mine JV	Unincorporated JV		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	Botswana	Ordinary	100%	100%	Exploration
Petra Diamonds Jersey Treasury Ltd ⁴	Jersey	Ordinary	100%	—	Treasury
Petra Diamonds Netherlands Treasury B.V. ⁴	Netherlands	Ordinary	100%	—	Treasury
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		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 Group increased its effective interest in Cullinan (77.03%), Finsch (82.38%), Helam (86.80%), Koffiefontein (81.39%), Kimberley Underground (86.80%), Sedibeng JV (87.06%) and Star (86.80%) through its investment in Nelesco (refer to note 3).
3. The Company owns 13.33% of Re Teng Diamonds (Pty) Ltd, through Blue Diamond Mines (Pty) Ltd, which increases its effective interest in Koffiefontein Mine JV to 74%.
4. Petra Diamonds Jersey Treasury Ltd and Petra Diamonds Netherlands Treasury B.V. were incorporated during the current financial year.
5. The Company owns an effective 57.5% of Sedibeng JV through its investment in Messina Diamonds (Pty) Ltd and an effective 17% of Sedibeng JV through its investment in Autumn Star Investments (Pty) Ltd.

31. 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 and Finsch 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 9.19% (30 June 2012: 8.95%), based on the average yield of South African Government long dated bonds of 8.46% (30 June 2012: 8.95%), and that salaries will be increased at 7.59% (30 June 2012: 7.77%), based on current South African consumer price index of 6.59% (30 June 2012: 6.77%). The market value of the assets of the defined benefit scheme at 30 June 2013 is R160.4 million (US\$16.2 million) (30 June 2012: R139.0 million (US\$17.0 million)) and the actuarial valuation of the assets on an ongoing basis represented 94.4% (30 June 2012: 109.0%) of the benefit of R169.9 million (US\$17.2 million) (30 June 2012: R128.0 million (US\$15.7 million)) that had accrued to members allowing for expected future increases in earnings. The notional pension deficit is R9.5 million (US\$1.0 million) (30 June 2012: pension surplus R11.0 million (US\$1.3 million)). The notional deficit, arising due to actuarial losses, is not recognised given it is within the IAS 19 corridor. The pension fund values are converted using the year-end foreign exchange rate of US\$1:R9.88 (30 June 2012: US\$1:R8.16).

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

31. Pension scheme continued

Defined benefit scheme continued

US\$ million	2013	2012
Defined benefit obligations		
Present value of funded obligations	(17.2)	(15.7)
Fair value of plan assets	16.2	17.0
Unrecognised net loss/(gain) – IAS 19 corridor/Paragraph 58	1.0	(1.3)
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 corridor/Paragraph 58	—	—
Net surplus for defined benefit obligations at 30 June	—	—
(Expense)/income recognised in the income statement		
Current service cost	(0.4)	(0.4)
Finance expense	(1.2)	(1.3)
Expected return on assets	1.2	1.4
Recognition in terms of Paragraph 58	—	(0.1)
	(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	17.0	19.4
Foreign exchange movement on opening balances	(3.0)	(3.2)
Expected return on assets	1.2	1.4
Benefits paid to members	(1.0)	(2.0)
Contributions	0.5	0.6
Actuarial gains	—	0.8
Net transfers in	1.5	—
At 30 June	16.2	17.0
Change in the present value of the defined benefit obligations		
At 1 July	(15.7)	(17.6)
Foreign exchange movement on opening balance	2.8	2.7
Benefits paid to members	1.0	2.0
Current service cost	(0.4)	(0.4)
Finance expense	(1.2)	(1.3)
Contributions by members	(0.1)	(0.1)
Actuarial losses	(2.1)	(1.0)
Net transfers in	(1.5)	—
At 30 June	(17.2)	(15.7)
Actuarial gains and losses		
Actuarial gains on plan assets	—	0.8
Actuarial losses on plan liabilities	(2.1)	(1.0)
Analysis of plan assets		
Cash	64.5%	63.4%
Equity	12.1%	10.1%
Bonds	14.8%	17.7%
Property	3.5%	3.8%
Other – offshore	5.1%	5.0%
	100.0%	100.0%

31. Pension scheme continued
Defined benefit scheme continued

US\$ million	2013 % per annum	2012 % per annum
Principal actuarial assumptions		
Discount rate	8.46%	8.95%
Expected return on plan assets	9.19%	8.95%
Future salary increases	7.59%	7.77%
Inflation	6.59%	6.77%
Future pension increases	4.94%	5.08%
Determination of estimated pension expense for the year ended 30 June 2014 (based on current accounting policy)		
Member contributions	0.1	0.2
Company contributions	0.4	0.4
Benefit payments	(1.1)	(2.1)
Deferred cumulative actuarial gains/(losses)		
Funded status	(1.0)	1.3
Net change on assets	(0.8)	(2.4)
Net change on liabilities	1.5	1.9
	0.7	(0.5)

US\$ million	2013	2012	2011	2010
Defined benefit obligation trends (before Paragraph 58 and corridor)				
Plan assets	16.2	17.0	19.4	18.3
Plan liabilities	(17.2)	(15.7)	(17.6)	(14.2)
(Deficit)/surplus	(1.0)	1.3	1.8	4.1

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 2013 date is as follows:

	2013	2012
Male	15.92	15.92
Female	20.02	20.02

Further to the acquisition of the defined benefit fund, the Group has no experience adjustments.

32. 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 acquisitions of Cullinan and Finsch 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 regularly 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 2012 and management has reviewed the valuation report for 30 June 2013 and deemed the assumptions used at 30 June 2012 to be appropriate for the period ending 30 June 2013. 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 2012: 7.25%), based on the average yield of relevant South African Government long dated bonds of 8.75% (30 June 2012: 8.75%), and that salaries will be increased at 6.25% (30 June 2012: 6.25%). The actuarial accrued liability unfunded status of the post-employment health care liability scheme at 30 June 2013 is R108.2 million (US\$11.0 million) (30 June 2012: R96.5 million (US\$11.8 million)). The post-employment health care liability values are converted using the year-end foreign exchange rate of US\$1:R9.88 (30 June 2012: US\$1:R8.16).

Notes to the Annual Financial Statements

For the year ended 30 June 2013 continued

32. Post-retirement medical fund continued

US\$ million	2013	2012
Post-retirement medical fund		
Present value of post-employment medical care obligations	11.0	11.8
Unfunded status at 30 June	11.0	11.8
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	11.8	7.3
Foreign exchange movement on opening balances	(2.1)	(1.7)
Arising on acquisition of subsidiary	—	5.3
Net expense recognised in the income statement	1.3	1.2
Net discount rate change	—	2.0
Change in assumptions	—	(2.7)
Changes in % continuing at post-employment	—	1.1
Membership changes	—	(0.7)
Net liability for post-employment medical care obligations at 30 June	11.0	11.8
Expense recognised in the income statement		
Current service cost	0.3	0.3
Finance expense	1.0	0.9
	1.3	1.2
The expense is recognised in the following line items in the income statement:		
Mining and processing costs	0.3	0.3
Finance expense	1.0	0.9
	1.3	1.2
Reconciliation of fair value of scheme liabilities		
At 1 July	11.8	7.3
Foreign exchange movement on opening balances	(2.1)	(1.7)
Arising on acquisition of subsidiary	—	5.3
Net expense recognised in the income statement	1.3	1.2
Net discount rate change	—	2.0
Change in assumptions	—	(2.7)
Changes in % continuing at post-employment	—	1.1
Membership changes	—	(0.7)
Liabilities at fair market value as at 30 June	11.0	11.8
	2013 % per annum	2012 % per annum
Principal actuarial assumptions		
Discount rate	8.75%	8.75%
Healthcare cost inflation	7.25%	7.25%
Future salary increases	6.25%	6.25%
Net replacement ratio	75.00%	75.00%
Net discount rate	1.40%	1.40%
Normal retirement age (years)	60.0	60.0
Fully accrued age (years)	60.0	60.0

1. The principal actuarial assumptions are those assumptions used in the prior year valuation as the Group obtains a valuation report every two years. These assumptions will thus differ to the assumptions used in note 31.

32. Post-retirement medical fund continued

US\$ million	2013	2012
Determination of estimated post-retirement medical fund expense for the year ended 30 June 2014 (based on current accounting policy)		
Current service cost	0.4	0.4
Finance expense	1.0	0.9
Benefit payments	(0.1)	(0.1)

US\$ million	2013	2012	2011	2010
Actuarial accrued liability				
Funded status	11.0	11.8	7.3	5.2

Sensitivity analysis

Healthcare 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 2013	1% increase	1% decrease
Accrued liability	11.0	13.3	9.2
% difference	—	20.9%	(16.4%)

US\$ million	30 June 2012	1% increase	1% decrease
Accrued liability	11.8	14.3	9.8
% difference	—	20.9%	(16.4%)

Average retirement age

The table below shows the impact of a one year change in the expected average retirement age:

US\$ million	30 June 2013	Retirement one year earlier	Retirement one year later
Accrued liability	11.0	11.6	10.4
% difference	—	5.4%	(5.5%)

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%)

Five-year Summary of Consolidated Figures

For the year ended 30 June 2013

US\$ million	2013	2012	2011	2010 ⁷	2009
Income statement					
Revenue	402.7	316.9	220.6	163.7	69.3
Adjusted mining and processing costs ¹	(270.3)	(222.6)	(146.9)	(98.9)	(64.0)
Profit from mining activity ¹	138.6	103.3	76.4	67.2	7.8
Adjusted EBITDA ²	122.4	90.3	67.1	70.9	(8.6)
Adjusted net profit/(loss) after tax ³	48.3	39.6	34.1	69.3	(28.7)
Net profit/(loss) after tax – Group	27.9	(2.1)	59.2	70.2	(89.0)
Balance sheet					
Current assets	173.6	151.6	413.6	87.4	44.8
Non-current assets	827.0	839.6	558.0	404.0	197.4
Total assets	1,000.6	991.2	971.6	491.4	242.2
Borrowings (short and long term)	147.0	69.0	90.1	64.5	101.7
Current liabilities	69.5	51.2	47.6	32.5	28.7
Total Equity	587.4	665.0	699.0	290.9	57.3
Movement in cash					
Net cash generated from operating activities	73.0	77.2	50.9	48.8	4.6
Adjusted cash generated from/(utilised by) operating activities ⁴	132.8	84.6	67.8	49.0	(3.8)
Net cash utilised in investing activities	(180.3)	(123.9)	(330.7)	(52.6)	(113.1)
Net cash generated by/(utilised in) financing activities	94.0	(13.6)	349.8	21.7	95.5
Net (decrease)/increase in cash and cash equivalents	(13.3)	(60.3)	70.0	17.9	(13.0)
Ratios and other key information					
Basic earnings/(loss) per share attributable to the equity holders of the Company – US\$ cents	6.30	(0.48)	12.83	22.65	(50.23)
Adjusted basic earnings/(loss) per share attributable to the equity holders of the Company – US\$ cents ⁵	10.31	7.82	8.41	22.30	(16.60)
Capex	191.2	137.3	110.9	25.5	36.8
Cash at bank ⁶	26.2	47.3	324.9	34.5	11.1

The Group uses several non-GAAP measures above and as these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Company's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

1. Stated before retrenchment costs, depreciation and share-based expense.
2. Adjusted EBITDA is EBITDA (profit before interest, tax and depreciation) stated before share-based expense, net unrealised foreign exchange losses, retrenchment costs, non-recurring transaction costs and impairment charges and reversals.
3. Stated before retrenchment costs, impairment charges and reversals, non-recurring transaction costs and net unrealised foreign exchange losses.
4. Adjusted operating cashflow stated before the movement in year end diamond debtors, excluding unrealised foreign exchange translation movements.
5. Stated before retrenchment costs, impairment charges and reversals, non-recurring transaction costs and net unrealised foreign exchange losses.
6. Cash at bank comprises unrestricted cash and restricted cash balances.
7. For the Period 1 July to 16 November 2009, Petra accounted for its interest in Cullinan under the gross method of proportional consolidation, recognising 50% of revenue and 13% minority interests. With effect from 17 November 2009, the effective date of control for accounting purposes that Petra acquired the remaining 50% interest in Cullinan Investment Holdings Ltd from Al Rajhi Holdings W.L.L., Petra consolidated 100% of revenue and 26% minority interests in line with IFRS.

Petra Diamonds Limited

Registered office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Group management office

Elizabeth House
9 Castle Street
St. Helier
Jersey JE4 2QP
Tel: +44 1534 700 000

Company registration number

EC 23123

Company Secretary

JTC Management Limited
Elizabeth House
9 Castle Street
St. Helier
Jersey JE4 2QP
Tel: +44 1534 700 000

Bankers

Barclays Bank plc
1 Churchill Place
Canary Wharf
London E14 5HP
Tel: +44 20 7114 7200
www.barclays.co.uk

Solicitors

Bermuda – Conyers Dill & Pearman

Clarendon House
2 Church Street
Hamilton HM11
Bermuda
Tel: +1 441 295 1422

United Kingdom – Memery Crystal LLP

44 Southampton Buildings
London WC2A 1AP
Tel: +44 20 7242 5905

Jersey – Ogier

Ogier House
The Esplanade
St. Helier
Jersey JE4 9WG
Tel: +44 1534 504 000

Joint financial advisers and stockbrokers

Canaccord Genuity Limited

88 Wood Street
London EC2V 7QR
Tel: +44 20 7523 8000
www.canaccordgenuity.com

RBC Capital Markets

Riverbank House
2 Swan Lane
London EC4R 3BF
Tel: +44 20 7653 4000
www.rbccm.com

PR Advisers

Buchanan
107 Cheapside
London EC2V 6DN
Tel: +44 20 7466 5000
www.buchanan.uk.com

Registrar

Capita Registrars (Jersey) Limited

12 Castle Street
St. Helier
Jersey JE2 3RT

Tel: UK: 0871 664 0300 (calls cost 10p a minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri GMT)

International: +44 208 639 3399
Website: www.capitaregistrars.com
Email: ssd@capitaregistrars.com

Auditor

BDO LLP

55 Baker Street
London W1U 7EU
Tel: +44 207 486 5888

Financial calendar

Accounting period end	30 June 2013
FY 2013 Trading Update	30 July 2013
FY 2013 Preliminary Results	16 September 2013
2013 Annual Report published	11 October 2013
Q1 FY 2014 Interim Management Statement	November 2013
Annual General Meeting	28 November 2013
Interim accounting period end	31 December 2013
H1 FY 2014 Trading Update	January 2014
FY 2014 Interim results	February 2014
Q3 FY 2014 Interim Management Statement	May 2014

Internet

The Group operates a website which can be found at www.petradiamonds.com. This site is regularly updated to provide relevant information about the Group. In particular all of the Group's announcements and presentations are made available and there is a dedicated Investors section at www.petradiamonds.com/investors.

Registrar

Any enquiries concerning your shareholding should be addressed to the Company's Registrar. The Registrar should be notified promptly of any change in a shareholder's address or other details.

Shareholder Portal

The Company has set up an online Shareholder Portal, www.capitashareportal.com, which offers a host of shareholder services online.

Investor relations

Requests for further copies of the Annual Report and Accounts, or other investor relations enquiries, should be addressed to the investor relations team in the London office on +44 20 7494 8203 or InvestorRelations@petradiamonds.com.

eCommunications

Shareholders have the flexibility to receive communications from Petra electronically, should they so choose, and can update their preferences at any time either by contacting Capita IRG or by logging into the Shareholder Portal.

Ordinary shares

There was a total of 509,601,048 ordinary shares in issue at 30 June 2013.

Share price information

The latest information on the ordinary share price is available in the Investors section of the corporate website at www.petradiamonds.com/investors/share-price-information. Closing share prices for the previous business day are quoted in most daily newspapers and, throughout the working day, time delayed share prices are broadcast on the text pages of the principal UK television channels.

Share dealing services

The sale or purchase of shares must be done through a stockbroker or share dealing service provider. The London Stock Exchange provides a "Locate a broker" facility on its website, which gives details of a number of companies offering share dealing services. For more information, please visit the Private investors section at www.londonstockexchange.com/traders-and-brokers/private-investors/home/private-investors.htm.

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or to sell shares. Shareholders in any doubt about what action to take are recommended to seek financial advice from an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.

Shareholder security

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website. More detailed information can be found at www.moneymadeclear.fsa.gov.uk.

"AGM"	annual general meeting	"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)
"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	"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)
"BEE"	black economic empowerment	"kimberlite"	a brecciated ultrabasic igneous rock containing phlogopite mica, bronzite pyroxene and ilmenite; kimberlites may or may not contain diamonds
"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"	"kimberlite indicator minerals"	minerals that can help locate the presence and establish the diamond-bearing potential of kimberlite
"calcrete"	hardened deposits of calcium carbonate formed in the near surface environment in arid or semi-arid environments	"Kt"	thousand tonnes
"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	"LHD"	load haul dumper
"Capex"	capital expenditure	"LOM"	life of mine
"carat" or "ct"	a measure of weight used for diamonds, equivalent to 0.2 grams	"LTI"	lost time injury; a work-related injury resulting in the employee/contractor being unable to attend work on the day following the injury
"Cpht"	carats per hundred tonnes	"LTIFR"	lost time injury frequency rate; the number of LTIs multiplied by 200,000 and divided by the number of hours worked
"Craton"	a part of the Earth's crust which has been relatively stable for a very long period	"macrodiamond"	diamonds too large to pass through a 0.5mm screen
"ctpa"	carats per annum	"Mctpa"	million 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	"Mcts"	million carats
"deflation soil sampling"	sampling the topmost soil layer to obtain heavy mineral grains that have been concentrated by wind action in arid or semi-arid environments	"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
"diamondiferous"	containing diamonds		
"drawpoint"	an opening through which ore from a higher level can fall and subsequently be loaded		
"EBITDA"	earnings before interest, tax, depreciation and amortisation		
"EPS"	earnings per share		
"fissure"	informal term for a narrow, vertical, vein-like kimberlite dyke		
"FY"	Petra's 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		
"iNED"	independent non-executive director		

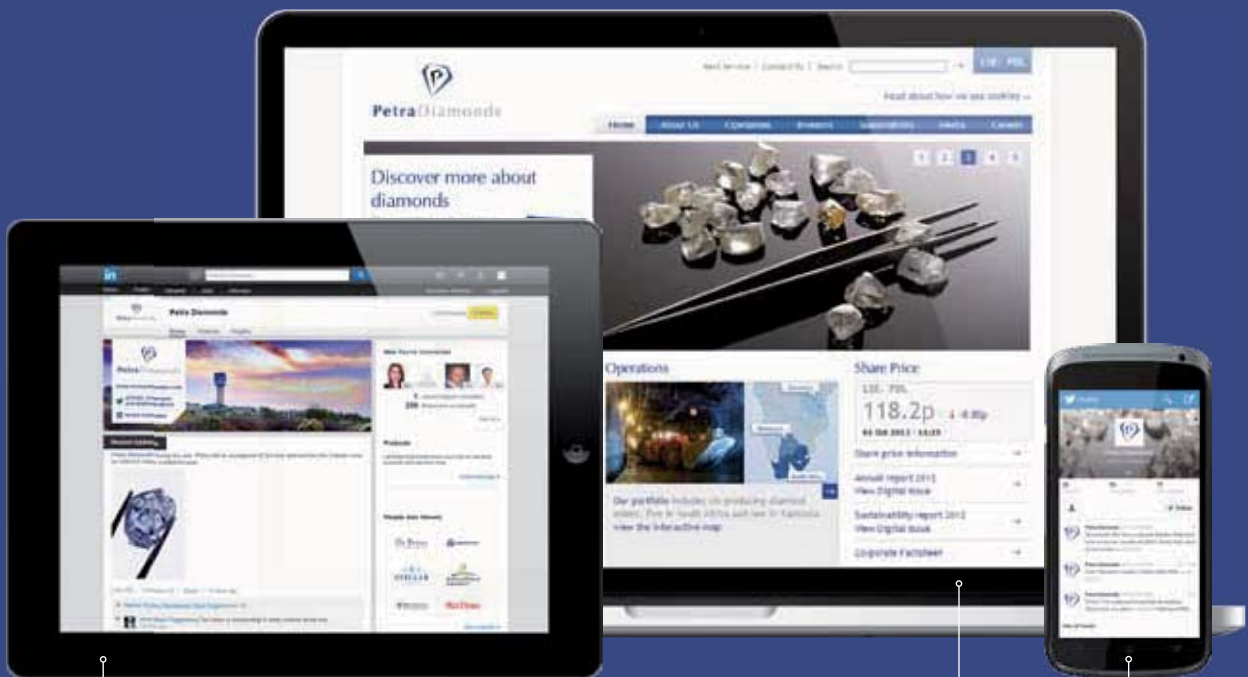
Glossary

continued

<p>"microdiamond" diamonds small enough to pass through a 0.5mm screen</p> <p>"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</p> <p>"Mt" million tonnes</p> <p>"Mtpa" million tonnes per annum</p> <p>"NED" Non-Executive Director</p> <p>"NGOs" non-governmental organisations</p> <p>"open pit" mining in which ore that occurs close to the Earth's surface is extracted from a pit or quarry</p> <p>"orebody" a continuous well-defined mass of material of sufficient ore content to make extraction feasible</p> <p>"overburden" material of little or no value, which overlies rock formations of economic interest</p> <p>"pa" per annum</p> <p>"PCBC" a highly sophisticated software package commonly used by companies involved in block caving for mine planning purposes</p> <p>"petrographic" referring to the detailed description of rocks, usually under the microscope</p> <p>"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</p> <p>"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</p> <p>"raiseboring" a method of developing vertical or inclined excavations by drilling a pilot hole, then reaming the pilot hole to the required dimensions</p> <p>"rehabilitation" the process of restoring mined land to a condition approximating to a greater or lesser degree its original state</p> <p>"re-crush system" processes oversized material from the Primary crushers, further reducing it in size</p>	<p>"ROM" run-of-mine</p> <p>"RSA" Republic of South Africa</p> <p>"shaft" a vertical or inclined excavation in rock for the purpose of providing access to an orebody. Usually equipped with a hoist at the top, which lowers and raises a conveyance for handling workers and materials</p> <p>"SHE" safety, health and environment</p> <p>"SLC" sub-level cave</p> <p>"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</p> <p>"stockpile" a store of unprocessed ore</p> <p>"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</p> <p>"tailings" material left over after processing ore</p> <p>"tailings dump" dumps created of waste material from processed ore after the economically recoverable metal or mineral has been extracted</p> <p>"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</p> <p>"tpa" tonnes per annum</p> <p>"tpm" tonnes per month</p> <p>"trackless equipment" equipment that does not operate on tracks (rails)</p> <p>"type II diamonds" type II diamonds have no measurable nitrogen impurities, meaning they are often of top quality in terms of colour and clarity.</p> <ul style="list-style-type: none"> ▶ type IIa diamonds make up 1-2% of all natural diamonds. These diamonds are almost or entirely devoid of impurities, and consequently are usually colourless. Many large famous diamonds, such as the Cullinan and the Koh-i-Noor, are Type IIa. ▶ type IIb make up about 0.1% of all natural diamonds. In addition to having very low levels of nitrogen impurities comparable to Type IIa diamonds, Type IIb diamonds contain significant boron impurities which is what imparts their blue/grey colour. All blue diamonds are Type IIb, making them one of the rarest natural diamonds and very valuable. <p>"underground pipe mines" Petra's underground kimberlite pipe mines, being Finsch, Cullinan, Koffiefontein and Kimberley Underground</p>
---	--



Discover more online



petradiamonds.com

Keep up to date with our corporate website.



Petra Diamonds

Follow our business on LinkedIn.



@Petra_Diamonds



@PetraDiamondsIR

Follow our corporate and IR news feeds on Twitter.



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



Petra Diamond commitment to environmental issues is reflected in this Annual Report which has been printed on Heaven 42 and UPM Fine which are FSC® certified papers. This document was printed by Park Communications using their environmental print technology, which minimises the impact of printing on the environment. Vegetable based inks have been used and 99% of all dry waste associated with this production is diverted from landfill. Park Communications is a CarbonNeutral® printer.