

Petra Diamonds Limited Annual Report and Accounts 2014

Consistent delivery



PetraDiamonds





The Blue Moon Diamond

In January 2014, an exceptional 29.6 carat blue diamond was recovered at Cullinan.

Noted as an outstanding blue with extraordinary saturation, tone and clarity, the diamond was sold in February 2014, following a highly competitive sales process, for US\$25.6 million (over US\$860,000 per carat).

The stone was subsequently unveiled as the 'Blue Moon', a 12 carat cushion-cut diamond of the highest quality, being 'fancy vivid' blue in colour and 'internally flawless' in clarity. The Blue Moon is considered an historic diamond and is on display at the Natural History Museum of Los Angeles from September 2014 until January 2015.

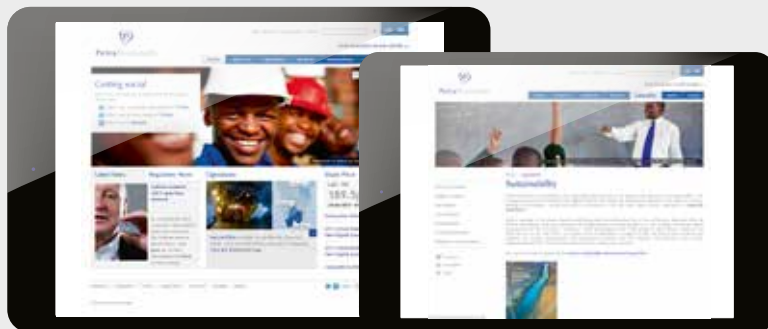
Front cover:
Shift Boss Monica Sentsho is part of the team working hard to open up access to new underground mining areas at the Cullinan mine.

Consistent delivery

FY 2014 marked a further progression of our strategy to develop a world-class diamond mining group.

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



➕ Discover more about Petra online
petradiamonds.com

➕ See our Sustainability Report online
petradiamonds.com/sustainability

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Delivering on our plans

Our strategy to become a globally significant diamond producer has remained consistent and we have repeatedly delivered on this aim.



FY 2014 saw Petra achieve record financial results across the board, which is a testament to the tenacity and vision of our team.

Adonis Pouroulis
Chairman

Dear Shareholder,

I am delighted to introduce the 2014 Annual Report, which outlines a further year of solid growth during which the Company has continued to establish itself as one of the world's leading independent diamond mining groups.

Consistent delivery

Petra is notable for its consistency. Our strategy to become a globally significant diamond producer has remained consistent, and we have repeatedly delivered on this aim, increasing production, progressing our expansion plans, improving margins and growing our business year-on-year.

This strategy has been facilitated by our success in acquiring high quality producing diamond mines, where we had identified the potential for optimisation and expansion, through investment and the deployment of our team's expertise.

We are now just over halfway through the expansion plan that we initially outlined in FY 2009, and then updated in 2011 (to include the addition of the Finsch mine), to grow production to circa 5.0 million carats by FY 2019. Since embarking on this plan, we have grown production threefold from just over 1.0 million carats in FY 2009 to 3.1 million carats in FY 2014. Over the same period, we have grown Group revenue nearly seven times from US\$69.3 million to US\$471.8 million. Finally we have grown all-important profitability, with adjusted EBITDA and our

Petra's mission

By responsibly developing our assets, we unlock value for all stakeholders.

Our values

- 1 Let's do no harm
- 2 Let's make a difference
- 3 Let's do it right
- 4 Let's take control
- 5 Let's do it better

adjusted net profit after tax reaching all-time highs of US\$187.7 million and US\$93.7 million in FY 2014 respectively.

FY 2014 saw Petra achieve record financial results across the board, which is a testament to the tenacity and vision of our team. These excellent achievements have been attained under challenging circumstances, considering we are still operating in the mature, diluted levels of our underground mines. This bodes very well for the future as our expansion plans enable the migration of mining to the new working areas, where we will have access to undiluted kimberlite.

A rising star in Africa

Petra is committed to Africa, which produces circa 60% of the world's diamonds by value. While there remain significant challenges across the continent, there is perhaps more optimism now about Africa's prospects, given steady GDP growth and growing middle classes, than there has ever been. We want to play our part in the 'Africa Rising' story.

Petra has developed the foundations of a business plan that is sustainable over the long term. In so doing, the Company will be in a position to make an important contribution to socio-economic development in our local communities, via direct employment, indirect support to wider dependents and other local economic development opportunities, as well as in our host countries, via tax and royalty payments.

We will also be able to continue to showcase the exceptional product that we mine, surely one of the Earth's most beautiful natural treasures. As well as the joy that diamonds can bring, given their use to celebrate our most special moments, we also want to help people understand the real benefits that supporting the African diamond industry can bring to the continent.

A sparkling market

The diamond market performed well during the Year, underpinned by the fundamentals of constrained supply and continuing growth in demand. We saw strong growth of 7% from the major US market, in line with its continued economic recovery, as well as continued double digit growth from China of 14%. Going into FY 2015, we expect these market dynamics to remain intact and are therefore guiding for rising rough diamond prices.

The engine for diamond demand growth is the mass luxury sector, representing affordable diamond jewellery, that is accessible to a wide range of consumers, with prices per item in the US\$200 to more than US\$2,000 range. This bodes well for our mines, as such goods (i.e. smaller diamonds in the second and third quality tiers) form the main proportion of our (and global) production.

Our mines also produce some of the world's most sought after and beautiful gems. We have recently seen an increase in the

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 **Corporate Governance**
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frequency of our exceptional diamond recoveries, which is an encouraging trend. Of particular note were the 29.6 carat blue diamond that sold for US\$25.6 million in February 2014, the 122.5 carat blue diamond that sold for a value of US\$27.6 million in September 2014 (to a beneficiation partnership, in which Petra holds a 15% stake) and the recently recovered 232.1 carat white diamond that we expect to sell in Q2 FY 2015.

Planning for the future

Our mines, particularly Finsch, Cullinan and Williamson, are notable for their long lives, given the large size of the residual resources in place. However, having the right operations is just one part of the equation. We also require an appropriately skilled and productive workforce, adequate financial resources, access to power and water, local community support and a consumer market for our product. Long-term planning and action to address each of these areas is therefore of paramount importance to the management of our business.

Our partners and people

Co-operation with our stakeholders is central to the effective running of our business and I would like to thank our host Governments of South Africa, Tanzania and Botswana, as well as our BEE partners for their continued support.

The Petra Group now encompasses around 4,500 direct employees, who are all working incredibly hard to achieve our goals on a daily basis. I would like to extend thanks and appreciation on behalf of myself and the Board to each one of these employees, who are the drivers of our future success.

Outlook

Based on the Company's successful operational results over the last few years, our growing revenue and cashflow, a stable diamond market and the welcome recovery of a number of exceptional diamonds over the last months, the Board is currently reviewing bringing the commencement of dividend payments forward from the previously stated target of FY 2016. We will provide an update on this by the time of our H1 FY 2015 trading update in late January 2015.

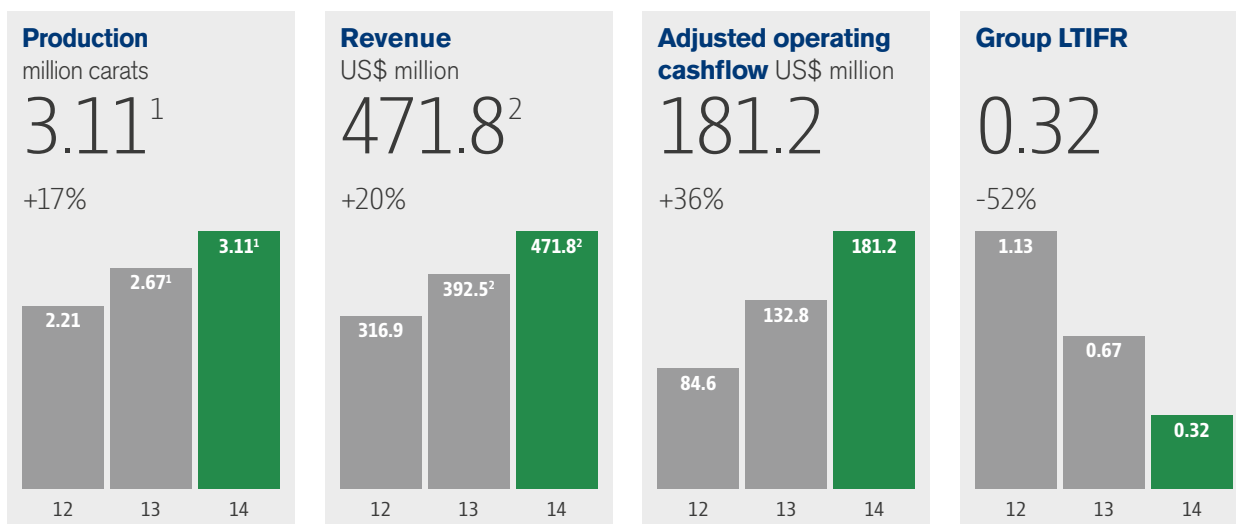
Returns to shareholders will be a milestone in Petra's history and a proud day for me as one of the founders.



Adonis Pouroulis
Chairman
17 October 2014

Consistent delivery of our growth profile

Financial and Operational Performance



1. Production volumes include 36,287 carats (FY 2013: 72,287 carats, FY 2012: 70,874 carats) relating to the Fissure Mines (Helam, Sedibeng and Star).

2. Revenues for FY 2014 and 2013 excludes revenue generated by Sedibeng JV and Star operations which has been reclassified to loss on disposal of discontinued operations.



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

Johan Dippenaar
Chief Executive

Financial Highlights

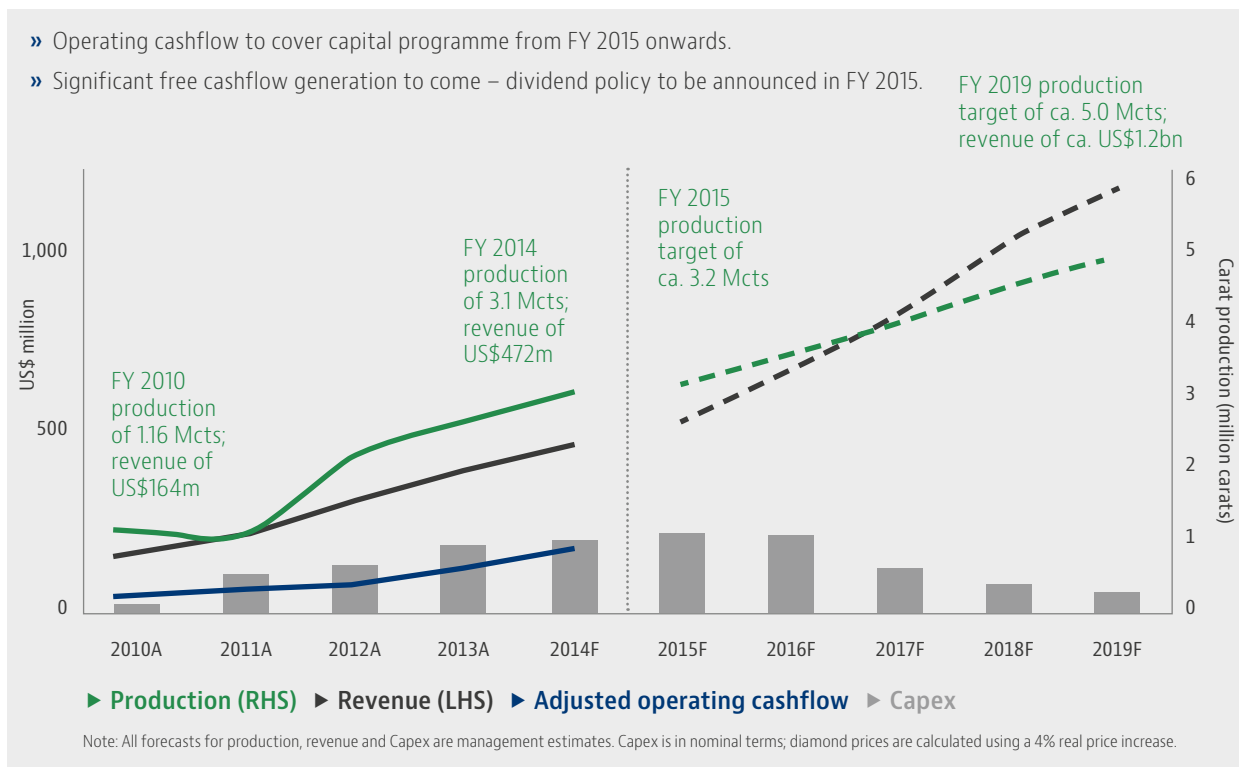
US\$ million	FY 2014	FY 2013	% change
Revenue	471.8	392.5	+20%
Adjusted EBITDA	187.7	127.6	+47%
Adjusted net profit after tax	93.7	53.6	+75%
Net profit after tax	67.5	27.9	+142%
Adjusted operating cashflow	181.2	132.8	+36%
Adjusted EPS (cents)	14.82	11.34	+31%
Basic continuing EPS (cents)	12.80	10.43	+23%
Net debt	124.9	120.8	+3%
Cash at bank	34.0	26.2	+30%
Diamond debtors	55.4	74.8	-26%
Diamond inventories	27.0	31.5	-14%
Bank loans and borrowings	158.9	147.0	+8%

Operational Highlights

- » Production up 17% to 3,110,823 carats (FY 2013: 2,668,305 carats), ahead of market guidance of 3 Mcts.
- » Operating costs remained well controlled.
- » Capex of US\$211.2 million (FY 2013: US\$191.2 million) (including capitalised borrowing costs), in accordance with the roll-out of the Group's expansion programmes.
- » Safety: Group Lost Time Injury Frequency Rate ("LTIFR") improved to 0.32 (FY 2013: 0.67), a good achievement in comparison to international industry standards (particularly for underground operations).
- » Divestment of the Sedibeng and Star mines; Petra is currently in discussions with employee representatives as to the future of the remaining Helam fissure mine.

Refer to the Financial Review on pages 26 to 29, together with page 143, for definition of non-GAAP measures.

Organic Growth Path to 5 Million Carats Per Annum



Future Plans

Outlook

- » Production forecast to increase to 3.2 Mcts in FY 2015.
- » Expansion plans remain on track to increase production to 5 Mcts by FY 2019.
- » Recent conclusion of a three-year wage agreement with the National Union of Mineworkers (“NUM”) in South Africa.
- » Petra has guided for higher rough diamond pricing in FY 2015.
- » Petra may bring the commencement of dividend payments forward from the previously communicated date of FY 2016. The Company will release further information on this on or before publication of its H1 FY 2015 trading update (end January 2015).

Exceptional diamonds in FY 2015

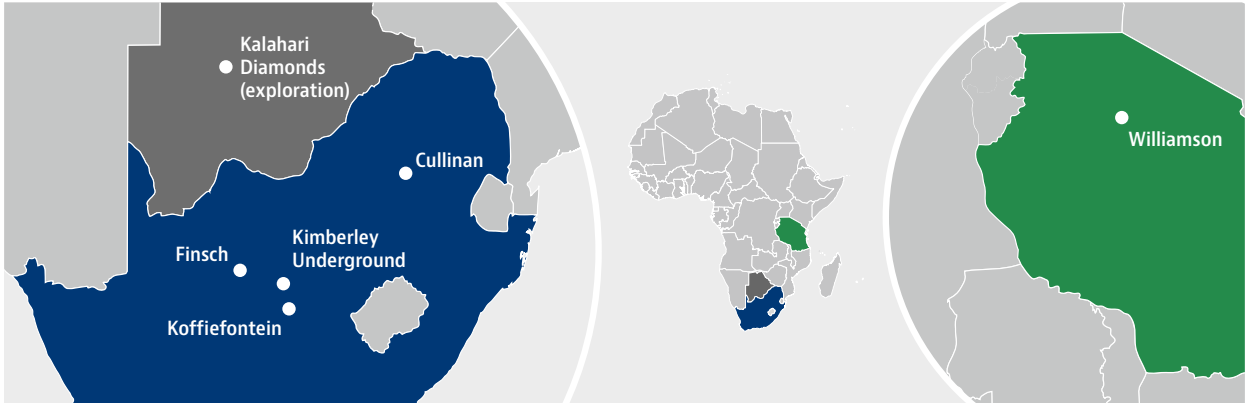


- » The 122 carat blue diamond from Cullinan sold for US\$27.6 million on 16 September 2014; Petra received US\$23.5 million (being payment from its polishing partner for 85%) and will receive a 15% share in the net proceeds of the polished yield, after beneficiation and related expenses.
- » A 232 carat white diamond of exceptional size, colour and clarity was recovered at Cullinan in September 2014. This stone is expected to be sold in Q2 FY 2015.

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Consistent delivery across our asset portfolio



WORLD-CLASS ASSETS

Petra mines and sells rough diamonds from its diversified portfolio of producing mines in South Africa and Tanzania, and is also exploring for diamond deposits in Botswana.

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.

Operational Review
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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.

Operational Review
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Williamson

Tanzania's most important diamond producer.

- » Renowned for beautifully rounded white goods and 'bubblegum' pink diamonds.

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Cullinan

One of the world's most celebrated diamond mines.

- » Cullinan is renowned for large, top-quality gem diamonds (including the world's largest gem diamond ever found, the 3,106 carat Cullinan diamond) and is the world's most important source of blue diamonds.

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Kimberley Underground

Operation comprises Bultfontein, Dutoitspan and Wesselton kimberlite pipes located in Kimberley, the origin of diamond mining in South Africa.

- » Production characterised by the better colour commercial white diamonds highly sought after by manufacturers.

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Exploration

Botswana ranks highly with regards to diamond prospectivity, has a low risk profile and an attractive fiscal regime.

- » Petra Diamonds Botswana holds circa 11,390km² of diamond prospecting licences and has entered into a cooperation agreement with Manica Minerals Ltd.

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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.



Increase output

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



Optimise recoveries

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



Drive efficiencies

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



Work responsibly

Petra operates according to the highest ethical and governance standards.



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. The Company allocates significant resources to the training and development of its people, thereby ensuring the long-term skills requirements of the business are met.

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.



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Strategic Report

Pre-start in process for the Simba M4C drill rig at Koffiefontein.



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Consistent delivery on our strategy

FY 2014 marked a further progression of our strategy to develop a world-class diamond mining group.

Summary

- » Petra has recorded further growth in production, revenue and profitability.
- » Our expansion programmes are opening up new areas of undiluted ore, with our grades and carat production therefore forecast to increase substantially.
- » Unit costs are expected to improve due to higher volumes and increased efficiencies, particularly in the ore-handling systems.

FY 2014 was a further year of steady progress for Petra, with production up 17% to 3.1 Mcts, revenue up 20% to US\$471.8 million and profit from mining activities up 40% to US\$201.1 million, in line with the Group's growth profile.

The roll-out of our expansion plans and associated capital expenditure also remained in accordance with our expectations. In FY 2014, we significantly increased our development metres, averaging circa 1,000 metres per month of underground tunnel development (FY 2013: 628 metres per month) across the Group. The key deliverables for these projects, namely the development of the declines at Finsch and the shaft deepening and underground development at Cullinan, are firmly on track and in line with our target to reach circa 5 Mcts by FY 2019.

In FY 2015, production is forecast to increase circa 3% to 3.2 Mcts. This will be the last year of mainly relying on production from mature working areas, with our growth in carat production therefore accelerating in FY 2016 and beyond. We are currently operating in areas at our underground mines in South Africa where the existing block caves, having been in operation for many years, are heavily diluted with waste rock, resulting in a lower overall diamond content ("grade") of the tonnages mined. Our expansion programmes are opening up new areas of undiluted ore, with our grades and carat production therefore forecast to increase substantially.

Production combined operations

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	US\$m	471.8	392.5	+20%
Diamonds sold	Carats	3,134,706	2,539,844	+23%
Production¹				
Total tonnes treated	Tonnes	15,735,776	14,853,762	+6%
ROM diamonds	Carats	2,174,835	2,038,115	+7%
Tailings and other diamonds	Carats	935,988	630,190	+49%
Total diamonds	Carats	3,110,823	2,668,305	+17%
Opex				
On-mine cash cost	US\$m	248.9	248.2	0%
Capex				
Expansion	US\$m	155.0	126.3	+23%
Sustaining	US\$m	46.5	52.6	-12%
Borrowing costs capitalised	US\$m	9.7	12.3	-21%
Total	US\$m	211.2	191.2	+10%

1. Production volumes include 64,495 ROM tonnes (FY 2013: 160,758 ROM tonnes) and 36,287 carats (FY 2013: 72,287 carats) relating to the Fissure Mines (Helam, Sedibeng and Star).



Given the shift in our production profile over the next two to three years and the forecast rise in our operating margins, Petra is set to become a highly cash-generative business.

Johan Dippenaar
Chief Executive

The higher grade of the undiluted tonnes will see our operating margins rise significantly, once the majority of our production comes from the new mining areas. Our product mix will also improve over time, as the percentage of our production sourced from tailings projects is expected to decrease from 31% in FY 2014 to just 5% by FY 2019. The increased proportion in ROM tonnes (i.e. production from the primary orebody) will deliver higher value carats to our product mix.

At the same time, as we gain access to higher grade, undiluted tonnages, our unit costs are expected to improve due to higher volumes and increased efficiencies, particularly in the ore-handling systems. Our operating margins are therefore forecast to increase from 43% in FY 2014 to over 50% by FY 2019.

Looking at the longer-term profile of the business, we have for the first time given the market an indication of the potential for longer mine lives post the end of our current mine plans (FY 2030 in the case of Cullinan and Finsch), due to the significant residual resources which have been well defined and are included in our mines' current total SAMREC compliant resource figures. Mining is by nature a long-term business and we therefore ensure that all our work is informed by longer-term thinking. As such, our mine plans beyond FY 2030 will leverage the infrastructure being established as part of the current capital programmes, thereby reducing the level of future capital expenditure required.

We will look to update the market on future plans once they have been finalised. Based on the capital required to open up the blocks within our current mine plans, we anticipate costs in the region of circa R100 per tonne (FY 2015 money terms) to access these residual resources. This spend is comparable to an open pit mine with a strip ratio of around 3:1, confirming the favourable economics to open up new ore using the block cave mining method.

We are planning long-term, sustainable production from our mines with the potential for cashflows to be substantially boosted by exceptional diamonds, especially from Cullinan. During the Year, two exceptional diamonds (classified by Petra as stones with a sales value greater than US\$5 million each) were sold: a 126.4 carat white diamond for US\$8.5 million in December 2013 and a 29.6 carat blue diamond for US\$25.6 million in February 2014. The 29.6 carat blue diamond has subsequently been unveiled as a polished blue stone of the highest quality – the 12 carat, 'fancy vivid' blue, 'internally flawless' Blue Moon diamond, currently on display in the Natural History Museum in Los Angeles.

Chief Executive's Statement

continued

We are planning long-term, sustainable production from our mines with the potential for cashflows to be substantially boosted by exceptional diamonds, especially from Cullinan.

Post Year end, we sold another remarkable Cullinan diamond – the 122 carat blue diamond that achieved a value of US\$27.6 million when sold on 16 September 2014 to a beneficiation partnership, of which the Company holds a 15% interest, meaning that we will share in the eventual sales value for the polished yield. Petra was paid US\$23.5 million by our partner in the agreement for its 85% stake, which will be recorded as revenue in Q1 FY 2015. Revenue for FY 2015 will also be enhanced by the sale of the exceptional 232.1 carat white diamond which was recovered at Cullinan in September 2014 and is expected to be sold in Q2 FY 2015.

Given the shift in our production profile over the next two to three years and the forecast rise in our operating margins, Petra is set to become a highly cash-generative business. The Company is committed to commencing an appropriate dividend payment policy, taking into account its operations and expansion plans, stated production growth, diamond prices and other relevant factors. Petra previously announced that it expected to commence dividend payments in FY 2016, but the Board is currently considering bringing the commencement of dividend payments forward. Petra will provide further detail on its anticipated dividend policy, and commencement thereof, on or before publication of its H1 FY 2015 trading update (end of January 2015).

Corporate and governance

Sale of Sedibeng and Star

Effective 30 April 2014, Petra and its BEE partners disposed of their interests in both the Sedibeng and Star mines. The purchase price for the shares and loan accounts for the two mines together was circa US\$2.4 million, resulting in a net loss on disposal of US\$15.9 million on the discontinued operations once the impact of recycling the foreign currency translation reserves, asset disposal values and FY 2014 trading performance were taken into account.

Helam

A business review of the Helam mine was undertaken during H2 FY 2014 and the Company is currently in discussions with employee representatives as to the future of the operation, which might include putting the operation on care and maintenance.

Safety

The health and safety of all employees is of the utmost importance to the Company and Petra has a wide range of initiatives, training and awareness programmes in place to foster a zero harm workplace.

The Group's LTIFR for the Year reduced to 0.32 (FY 2013: 0.67) which is a good achievement in comparison to international industry standards (particularly for underground operations).

However, it is with deep regret that Petra experienced a fatality in January 2014 at the Cullinan operation, following an accident

at an electrical substation on surface. On behalf of the Board and the Company, I would like to express our sincere condolences to the family and friends of the deceased.

For each incident resulting in loss of life or severe injury, a formal internal investigation is conducted and the lessons learnt are shared with all operations in the Group. Necessary remedial actions derived from these investigations are also implemented at all sites of the Group to mitigate the possibility of repeat incidents or accidents.

Please refer to the section on sustainability on pages 48 to 51 for further information on our health and safety performance. Petra also publishes a stand-alone Sustainability Report annually which is available to view at www.petradiamonds.com/sustainability.

Labour relations in South Africa

At the beginning of the Year, certain of the Company's South African mines (Cullinan, Koffiefontein, Kimberley Underground and Helam) were affected by industrial action. The action commenced on Thursday 29 August 2013 and normal operations resumed from Monday 16 September 2013, ensuring there was no material impact on production.

I see it as a very positive development that in September 2014 Petra concluded a three-year wage agreement with the National Union of Mineworkers ("NUM") in South Africa. This should provide for a more stable labour environment during this period, as well as certainty for the financial community as to our labour cost inflation – please refer to the section on 'Mining and processing costs' in the Financial Review on page 27 for further information.

Outlook

The entire team at Petra has worked hard to pave the way for the Company's future success. We are now well advanced with our expansion plans and are coming ever closer to the time when the production profile will move from mostly diluted to mostly undiluted ore sources. This will see a major shift in the economics of our operations, as our diamond grade, average value per carat and associated operating margins rise significantly.

I would like to take this opportunity to extend my sincere thanks to all the Petra employees and stakeholders, as well as our Government and BEE partners, who are so integral to the fulfilment of our strategy to build a leading independent diamond mining group.



Johan Dippenaar
Chief Executive
17 October 2014



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Our Market

There is a positive outlook for the diamond market due to constrained supply combined with continued growth in demand from both the major US market and new consumer markets, such as China and India. Petra's diversified portfolio of operating mines and its strong growth profile positions the Company to benefit from these strong market dynamics.

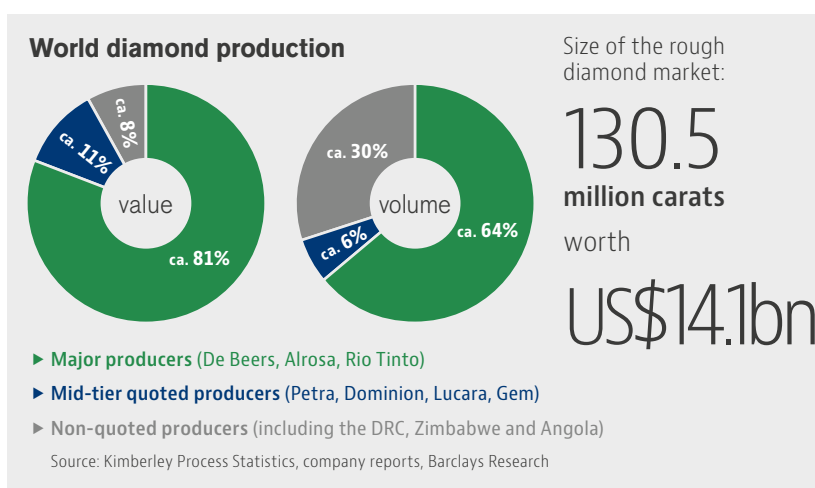
PETRA'S MARKET POSITION

De Beers, Alrosa and Rio Tinto remain the dominant players in the diamond market, accounting for circa 64% by volume but circa 81% by value in 2013.

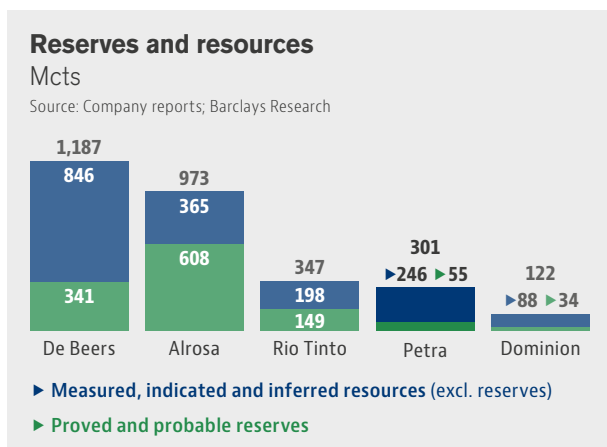
Beneath the majors there are only four sizeable quoted diamond producers, being (by order of market capitalisation as at 17 October 2014):

- » Petra Diamonds;
- » Dominion Diamond;
- » Lucara Diamond; and
- » Gem Diamonds.

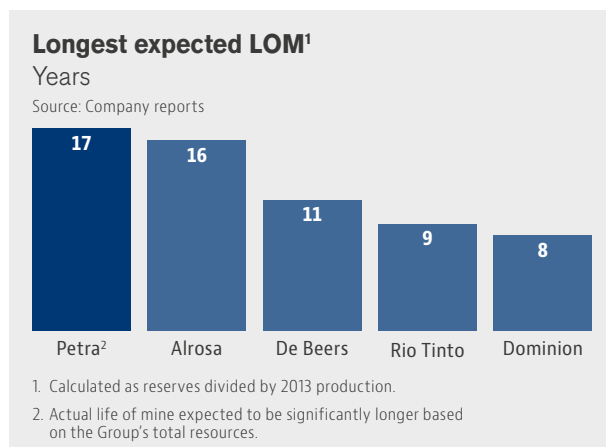
Based on FY 2014 production of 3.1 Mcts and sales of US\$471.8 million, Petra accounted for 2% of world supply by volume and 3% by value.



Petra has the largest diamond resources outside of the majors...



...and the longest expected life of mine ("LOM") among the major players



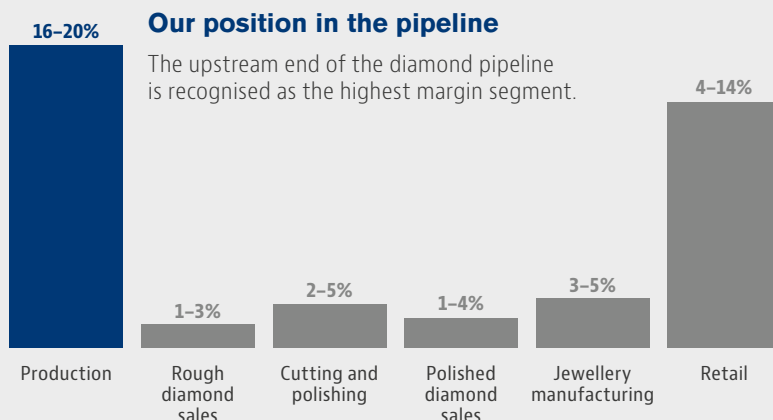
Average operating margins

2012 average operating margin

Source: Bain analysis, company reports, DEX; Tacy Ltd and Chaim Even-Zohar

Our strategy

Petra's core business is focused solely upstream, except for the occasional cutting and polishing of selected stones.



SUPPLY AND DEMAND

Diamond deposits are scarce

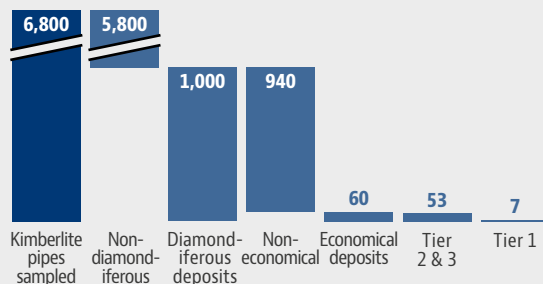
- » Exploration success rate in diamonds is estimated at less than 1%
- » There have been no new major finds since the 1990s, despite circa US\$7 billion spent on exploration since 2000
- » Of 6,800 kimberlite pipes sampled, only 1,000 contained diamonds and only 60 became mines
- » Petra does not allocate material resources to exploration

Our strategy Petra has acquired five of only 30 significant producing kimberlite mines

Number of diamond deposits sufficiently rich to warrant development

Number of deposits

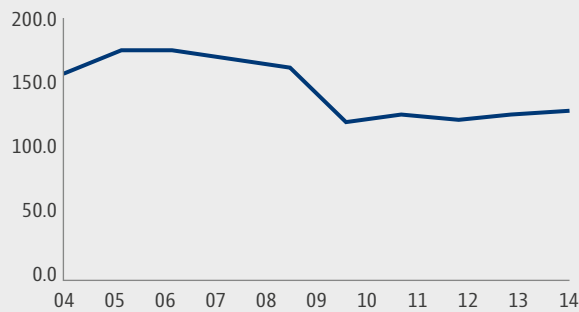
Source: De Beers



Rough diamond supply (known assets)

Million carats

Source: Kimberley Process Statistics



Supply is limited

- » The world's major diamond mines are maturing and past their production peak
- » It is possible that we have already seen peak diamond production (circa 177 Mcts in 2005)
- » There are only around 30 diamond mines of significance in operation today
- » Just seven diamond mines are considered 'Tier 1' deposits (+US\$20 billion reserves)
- » Tier 1 mines: Jwaneng, Orapa, Udachny, Venetia, Catoca, Mir and Cullinan

Our strategy Petra is one of the few diamond producers with a significant growth profile

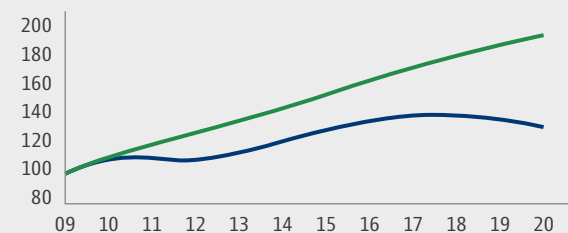
Demand is growing

- » Demand is being driven by rising wealth in emerging markets, growing middle classes and the continued recovery in the major US market
- » Diamonds are a 'late cycle' commodity, both in terms of a country's economic cycle and in terms of discretionary consumer purchases
- » Brides in developing markets such as China and India increasingly want diamonds in their engagement and wedding jewellery, as well as traditional gold
- » Consumption per capita in emerging regions is still way below that of mature markets, with strong growth forecast to continue
- » Diamonds are used across a wide range of luxury goods, from watches to pens

Supply and demand

Index base 100 in 2009

Source: Bank of America Merrill Lynch Research estimates



► Supply forecast value in nominal terms (smoothed)

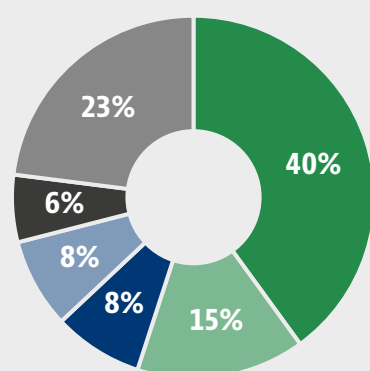
► Demand forecast value in nominal terms (smoothed)

THE CONSUMER DIAMOND MARKET

Share of world polished diamond consumption in value

US\$ Polished Wholesale Price

Source: De Beers (September 2014)



China and India combined are expected to reach the size of the US market by 2025.

- ▶ United States
- ▶ China, Hong Kong, Macau
- ▶ India
- ▶ Gulf Region
- ▶ Japan
- ▶ Rest of World

Global diamond jewellery sales grew 3% to circa US\$79 billion

World polished diamonds consumption in 2013:

- » Polished diamonds contained within jewellery grew 3% to circa US\$25 billion
- » The US market grew 7%, increasing its market share to 40%
- » China continues to be the main growth engine of diamond jewellery demand, growing 14%; the 'mass luxury' segment being particularly strong
- » Indian domestic consumption was impacted by a sustained weak Rupee; there is a more positive outlook for Indian consumer demand from 2014 further to recent political changes in the country
- » The diamond market in all regions remains underpinned by the engagement/bridal markets

Source: De Beers

The middle classes worldwide are growing

- » Circa 3 billion people to join the middle classes over the next 20 years, coming almost exclusively from the emerging world
- » The global middle class could constitute 50% of the world's population by 2030, up from 29% in 2008
- » By 2030, around one billion people in China could be middle class – as much as 70% of its projected population
- » India's middle class is expected to reach 475 million people by 2030
- » A significant proportion of the new Asian middle class are also expected to be at the upper end of the income bracket and boast impressive spending power

Source: Ernst & Young "Hitting the sweet spot"

The modern bridal market in the US is changing

Modern brides:

- » Are older and more affluent
- » Wait longer between engagement and marriage (five times longer than in 1980s)
- » Buy more diamonds (80% of betrothed couples purchase a diamond engagement ring; 20% of women buy another piece of diamond jewellery at engagement)
- » Spend more on bigger diamond rings than 10 years ago (spend is up 40%; carat content is up 60%)
- » Might marry more than once – increasing the number of engagement/wedding rings purchased over a lifetime

Source: De Beers commissioned research

The Chinese market is the fastest growing

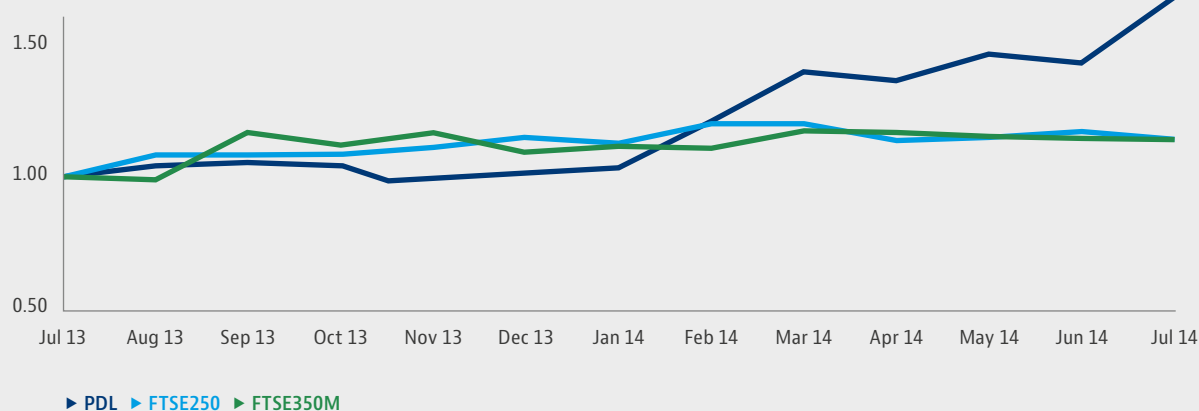
- » Diamonds have strong spiritual resonance in China and are associated with eternity and high status
- » Sales of diamond jewellery to Chinese consumers were the fastest growing in the world over the last decade, with a CAGR of 21% from 2003 to 2013
- » The average price paid per item jumped 32% in real terms between 2003 and 2013 to +RMB8,000 (US\$1,320)
- » The average carats per piece over the same period rose from 0.18 to 0.25
- » China remains underpenetrated – diamond jewellery ownership has risen to circa 20% in top urban cities, but still far below the US ownership rate of circa 70%

Source: De Beers

PERFORMANCE IN FY 2014

Petra share price (rebased to PDL)

Petra's share price rose 65% during the Year, from 113.8p to 188.3p, outperforming the majority of its peers as well as the FTSE 250 and FTSE 350 Mining Indices. This strong performance can be attributed to Petra's continued delivery on its operational targets, its robust financial position, the recovery and sale of the exceptional 29.6 carat blue diamond, the announcement of the 122.5 carat blue diamond and positive investor sentiment generally towards the diamond market.



The rough diamond market in FY 2014

The rough diamond market performed well over the course of FY 2014. The market started the financial year with a weaker first quarter from July to October, which is generally a slower period for rough purchasing, before starting to strengthen at the end of the calendar year, once the festive retail buying season helped to release inventory and stimulate liquidity within the pipeline. It then maintained its firmer trend throughout H2 FY 2014, with prices achieved by Petra up around 10% from January 2014 to June 2014.

We expect the rough diamond market to continue to strengthen in FY 2015, due to constrained supply, robust US demand (the world's major market for polished diamonds), as well as further growth in demand from emerging markets such as China and India (which combined are forecast to reach the same size as the US market by 2025).

Actual rough diamond prices were in line with or above Petra's guidance for FY 2014. Due to the favourable market dynamics noted above, the Company has guided higher prices for FY 2015, apart from for Williamson, where Petra prefers to maintain a conservative approach to pricing until the impact of the ongoing plant changes and associated liberation factors are fully realised.

It is important to note that the average price guided for Cullinan in FY 2015 does not take into account the recovery of 'exceptional' diamonds, classified by Petra as those which sell for over US\$5 million each. Exceptional Cullinan diamonds have added an average of US\$18 million per annum to Group revenue over

the period from FY 2008 to FY 2014. This figure has been even higher in the last two years, averaging US\$26 million per annum from FY 2013 to FY 2014. FY 2015 will include revenue from the 122.5 carat blue diamond (US\$23.5 million, Petra partnership share, in Q1) and the 232.1 carat white diamond recovered (expected to be sold in Q2).

The market remains strong for the highest quality diamonds and the Company sold two exceptional Cullinan stones during the Year for US\$34.1 million (FY 2013: US\$16.9 million): the 126.4 carat white diamond that sold for US\$8.5 million in December 2013 and the 29.6 carat blue diamond that sold for US\$25.6 million in February 2014.

In June 2014, Petra announced the recovery of a 122.5 carat blue diamond from Cullinan. The rarity of a blue diamond of this magnitude set it apart as a truly significant find, which was confirmed when the stone sold, post Year end, for a value of US\$27.6 million in September to a beneficiation partnership comprising Petra (15%) and its polishing partner (85%) (who wishes to remain undisclosed). Petra will record revenue of US\$23.5 million (being the polishing partner's payment for its 85% interest) in Q1 FY 2015. The Company will receive its 15% share in the net proceeds of the polished yield, after beneficiation and related expenses.

Post Year end, Petra announced the recovery of a 232.1 carat white diamond of exceptional colour and clarity. The Company expects this stone to be sold in Q2 FY 2015.

Bloomberg rough diamond index

The Bloomberg Rough Diamond Index increased from 100 to 252 for the period Jan 2004 to May 2014. This translates into a CAGR of 9.4% (nominal terms). Excluding the average US CPI of ~2.4% over the same period, this translates into a ~7.0% real price escalation.

Petra overlaid the Bloomberg Rough Diamond Index with prices achieved at the Cullinan and Helam mines in South Africa over the same period, thereby confirming this pricing trend with actual Company data.



► Bloomberg ► Cullinan (excl >\$5m stones) ► Helam

Source: Bloomberg, company reports

Rough diamond prices achieved by Petra and guidance

Mine	Guidance weighted average US\$/ct FY 2015	Actual weighted average US\$/ct FY 2014	Actual weighted average US\$/ct FY 2013
Finsch	108	99	120
Cullinan	152 ¹	185 ²	163 ³
Koffiefontein	654	542	471
Kimberley			
Underground	329	303	295
Williamson ⁴	295	307	261

1. Excludes guidance for exceptional diamonds (stones above US\$5 million in value).
2. Excluding exceptional diamonds, the average was US\$146 per carat.
3. Excluding exceptional diamonds, the average was US\$142 per carat.
4. ROM only (excludes alluvials).

Other notable market changes

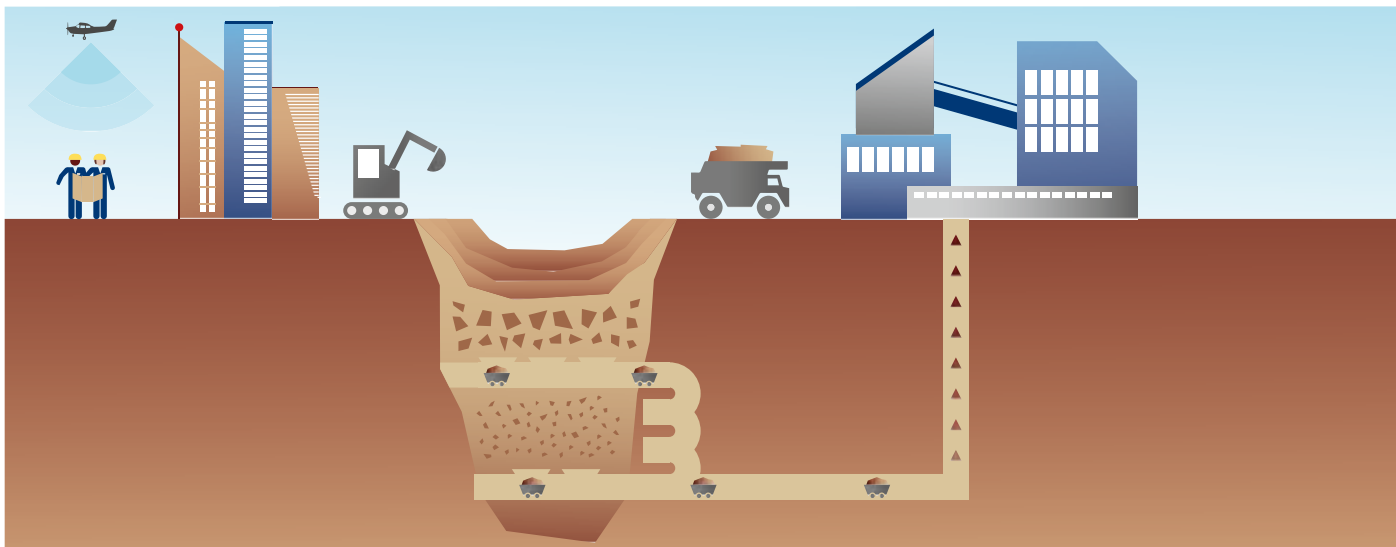
During the Year, De Beers made a major change in its 125-year history with the relocation of its rough diamond sorting and sales arm from London to Gaborone, thereby affirming Botswana's new position as one of the world's leading diamond centres.

This move is considered positive for Petra, which conducts the majority of its diamond sales in Johannesburg, as it has encouraged even more international diamond buyers to Southern Africa, many of whom have to travel to Gaborone via Johannesburg. Petra will look at opportunities to leverage off the dates of the De Beers' Sights, with the objective of always maximising the number of clients that can attend its sales tenders.

Another important development during the Year was the flotation of a 16% stake in Alrosa, the major state Russian diamond producer, in October 2013 on the Moscow Stock Exchange. The flotation raised US\$1.3 billion and was supported by a number of blue chip investors, predominantly from North America, the UK and Russia. This helped to further raise the profile of the diamond market among an international investor audience.

Our Business Model

With a high growth profile, an industry-leading team and one of the world's largest diamond resources of over 300 million carats, Petra offers a unique and high quality investment opportunity, providing direct exposure to late cycle diamonds.



PROJECT APPRAISAL

Central to our approach is the identification of the right assets, where the Company can add value through capital and expertise. We focus on assets with the potential for significant production and good operating margins.

Geographic focus

Petra's portfolio is located in sub-Saharan Africa which produces circa 60% of the world's diamonds by value.

Sustainable operations

Petra focuses on longer-life assets with significant remaining diamond resources and structures its operations with the long-term viability of the project in mind.



EXPLORATION

Petra is carrying out greenfield exploration for new diamond deposits in Botswana, the world's largest diamond producer by value.

MINING + DEVELOPMENT

Petra's operations are focused on 'hard rock' kimberlite pipe orebodies, as opposed to alluvial deposits.

Open pit and underground

Petra operates one open pit mine in Tanzania, where ore is drilled and blasted from surface. The Company also operates four underground mines in South Africa, which use 'cave' mining to access one block of ore at a time, exploiting gravity and the kimberlite's inherent weakness to enable the ore to collapse autonomously.

Accessing undiluted ore

By opening up access to new blocks of ore at its underground mines, Petra will be able to mine pure kimberlite ore, undiluted by waste rock, thereby substantially increasing the grade (by circa 50%).

PROCESSING

Ore is passed through the processing plant to extract the diamonds from the rock.

Crushing

The rock is first crushed to a particular size. The crusher settings vary from mine to mine, depending on the size and value of diamonds produced by that orebody.

Processing

Ore goes through a series of screens, jigs and scrubbers before being subjected to a gravity separation process to remove lighter particles and create a concentrate of diamond-bearing material.

Final recovery

Diamonds are recovered primarily with X-Ray methods and grease back up.

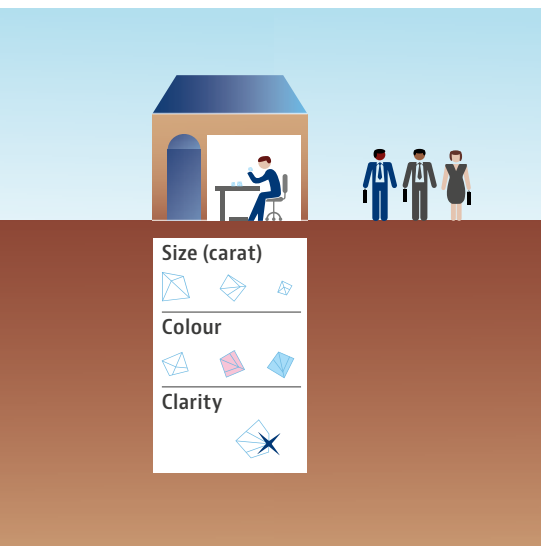
Programme focus

Petra believes there is potential for new kimberlite discoveries in Botswana, as well as the potential to re-evaluate existing kimberlites where perhaps their characteristics (size, grade, diamond population) were previously not well understood.

Strategy

Given the reality of the low success rate in diamond exploration, Petra does not allocate material resources to this arm of the business. However, by maintaining a focused programme, the team is able to make good progress with prospective targets.

 Discover more online
petradiamonds.com



ROUGH DIAMOND SORTING + SALES

Rough diamonds are sorted into 'lots' (parcels of one or more diamonds depending on the size and quality) and then made available for viewing.

Competitive tenders

Buyers from all over the world attend Petra's tenders in Johannesburg, for the Company's South African production, or Antwerp, where Williamson production is sold. Confidential bids are placed in an electronic system on one or more lots of the buyer's choice and the highest bid wins the parcel.

Product assurance

Petra will never sell rough diamonds mined from unknown sources, thereby guaranteeing their ethical origin.



THE LIFECYCLE AFTER PETRA

 **Our Market**
Page 13

Cutting and polishing

The process of transforming a rough diamond into a polished gemstone is both an art and a science. After the stone has been cut, it is polished and classified again, according to the 4Cs (colour, clarity, cut and carat).

Jewellery manufacturing

Gem-quality diamonds are set into jewellery pieces and other luxury goods items. The bridal market remains the bedrock of the industry, with diamonds traditionally used for engagement and wedding rings.

Retail

For hundreds of years, diamonds have been given to celebrate life's most important moments, with customers buying from small, independent jewellers to mass market superstores and online outlets.

How we add value

Petra's strategy will deliver revenue and cashflow growth over the long term, thereby providing value for all stakeholders

Our Strategy

Petra has a clear strategy in place to grow production to circa 5 million carats by FY 2019 and to build on its stature as a leading independent diamond miner.

 **Our Strategy**
Page 21

Investment and Optimisation

We add value by identifying the right assets, recapitalising them in order to extend their lives and optimising the mines to improve operating margins.

 **Operational Review**
Page 30

Safety and Sustainability

Our focus on safety and sustainability is integral to our objective to work towards a successful, long-term future for our operations, our employees and our local communities.

 **Sustainability**
Page 48

Our Business Model

continued

How do we create and preserve value for our stakeholders?

Petra is committed to the responsible development of its assets, to the benefit of all stakeholders. The Company aims to operate according to the highest ethical and governance standards, thereby upholding the high value placed on diamonds.

HOW WE ADD VALUE	INDICATOR	BENEFIT TO PETRA
Shareholders		
<ul style="list-style-type: none"> » Continue to deliver on operational targets » Improve financial performance » Offer a long-term investment opportunity, with returns to shareholders 	<ul style="list-style-type: none"> » Rough diamond production » Petra committed to commence dividend payments; policy to be announced in FY 2015 	<ul style="list-style-type: none"> » Access to capital » Confidence in management
Employees		
<ul style="list-style-type: none"> » Sustainable employment » Training and personal development » Culture of empowerment » Employee wellbeing initiatives » Petra Diamonds Employee Trust 	<ul style="list-style-type: none"> » US\$140.0 million in salaries, wages and other benefits » Circa US\$6.0 million in training and development programmes 	<ul style="list-style-type: none"> » Productivity » Commitment » Accountability
Government and Regulators		
<ul style="list-style-type: none"> » Sustainable job creation » Facilitate economic growth » Tax and royalty payments 	<ul style="list-style-type: none"> » 4,663 employees and 3,543 contractors » US\$53.1 million in taxes and royalties paid 	<ul style="list-style-type: none"> » Licence to operate
Local Communities		
<ul style="list-style-type: none"> » Employment opportunities » Local economic development » Community health initiatives » Conservation 	<ul style="list-style-type: none"> » The majority of employees come from communities local to our operations » Circa US\$1.0 million in CSI » Policy of local procurement where possible 	<ul style="list-style-type: none"> » Support from local communities » Licence to operate
BEE Partners		
<ul style="list-style-type: none"> » Continue to deliver on operational targets 	<ul style="list-style-type: none"> » Rough diamond production » Free cashflows 	<ul style="list-style-type: none"> » Strong working partnership » Licence to operate
Suppliers		
<ul style="list-style-type: none"> » Payment for goods and services » Benefit to local economy 	<ul style="list-style-type: none"> » US\$365.9 million paid for goods and services 	<ul style="list-style-type: none"> » Long-term relationships encourage better business practices
Customers and End Users		
<ul style="list-style-type: none"> » Consistency of product quality » Guaranteed conflict-free 	<ul style="list-style-type: none"> » No governance issues recorded 	<ul style="list-style-type: none"> » Uphold the high value placed on diamonds

Our Strategy

Consistent delivery of our strategic targets

Strategic objectives:



Increase output



Optimise recoveries



Drive efficiencies



Work responsibly



Underpinning our strategy:



World-class assets

- » Focus on assets with potential for significant production, operating margin, diamond resources and remaining mine life
- » Assets with robust economics can withstand fluctuations in both diamond prices and the capital markets
- » Good infrastructure at local and national level supports our operations



**Operational Review
Page 30**



Outstanding leadership

- » An industry-leading team with a consistent strategy, performance and track record
- » Deep understanding of our industry – Petra’s experience and knowledge of the specialist diamond market has helped shape the Company’s strategy
- » Extensive in-house operational capabilities covering the full diamond mining spectrum – exploration, development, production, expansion, processing, sorting, marketing and sales – backed up by an effective corporate team
- » Appropriate and robust risk management framework
- » Effective and evolving governance policies in line with the growth of our business



**Governance Overview
Page 42**

Our Strategy

continued



Increase output

Targeting 5 million carats by FY 2019



Optimise recoveries

Improving operating margins at each mine

How we achieve this:

- » Ensure we have the right people in place to deliver
- » Increase output in line with Petra's transparent growth path to circa 5 Mcts in FY 2019 organically
- » Manage ROM grade volatility at Finsch and Cullinan until expansion programmes access deeper, 'undiluted' ore – see pages 30 and 31
- » Improve financial performance in line with increased production and higher margins, ensuring opportunities for returns to shareholders
- » Evaluate further organic growth opportunities post FY 2019
- » Continue to evaluate potential M&A opportunities
- » Explore for new economic diamond deposits in Botswana

How we achieve this:

- » Apply the expertise of Petra's team, which has developed an enviable track record in the management of diamond mining operations
- » Commit the necessary investment in order to extend the lives of our assets
- » Approach Capex in a phased approach to achieve low capital intensity
- » Utilise operating cashflow and existing debt facilities to finance capital programmes; maintain a robust balance sheet and financial discipline
- » Empower our operational management and employees
- » Prioritise 'value' over 'volume' production via optimal process plant settings

KPIs

- » Production
- » Revenue
- » Capex
- » Profitability
- » Staff turnover
- » Training spend
- » TSR

KPIs

- » Profitability
- » Safety
- » Capex
- » Staff turnover
- » Training spend
- » Local employment
- » TSR

RISKS

- » Mining and production
- » Financing
- » Retention of key personnel
- » ROM grade volatility
- » Expansion and project delivery
- » Safety
- » Country and political
- » Labour relations
- » Regulatory compliance
- » Rough diamond prices
- » Currency

RISKS

- » Retention of key personnel
- » Financing
- » Expansion and project delivery
- » Cost control and capital discipline

REMUNERATION

- » Production performance measures
- » Expansion and project delivery performance measures
- » TSR performance measures

REMUNERATION

- » Profit and costs performance measures
- » Expansion and project delivery performance measures
- » TSR performance measures



Drive efficiencies

Maintaining a culture of effective cost control

How we achieve this:

- » Decentralise operations and simplify management structures
- » Maintain disciplined on-mine cost control and efficient central overhead structure
- » Drive efficiencies, particularly in terms of the usage of energy, water and labour
- » Upgrade and simplify ore-handling systems
- » Share services across mines
- » Increase operating margins over time

KPIs

- » Profitability
- » Water usage
- » Energy usage
- » Carbon emissions
- » Staff turnover
- » TSR

RISKS

- » Retention of key personnel
- » Financing
- » Expansion and project delivery
- » Labour relations
- » Cost control and capital discipline

REMUNERATION

- » Profit and costs performance measures
- » Expansion and project delivery performance measures
- » TSR performance measures



Work responsibly

Committed to responsible development

How we achieve this:

- » Strive for a zero harm workplace
- » Train and develop our employees
- » Foster a dynamic company culture in which employees are encouraged to fulfil their true potential
- » Develop strong relationships from local community to national level that support our licence to operate
- » Abide by all relevant legislation and go beyond compliance to meet and/or exceed best practice
- » Focus on initiatives that stimulate local socio-economic development
- » Protect and enhance our environment
- » Uphold the high value placed on diamonds

KPIs

- » Safety
- » Staff turnover
- » CSI
- » Training spend
- » Local employment
- » Diversity
- » Energy usage
- » Water usage
- » Carbon emissions
- » TSR

RISKS

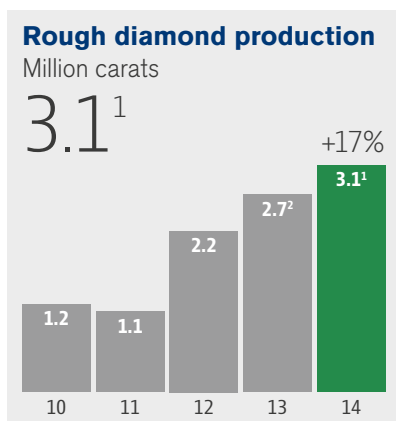
- » Retention of key personnel
- » Safety
- » Country and political
- » Regulatory compliance
- » Labour relations

REMUNERATION

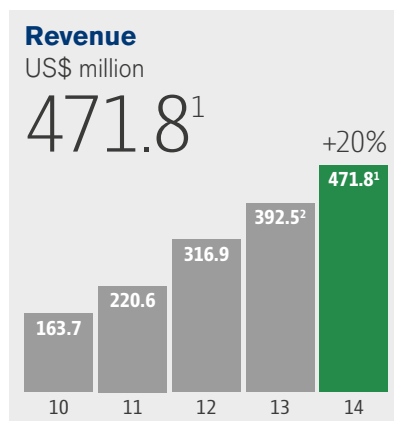
- » HSSE performance measures
- » TSR performance measures

Key Performance Indicators

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



1 & 2. Production volumes include 36,287 carats (FY 2013: 72,287 carats) relating to the Fissure Mines (Helam, Sedibeng and Star).



1 & 2. Revenues for FY 2014 and 2013 excludes revenue generated by Sedibeng JV and Star operations which has been reclassified to loss on disposal of discontinued operations.



1 & 2. Profit from mining activities for FY 2014 and FY 2013 excludes profit from mining activities generated by Sedibeng JV and Star operations which has been reclassified to loss on disposal of discontinued operations.

Description

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

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.

Profit from mining activities (revenue less adjusted mining and processing costs plus other direct income) reflects the operating margins of Petra's assets. Petra's expansion programmes aim to access major undiluted ore blocks, which is expected to substantially increase future margins over time.

Performance for the Year

Production increased 17% due to higher output from the Finsch, Koffiefontein, Kimberley Underground and Williamson mines, offset by reductions at Cullinan and Helam.

Revenue grew 20%, primarily due to increased volumes, firm diamond pricing and the sale of two exceptional (+US\$5 million) diamonds for US\$34.1 million.

Petra achieved a 40% increase in profit from mining activities to US\$201.1 million, driven by increased production and sales for the Year, the exceptional FY 2014 diamond sales, and a stable environment for diamond pricing. This represents an overall operating margin of 43% for the Year.

Target for FY 2015

Production forecast to rise to 3.2 Mcts.

Revenue to rise in line with the increase in Group production and the guided diamond prices (as set out on page 5).

Petra will endeavour to keep operating costs well controlled and to further increase operating margins, as we start to gain access to higher grade, undiluted tonnages.

Risk Management

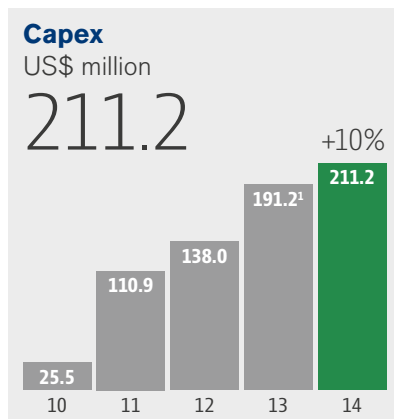
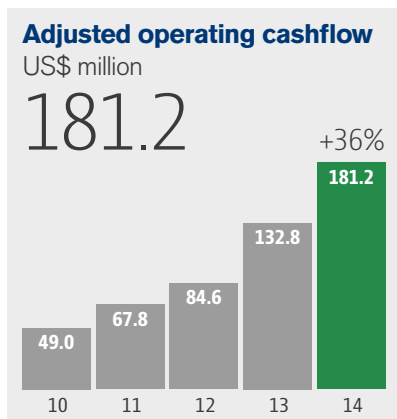
Petra takes great care to set realistic operational targets, based on detailed mine production planning. Production performance throughout the Year is monitored closely and if an operation falls behind, remedial steps are taken to address the lost production.

The key factors affecting revenue growth are delivery on production targets and diamond prices (which are outside of the Group's control).

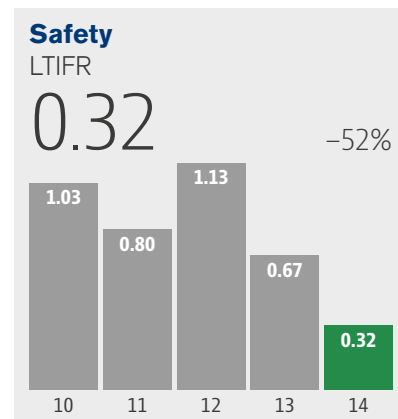
Rigorous operational and financial discipline is required in order to keep operating costs in check. A comprehensive annual budgeting process covering all expenditure is undertaken and approved by the Board. Monthly reporting highlights variances and remedial action can therefore be taken.



Additional non-financial KPIs are provided in the sustainability section
Pages 48 to 51



1. Capex for 2013 is restated from FY 2013 Annual Report to include administration/exploration Capex of US\$5.4 million, less inter-Group eliminations due to the Group's internal projects division of US\$12.5 million.



Description

Petra is focused on generating strong operating cashflow. The Group's strategy, whilst the major development plans are underway, is to apply these operating cashflows to fund the Group's substantial Capex spend, which will lay the foundations for long-term sustainable production growth.

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

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

Performance for the Year

Adjusted operating cashflow (IFRS operating cashflow adjusted for the cash effect of the movement in diamond debtors between each financial year end, excluding unrealised foreign exchange translation movements) grew +36% to US\$181.2 million due to the growth recorded in revenue and the increase in the Group's operating margin to 43% (FY 2013: 37%).

Capex (including capitalised borrowing costs) spend for the Year increased to US\$211.2 million, in accordance with the roll-out of the Group's expansion programmes. FY 2014 Capex includes circa US\$10 million of spend in addition to original guidance that related to scope changes at Koffiefontein and the bringing forward from FY 2015 of spend on equipment purchases at Cullinan and Finsch.

Group LTIFR for the Year reduced to 0.32, which is a good achievement in comparison to international industry standards. However very regrettably there was a fatality at the Cullinan mine in January 2014; a full investigation was carried out and remedial action taken.

Target for FY 2015

Petra will continue to focus on controlling its operating costs and driving efficiencies across its operations.

Petra is forecasting Capex of circa US\$225 million (excluding borrowing costs). Petra's expansion capital programmes remain fully funded and the Company expects FY 2015 to be the first year that Capex is covered in full by operational cashflow.

Petra is targeting a minimum 20% improvement in LTIFR annually, with an overall objective to achieve a zero harm workplace.

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.

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

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



Consistent financial discipline

Petra ended FY 2014 in a robust financial position, posting record financial results, maintaining healthy cash levels and a comfortable level of net debt.

Summary

- » Petra has set out a transparent capital investment programme which is expected to see production increase to circa 5 Mcts carats by FY 2019.
- » Adjusted operating cashflow is one of the most important measures used by management to gauge Petra's performance, given it provides a clear indication of the underlying performance of the Company's assets and is also key to the funding of its Capex requirements.
- » Strong cost control at both an operational and corporate level is very important to the management of Petra's business and we maintained our positive track record in FY 2014.

Revenue

Revenue (adjusted for the disposal of the Sedibeng JV and Star operations) increased 20% to US\$471.8 million (FY 2013: US\$392.5 million), due to increased volumes, firm diamond pricing and the sale of the two exceptional Cullinan stones for US\$34.1 million (FY 2013: US\$16.9 million).

Gross revenue for the Year was US\$472.6 million (FY 2013: US\$402.7 million), but due to the reclassification of the Sedibeng JV and Star operations as discontinued activities as a result of their disposal, revenue recorded by these operations for the Year of US\$0.8 million is not included in revenue for the Year; rather it is included in the loss from discontinued operations of US\$15.9 million. Comparative FY 2013 figures (with respect to Sedibeng and Star) have been similarly reclassified.

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 on the following page.

Mining and processing costs

	On-mine cash costs ¹ US\$m	Diamond royalties US\$m	Diamond inventory and stockpile movement US\$m	Group technical, support and marketing costs ² US\$m	Adjusted mining and processing costs US\$m	Depreciation ³ US\$m	Share-based expense US\$m	Total mining and processing costs (IFRS) US\$m
FY 2014	248.9	4.5	3.8	20.2	277.4	41.1	1.6	320.1
FY 2013	248.2	3.6	(13.8)	16.8	254.8	41.9	1.4	298.1

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.

3. Excludes exploration and corporate/administration.



Prudent financial management and planning are central to the successful delivery of Petra's strategy to significantly grow production and to further its stature as a leading independent diamond company.

David Abery
Finance Director

On-mine US\$ cash costs remained relatively flat, due to:

- » the treatment of higher tonnages across the operations versus FY 2013 (5% increase);
- » inflationary increases, including the impact of electricity and labour costs (8% increase); and
- » positively offset by the depreciating Rand against the US Dollar (13% decrease).

Certain cost categories in South Africa, in particular electricity and labour, increased in excess of South African inflation (South African CPI stood at circa 6.0% at 30 June 2014), but Petra's cost focus, coupled with higher tonnage throughput, enabled the Group to partially mitigate the direct effect of inflationary pressures on a cost per tonne basis.

Electricity prices in South Africa rose by 8% during the Year and a further increase in electricity prices of 10–13% is expected for FY 2015. Petra's electricity usage accounted for approximately 15% of South African cash on-mine costs for FY 2014 (FY 2013: 14%).

In South Africa, labour accounted for approximately 42% of on-mine cash costs at the pipe mines (Finsch, Cullinan, Koffiefontein, Kimberley Underground). Further to its recent labour negotiations in South Africa, Petra has recently concluded a three-year wage agreement with the NUM for a 10% increase per annum for the period FY 2015 to FY 2017. For FY 2015, the lower level of increases for the remainder of the workforce, with the top management team at 4%, will result in an average wage increase for the Group of circa 8.2%.

As the bulk of Petra's operating costs are incurred in ZAR, the weakening of the average ZAR exchange rate against the US Dollar (FY 2014: R10.34/US\$1 versus FY 2013: R8.84/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 on pages 32 to 39.

Profit from mining activities

The Company's profit from mining activities (revenue less adjusted mining and processing costs plus other direct income) increased 40% to US\$201.1 million (FY 2013: US\$143.8 million), driven by increased production and sales for the Year, the aforementioned exceptional FY 2014 diamond sales, and a stable environment for diamond pricing. Despite mining being currently limited to mature and diluted areas at most of the operations, profit from mining activities for the Group reflected an overall margin of 43% for the Year (FY 2013: 37%).

Financial Review

continued

Corporate overhead decreased to US\$10.6 million for the Year, a good achievement considering the continued growth of the Company and evidence of management's ongoing focus on cost control.

Adjusted operating cashflow

Adjusted operating cashflow (IFRS operating cashflow adjusted for the cash effect of the movement in diamond debtors between each financial year end, excluding unrealised foreign exchange translation movements) of US\$181.2 million was considerably higher than FY 2013 (US\$132.8 million) due to the growth recorded in revenue and profit from mining activity.

Operating cashflow was US\$196.1 million (FY 2013: US\$73.0 million) but management considers the adjusted figure to be a more useful view of the underlying growth in operating cashflow as the IFRS figure does not reflect the level of diamond debtors at Year end of US\$55.4 million (30 June 2013: US\$74.8 million) – refer to the "Cash and diamond debtors" section.

Exploration

Petra maintains a focused exploration programme in Botswana. Exploration expenditure (before depreciation) for the Year of US\$2.8 million (FY 2013: US\$4.8 million) decreased due to reduced drilling and sampling costs incurred (refer to the "Exploration" section for further information on exploration activities) and the weakening Pula against the US Dollar. Petra expects exploration spend to be circa US\$4.5 million in FY 2015.

Corporate overhead – general and administration

Corporate overhead (before depreciation and share-based payments) decreased to US\$10.6 million for the Year (FY 2013: US\$11.4 million), a good achievement considering the continued growth of the Company and evidence of management's ongoing focus on cost control.

For FY 2015, the corporate general and administrative expense ("G&A") overhead is expected to be circa US\$11.0 million; management will continue to keep these central costs well controlled and managed.

Loss on discontinued operations (net of tax)

The loss on discontinued operations of US\$15.9 million relates to the Group's disposal during the Year of its interests in the Sedibeng and Star mines and is made up of a US\$2.4 million disposal consideration offset by the recycling of the foreign currency translation reserve of US\$8.5 million, a net asset disposal amount of US\$4.0 million (inclusive of a US\$3.1 million recycling of non-controlling interest) and a US\$5.8 million charge attributable to Sedibeng and Star's net loss for the period 1 July 2013 to 30 April 2014. For comparative purposes, the prior period results for Sedibeng and Star have been restated evidencing a loss of US\$8.4 million before the impairment charge of US\$12.6 million. Refer to note 10 on page 114 for the detailed breakdown.

Depreciation

Depreciation for the Year decreased to US\$41.7 million (FY 2013: US\$42.3 million), mainly due to a weaker Rand against the US Dollar, offsetting the effect of increased production on the units of production depreciation charge.

Net unrealised foreign exchange gains

The net unrealised foreign exchange gain of US\$3.6 million (FY 2013: US\$4.7 million loss) represents the effect of foreign currency retranslation of cross border loans considered to be repayable in the foreseeable future, at the Year-end closing rate.

Net financial expense

Net financial expense of US\$7.1 million (FY 2013: US\$3.3 million) is mainly comprised of:

- » net interest receivable from the black economic empowerment ("BEE") partners' loans of US\$3.6 million; offset by
- » a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US\$3.8 million;
- » a charge on the post-retirement pension and medical aid scheme of US\$2.6 million;
- » a foreign exchange loss of US\$3.1 million on the settlement of inter-company loans and forward exchange contracts; and
- » interest on the Group's Absa/RMB/IFC debt and working capital facilities of US\$1.7 million (stated after the capitalisation of interest of US\$9.7 million associated with the funding of assets under development).

Tax charge

The tax charge of US\$41.0 million (FY 2013: US\$25.1 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 costs

As a result of the business review carried out at Helam in H2 FY 2014, management reviewed the carrying value of the operational assets at Helam and recognised an overall impairment loss of US\$13.9 million (FY 2013: US\$nil). This impairment loss is 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 7 on page 111.

Adjusted net profit after tax

An adjusted net profit after tax of US\$93.7 million was recorded for the Year (FY 2013: US\$53.6 million), adjusted for impairment charges, net unrealised foreign exchange gains and losses and loss on discontinued operations. These adjusted profit figures are considered to be more appropriate in comparing results year-on-year.

The Company recorded an adjusted basic earnings per share of 14.82 cents per share (FY 2013: 11.34 cents per share).

Group profit

The Group's net profit after tax increased 142% to US\$67.5 million (FY 2013: US\$27.9 million).

Capex summary

	FY 2014 (US\$m)	FY 2013 (US\$m)
Finsch	67.8	48.6
Cullinan	93.1	89.0
Koffiefontein	30.7	20.4
Kimberley Underground	10.1	21.6
Williamson	8.9	11.7
Helam	1.0	7.0
Subtotal – Capex incurred by operations	211.6	198.3
Petra internal projects division – Capex under construction/invoiced to operations	(2.5)	(12.5)
Administration/exploration	2.1	5.4
Total Group Capex	211.2	191.2

Cash and diamond debtors

As at 30 June 2014, Petra had cash at bank of US\$34.0 million (30 June 2013: US\$26.2 million). Of these cash balances, US\$20.2 million (30 June 2013: US\$14.1 million) was held as unrestricted cash, US\$12.1 million (30 June 2013: 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\$1.7 million (FY 2013: 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 (relating to the June 2014 tenders and settled shortly after Year end) at 30 June 2014 were US\$55.4 million (30 June 2013: US\$74.8 million).

Diamond inventories

As at 30 June 2014, the Company had diamond inventories of US\$27.0 million, 321,948 carats (30 June 2013: US\$31.5 million, 348,403 carats), including the 122 carat blue diamond recovered at Cullinan during June 2014. Diamond inventories are recorded at the lower of cost and net realisable value.

BEE loans receivable

The BEE loans of US\$89.2 million (FY 2013: US\$85.2 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 these mines.

The increase in the BEE loans in FY 2014 is due to interest accruing on the loan balances, partially offset by the retranslation of the Rand-based loans into US Dollars (FY 2014: R10.63/US\$1 versus FY 2013: R9.88/US\$1). The BEE loans are included in 'Loans and other receivables' under 'Non-current assets' on the face of the Consolidated Statement of Financial Position.

Loans and borrowings

The Group had loans and borrowings at Year end of US\$170.5 million (30 June 2013: US\$150.6 million), comprising bank loans and borrowings of US\$158.9 million (30 June 2013: US\$147.0 million) and utilisation of US\$11.6 million (30 June 2013: US\$3.6 million) of foreign exchange settlement lines.

At 30 June 2014, the Group had debt facilities (including the foreign exchange settlement lines) undrawn and available to the Group of US\$39.9 million (30 June 2013: US\$71.3 million).

Other liabilities

Other than trade and other payables of US\$70.0 million (comprising US\$20.4 million trade creditors, US\$26.4 million employee-related accruals and US\$23.2 million other payables), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, amounts owing due to the financing of the BEE partners' interests in Cullinan and Finsch, post-retirement employee-related provisions and deferred tax.

Capex

Total Group Capex for the Year was US\$211.2 million (FY 2013: US\$191.2 million), in line with the roll-out of the Group's expansion programmes. The total Capex figure comprised of operational Capex of US\$211.6 million (FY 2013: US\$198.3 million), administration and exploration Capex of US\$2.1 million (FY 2013: US\$5.4 million) less inter-Group eliminations due to the Group's internal projects division of US\$2.5 million (FY 2013: US\$12.5 million).

Operations Capex for the Year was US\$211.6 million (FY 2013: US\$198.3 million), split as to US\$157.5 million on expansion Capex (FY 2013: US\$138.8 million), US\$44.4 million on sustaining Capex (FY 2013: US\$47.2 million) and US\$9.7 million on capitalised borrowing costs with regards to the expansion Capex (FY 2013: US\$12.3 million).

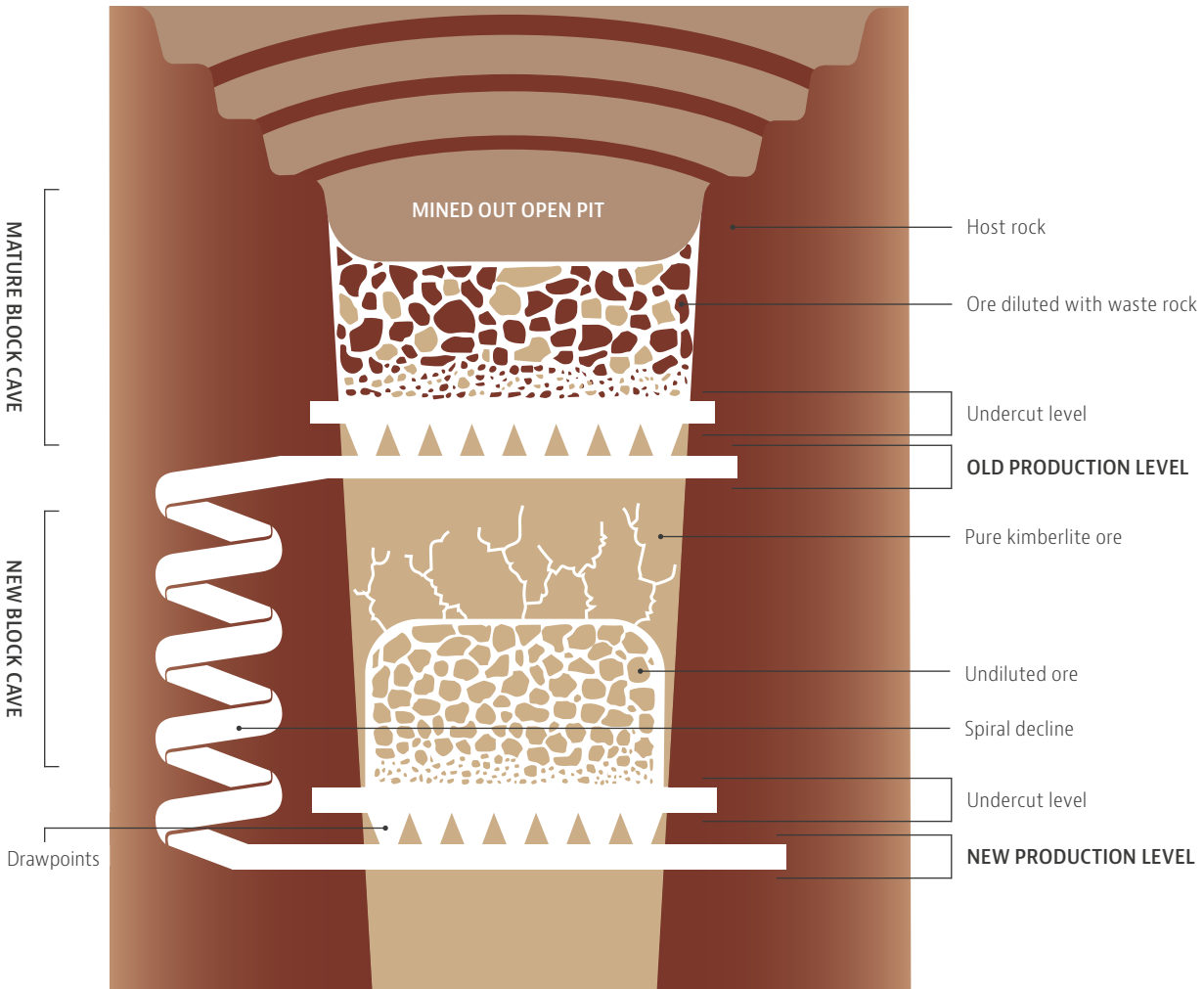
Capex includes circa US\$10 million of spend in addition to original FY 2014 guidance that related to scope changes at Koffiefontein and the bringing forward from FY 2015 of spend on equipment purchases at Cullinan and Finsch.



David Abery
Finance Director
17 October 2014

Moving to undiluted ore

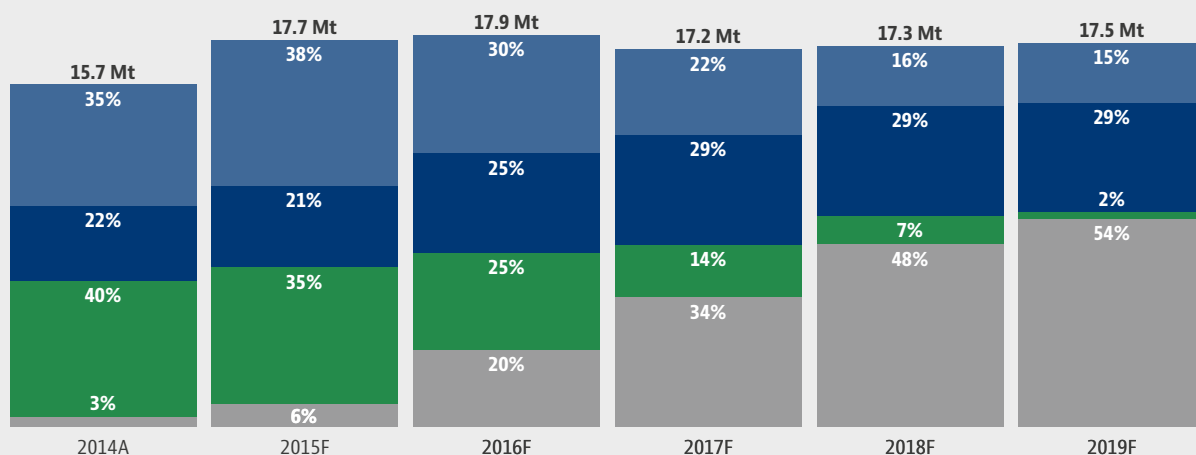
Petra's business will be transformed once its expansion programmes have opened up access to new blocks of ore, undiluted by waste rock.



About block caving

- » Cave mining (either block or sub level) is used by Petra at its underground mines in South Africa: Finsch, Cullinan, Koffiefontein and Kimberley Underground.
- » Block caving is a well-established and safe mechanised mining method that was first introduced for kimberlite mining in Kimberley, South Africa, in 1951.
- » It is now used extensively as an underground mining method as it allows for the bulk mining of large orebodies and can provide a higher extraction percentage of ore than other underground mining methods.
- » The method works by first delineating a new block or level of ore to be mined. An 'undercut' zone is driven through the orebody, which is then drilled and blasted progressively in order to create a void into which initial caving of the overlying ore can take place.
- » The kimberlite orebody is inherently weaker than the host rock and will start to collapse into the void, breaking and grinding into smaller and smaller pieces which can then be extracted from a large number of drawpoints which have been set up across the orebody. By drawing continually from the drawpoints in a set sequence, the caving process can be controlled and set up to last over a significant mine plan (typically over 10 to 20 years, being mostly dependant on the height of the block).
- » It is initially a capital intensive process, requiring considerable investment in infrastructure and development before production can commence. However, once a cave is self-propagating, it is a low cost mining method as it primarily uses gravitational energy to break up the ore. Block caving also lends itself to significant automation to produce an underground "rock factory".

Split of Petra's production profile from different ore sources million tonnes mined



► Diluted/mature underground ROM ► Undiluted/fresh underground ROM ► Williamson ROM ► Total tailings/other¹

1. 'Other' includes Ebenhaezer tonnes from Koffiefontein and alluvial tonnes from Williamson

Moving from diluted to undiluted ore

- » Since acquiring each of its underground mines in South Africa, Petra has been operating in mature caves, where the existing block of ore to be mined has been nearly depleted.
- » Once the majority of the ore in one block has been removed, waste from the side walls of host rock and the open pit above will start to fall into the cave and subsequently report to the drawpoints, thereby heavily diluting the material being extracted. This means that the overall diamond content per tonne mined ("grade") is much lower than that of the pure kimberlite ore.
- » Petra's expansion programmes are designed to take the next 'cut' by deepening and establishing new sub level and block caves in undiluted kimberlite.
- » As the development plans progress, the grade of each tonne mined is therefore expected to rise significantly, increasing the margin per tonne mined.
 - » Finsch: the grade is expected to rise from 38.1 cpht in FY 2014 to circa 58 cpht by FY 2017.
 - » Cullinan: the grade is expected to rise from 27.8 cpht in FY 2014 to +50 cpht by FY 2019.
- » By accessing undiluted ore, the Company will reduce wear and tear on its processing systems (waste rock is harder and more abrasive than kimberlite).

What this means for Petra

The shift in Petra's production profile from mostly diluted to mostly undiluted ore at Finsch and Cullinan is expected to be the major contributor which will see the Group's operating margin rise from 43% in FY 2014 to +50% in FY 2019.

It will also mean that the Group can achieve production growth of circa 60% by FY 2019, despite the fact that Petra will only be mining 11% more tonnes than FY 2014, due to the fact that each new undiluted tonne to be mined will contain significantly more diamonds.

Petra has a high level of confidence in the average grade of the pure kimberlite ore at its mines, based on years of actual operating results.

▲ Increasing grade

▲ Higher quality diamonds

▲ Rising margins

Finsch

One of the world’s major diamond mines, Finsch benefits from top-quality infrastructure including a modern processing plant.



Production Supervisor gives safety instructions to an LHD Operator.

Revenue Contribution

39%

Production Carats

(ROM + Tailings)

1,885,160 +33%

Revenue

US\$183.7m +14%

Average Price Per Carat

US\$99 -18%



Output

Excellent production performance, contributing 1.89 Mct for FY 2014.



Recoveries

Plant bottom cut-off lowered to capture the high quality smaller stones.



Efficiencies

Value accretive scope change to enlarge Block 5 SLC mining area and accelerate ramp up to 3.5 Mtpa.



Responsibility

Targeted internal training programmes to support our women in mining.

Performance in FY 2014

Finsch performed strongly for the Year, contributing 1,885,160 carats (FY 2013: 1,412,465 carats) and revenue of US\$183.7 million (FY 2013: US\$160.6 million).

The 33% increase in production for the Year is attributable to a 12% increase in ROM tonnes treated coupled with changes to the plant. As previously reported, Petra lowered the plant bottom cut-off at Finsch in Q4 FY 2013 in order to capture the high quality smaller stones present within the orebody. This resulted in a higher estimated ROM grade of 38.1 cpht in FY 2014 (FY 2013: 34.1 cpht) (which is expected to stay effectively flat for FY 2015) and a higher estimated tailings grade of 29.1 cpht (FY 2013: 20.1 cpht).

Costs

The on-mine cash cost of ZAR146/t (FY 2013: ZAR139/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 5% unit cash cost increase compared to South African CPI of 6%.

Development plan

Petra’s development plan at Finsch is due to increase production from 1.89 Mct in FY 2014 to circa 2 Mctpa by FY 2017. Petra’s initial mine plan has a life of 16 years, but resources in Block 6 and the adjacent Precursor kimberlite orebody, which sits next to the main body of the Finsch kimberlite pipe, are expected to prolong the actual LOM for considerably longer. The mine has a significant gross resource of 51.3 Mcts.

Production is currently entirely from Block 4 on the 630 mL, which is a mature block that has been largely mined out, resulting in the ore being 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 SLC mining method over four levels in Block 5 from 700 mL to 780 mL. The new Block 5 Cave will then be installed at 900 mL.



A schematic of the Finsch mine and orebody is available on Petra’s website petradiamonds.com/investors/analysts/analyst-guidance

On 18 August 2014, Petra announced a value accretive scope change at Finsch which will provide for the enlargement of the mining area of the Block 5 SLC and the acceleration of the ramp up to its steady state production level of 3.5 Mtpa by FY 2018 as opposed to by FY 2021. This has been made possible by enlarging the footprint of the SLC, as well as by opening up access from the 630 mL to the 780 mL to mine the South West Precursor.

The scope change has added circa ZAR160 million to the mine's FY 2015 Capex; however, Petra's internal company models show that it enhances overall project NPV (10% discount rate) by circa US\$100 million on a 100% attributable basis. It has also served to defer the capital required for the main Block 5 Block Cave, reducing overall expansion capital by circa ZAR350 million for the period FY 2017 to FY 2019 compared to previous guidance.

During FY 2014, the development of the declines at Finsch continued apace, with a total of 4,055 development metres delivered during the Year (FY 2013: 2,311 metres). Raiseboring activities continued throughout FY 2014 and yielded 302 metres (FY 2013: 165 metres).

As the mine's production profile gradually changes from diluted to undiluted ore, the ROM grade is expected to increase to

circa 46 cpht by FY 2016 and to circa 58 cpht from FY 2017 onwards (up from previous guidance of 56 cpht, more accurately reflecting the impact of the plant changes).

The Block 5 Block Cave expansion capital (post FY 2019) is guided at circa ZAR260 million per annum (FY 2015 money terms) to be incurred over the five-year period FY 2020 to FY 2024, with this new block cave contributing 3.5 Mtpa from FY 2023/FY 2024 up to FY 2030 at an average recovered grade of circa 60 cpht.

Treatment of the 'Pre 79 Tailings' is planned at 2.6 Mt for FY 2015 and is expected to be mined for a further three years (including FY 2015) at a grade of 27.3 cpht (also increased from prior year guidance as a result of the aforementioned plant changes). The Pre 79 Tailings grade is guided at circa 25 cpht for FY 2016 and circa 22 cpht for FY 2017. The treatment of the 'Post 79 Tailings' material has been removed from the mine plan.

Capex

Capex of US\$67.8 million for the Year (FY 2013: US\$48.6 million) reflects the progression of the expansion project and associated underground development in FY 2014. 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](http://petradiamonds.com/operations/operating-mines/finsch)

Women in mining

Women are a fundamental and unique part of any workforce and therefore it is important to Petra that they are properly represented within the Group.

As part of our strategy to attract, retain and support females in our workforce, a 'Women in Mining' forum was established in FY 2014 and targeted training programmes are provided.



An "on-the-job" assessment being carried out with a Women in Mining trainee at the dust scrubber at 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.



The Cullinan mine.

Revenue Contribution

35%

Production Carats

(ROM + Tailings)

823,619 -5%

Revenue

US\$162.8m +22%

Average Price Per Carat

US\$185¹ +13%

1. US\$146 per carat excluding exceptional diamonds.



Output

Volatility in ROM grade impacted output, but Petra has a number of initiatives in place to address this.



Recoveries

Average value per carat significantly higher than expected, assisted by the sale of two exceptional diamonds.



Efficiencies

Longer-term unit cost efficiencies from simplified ore-handling and plant streamlining.



Responsibility

Phytoremediation research project to clean mine effluent.

Performance in FY 2014

Cullinan’s revenue increased to US\$162.8 million (FY 2013: US\$133.0 million) despite slightly lower production, due to a higher contribution from ‘exceptional’ (+US\$5 million) diamonds. Cullinan is renowned as an important source of large top-quality white diamonds and very rare top-quality blue diamonds, and in FY 2014 the mine produced a 126.4 carat white diamond that sold for US\$8.5 million in December 2013 and a 29.6 carat blue diamond that sold for US\$25.6 million in February 2014.

Production in FY 2014 decreased 5% to 823,619 carats (FY 2013: 868,975 carats) mainly due to a reduced ROM grade of 27.8 cpht (FY 2013: 30.7 cpht). This was partially offset by increased tailings production of 116,891 carats (FY 2013: 73,605 carats), with tailings throughput increasing to 2.1 Mt (FY 2013: 1.5 Mt).

Petra is currently mostly operating in ‘mature’ production areas at Cullinan, which are highly diluted by the ingress of waste rock. This will therefore result in ROM grade volatility until the expansion programmes open up access to undiluted ore from the new C-Cut Phase 1 block cave from FY 2016 onwards.

The lower ROM grade of 27.8 cpht achieved for the Year was due to 85% of the tonnes being sourced from highly diluted areas, compounded by increased waste from the development activities, which is processed through the plant as there are no separate waste handling facilities at the mine.

Petra has a number of initiatives in place to mitigate the diluted ROM grade at Cullinan, including opening up access to tonnages from the BA5 area at the 645 mL and in the BA-West area, as well as by the migration of mining from the more diluted AUC North area to the AUC South area. An initiative is also in place to negate the development waste impact on plant efficiencies (refer to the “Development plan” section).

Costs

The on-mine cash cost at Cullinan reduced slightly to ZAR154/t (FY 2013: ZAR158/t) mainly due to the increased volumes of lower cost tailings throughput. In the 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 199.6 Mcts (including 17.2 Mcts in tailings), and the Company is capitalising on this by undertaking an expansion programme at the mine to take annual production to circa 2.2 Mcts by FY 2019 (comprising 2.0 Mcts ROM and 0.2 Mcts tailings).

This expansion plan will establish a new block cave, known as C-Cut Phase 1, 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 16 years, but the major residual resources at the mine indicate that the actual LOM could be in excess of 50 years.

The shaft deepening and underground development at Cullinan continued to progress in line with expectations, with the C-Cut Phase 1 waste development yielding a total of 5,597 metres for FY 2014 (FY 2013: 4,147 metres), while raiseboring delivered 854 metres (FY 2013: 626 metres). Kimberlite development preparing the new block cave has now commenced, with 72 metres developed by Year end.

In FY 2015 there will be an increase in production of undiluted kimberlite tonnes, as well as a reduction in development waste, and the percentage of tonnages pulled from diluted areas is therefore expected to decrease to 78%. Development activities are also now shifting towards tunnel development through the orebody (kimberlite development, rather than surrounding host rock development); therefore the total waste content in the

tonnes mined will reduce by up to 30% compared to FY 2014. The impact of development waste on plant efficiencies will be further negated through the introduction of an NIR (near infrared) waste sorting machine that can identify and remove waste in the coarser size fractions. This is planned to be operational from Q2 FY 2015.

FY 2015 ROM tonnes treated are guided at circa 2.7 Mt, with a gradual increase in tonnes treated to 4.0 Mtpa by FY 2019. The ROM grade is expected to increase from circa 27.8 cpht in FY 2014 to in excess of 50 cpht by FY 2019, when Cullinan's C-Cut Phase 1 block cave is in full production.

The tailings programme at Cullinan is expected to reach its steady state level of 2.7 Mt in FY 2015 at a grade of circa 6.2 cpht, increasing to circa 7.5 cpht by FY 2016, following commissioning of the re-crush circuit.

Capex

Capex of US\$93.1 million for the Year (FY 2013: US\$89.0 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 project to open up access to ore on the 645 mL in the BA5 area.

+ A schematic of the Cullinan mine and orebody is available on Petra's website petradiamonds.com/investors/analysts/analyst-guidance

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

Skills training at Cullinan

In South Africa, our operations plan and budget for 'portable skills training', which is intended to develop skills that employees can use for self-employment at the end of their careers or in the instance of mine closure.

The Cullinan mine plays an active and supportive role in its local community to promote better education standards and skills.

In FY 2014, the technical workshop and classrooms at Chipa Tabane High School in Refilwe were renovated and equipped, with the mine also contributing to the ongoing development of the students.



Carpentry skills training from Cullinan.

Koffiefontein

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



The Koffiefontein mine at dusk.

Revenue Contribution

6%

Production Carats (ROM + Tailings/Ebenhaezer)

50,375 +45%

Revenue

US\$26.7m +61%

Average Price Per Carat

US\$542 +15%



Output

Production increased by 45% and revenue by 61%.



Recoveries

High average value per carat of US\$542 achieved in FY 2014.



Efficiencies

Value accretive scope change to enlarge SLC and access opened up to 520mL production areas.



Responsibility

Teacher support programme provides assistance to local school.

Performance in FY 2014

Koffiefontein is one of the world's top kimberlite mines by average value per carat, achieving US\$542 for FY 2014, despite the fact that the overall average has to some extent been reduced by the higher proportion of lower value tailings/Ebenhaezer production in the total sales mix.

Diamond production increased by 45% in FY 2014 to 50,375 carats (FY 2013: 34,800 carats), largely owing to increased treatment of recovery tailings (which have a significantly higher grade than ordinary tailings material), supplemented by ore from the Ebenhaezer satellite pit. A 22% increase in ROM production yielded strong prices in H2 FY 2014, given the increased contribution of higher value ROM carats. Revenue therefore increased 61% to US\$26.7 million for the Year.

Costs

The on-mine cash cost increased to ZAR293/t, due to the higher proportion of underground ROM tonnes treated during FY 2014, compared to FY 2013. At Koffiefontein, the mining and treatment of underground ROM tonnes has a substantially higher operating

cost per tonne, compared to the mining and treatment of surface tonnes. The nature of treating recovery tailings is that they are processed in lower volumes than normal tailings and therefore record a higher cash cost per tonne, but with an associated higher value per tonne recovered.

Development plan

Petra's expansion plan at Koffiefontein will increase production from 50,375 ctpa in FY 2014 to circa 100,000 ctpa by FY 2017 (underground only). Petra's current mine plan has a life of 11 years, but the residual resources at the mine indicate that the actual LOM could be in excess of 20 years.

As at Finsch, management has identified the opportunity to put in place a value accretive change of scope to the mine plan at Koffiefontein, which involves the installation of an SLC, before putting in place a new block cave. Whereas previously Petra's plan was to mine the SLC from 560 mL to 580 mL, the revised mining scope will expand the footprint of the SLC to a depth of 600 mL. Development on the 560 mL of the SLC is well advanced, with production to commence during Q2 FY 2015.

Sample results carried out on the 560 mL SLC material also confirmed the previously guided grade of circa 9 to 10 cpht and resulted in a significant increase in Koffiefontein's guided average ROM price to US\$800/carat.

In addition to the SLC, Petra has opened up access to new production areas on the 520 mL area, which will commence operation during Q1 FY 2015. The change in scope outlined above results in FY 2015 expansion Capex of circa ZAR198 million, an increase on prior guidance of circa ZAR90 million.

Management has focused on the bottleneck issues that have been experienced in the past and expects the improvements made at the mine to produce results in FY 2015 and onwards. ROM throughput is expected to increase to 0.74 Mt in FY 2015, at a grade of circa 9.3 cpht, rising to 1.1 Mt by FY 2017 in line

with previous guidance. Grades are expected to remain steady over this period at 9 to 10 cpht. The increase in contribution from underground ROM production is expected to increase recovery of the larger and more valuable stones (including Type II diamonds) for which Koffiefontein is well known.

Surface mining of the Ebenhaezer satellite pit will continue in FY 2015 with circa 0.8 Mt planned to be treated at a grade of 2 to 3 cpht. Mining of the Ebenhaezer pit is expected to continue for two years (including FY 2015), in order to supplement the underground ROM tonnes.

Capex

Capex for the Year of US\$30.7 million (FY 2013: US\$20.4 million) was primarily applied to underground development and the purchasing of plant, mining and surface equipment.



A schematic of the Koffiefontein mine and orebody is available on Petra's website petradiamonds.com/investors/analysts/analyst-guidance



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

Koffiefontein supports the next generation

Koffiefontein provides assistance at its local Reikaeletse Secondary School in the form of its teacher support programme. The aim of the project is to inspire and support the next generation of students, enhancing their skills in key subjects such as maths and science.

Koffiefontein also assists the younger generation, with contributions to a number of local crèches in the form of educational products and toys, play equipment, furniture and appliances.



Assisting a student as part of the teacher support programme at Koffiefontein.

Kimberley Underground

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



Conveyor belt transporting ore at the Kimberley Underground plant.

Revenue Contribution

8%

Production Carats (ROM only)

126,917 +10%

Revenue

US\$38.8m +16%

Average Price Per Carat

US\$303 +3%



Output

Production increased 10%.



Recoveries

Wesselton plant completed final stages of commissioning.



Efficiencies

Wesselton stockpile of ca. 244kt available for future processing.



Responsibility

Renovations to and upgrade of facilities at local school.

Performance in FY 2014

The Kimberley Underground operation comprises three kimberlite pipe mines: Bultfontein and Dutoitspan (serviced by the Joint Shaft and the Joint Shaft plant) and Wesselton (serviced by the Wesselton Shaft and the Wesselton plant).

FY 2014 production increased 10% to 126,917 carats (FY 2013: 115,400 carats) and revenue increased 16% to US\$38.8 million. Recovered grades were marginally below management's earlier expectations, with the depletion of the Joint Shaft stockpile during H2 FY 2014. The remaining Wesselton stockpile contains circa 244,000 tonnes for future processing.

Costs

The on-mine cash cost increased to ZAR301/t (FY 2013: ZAR265/t) due to the start up of the Wesselton plant, increased maintenance costs and lower than planned volumes treated at Wesselton during the final stages of plant commissioning.

Development plan

Petra's mine plan at Kimberley Underground will take steady state production to 170,000 ctpa by FY 2016.

ROM tonnes planned for treatment in FY 2015 are guided as 1.17 Mt, remaining at circa 1.2 Mtpa from FY 2016 onwards, as supported by treatment results in Q4 FY 2014 reaching 261,000 tonnes, equating to an annualised rate exceeding 1 Mtpa.

Capex

Capex for the Year was 53% lower than the previous year at US\$10.1 million (FY 2013: US\$21.6 million) mainly due to the finalisation of the plant upgrades as well as limited underground capital during the initial phases of underground development.



A schematic of the Kimberley Underground mine and orebody is available on Petra's website petradiamonds.com/investors/analysts/analyst-guidance



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.

Dump truck transporting ore for the processing cycle at Williamson.



Revenue Contribution

11%

Production Carats (ROM and alluvial)

188,465 +15%

Revenue

US\$53.9m +29%

Average Price Per Carat

US\$303 +19%



Output

Increased tonnes treated delivered 15% higher production.



Recoveries

Ongoing plant refinements to improve recoveries.



Efficiencies

Continued increase in tonnages treated to improve unit costs.



Responsibility

Distribution of drinking water to the Williamson mine village and surrounding communities.

Performance in FY 2014

Williamson is an open pit operation, based upon the mining of the 146 hectare Mwadui kimberlite. The mine produces high quality diamonds, as evidenced by the average value of US\$303 per carat in FY 2014.

The mine has also been known historically for very rare pink stones and Petra was therefore encouraged by the recovery of a high quality 16.4 carat pink diamond at the mine in Q1 FY 2015, which was included in the Company's first sales tender of FY 2015 and sold for US\$2.2 million. Images of this beautiful pink can be viewed on the Company's website at: www.petradiamonds.com/media/image-library/diamonds.

The mine delivered increased production of 188,465 carats for the Year (FY 2013: 164,376 carats), further to the increase in tonnes treated in line with the progression of the mine's development plan.

ROM grades decreased 5%, partly due to excessive rainfall during Q3 FY 2014 which led to higher grade production areas being made inaccessible, as well as plant constraints which are being addressed. During Q4 FY 2014, 1 Mt of ROM material was treated, giving an annualised equivalent production level in excess of 3.6 Mtpa.

Costs

The on-mine cash cost of US\$12/t (FY 2013: US\$12/t) remained flat year-on-year due to increases in contractor rates, offset by increased tonnages treated.

Development plan

Petra's expansion plan at Williamson will see tonnage throughput ramp up to circa 5 Mtpa from FY 2017, which at a grade of circa 6.0 cpht is expected to deliver 300,000 ctpa. Petra's current mine plan for Williamson has a life of 19 years, but given that the Mwadui kimberlite hosts a major resource of 33.1 Mcts, there is potential to extend the LOM considerably.

The Williamson expansion plan is on track, with FY 2015 ROM tonnage throughput guided at circa 3.7 Mt, ramping up to 4.3 Mt in FY 2016 and then reaching steady state production of circa 5 Mtpa from FY 2017 onwards. The ROM grade is expected to be circa 5.6 cpht for FY 2015, rising to circa 6.0 cpht from FY 2016 onwards further to improved plant efficiencies.

Capex

Capex reduced to US\$8.9 million for the Year (FY 2013: US\$11.7 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.



A schematic of the Williamson mine and Mwadui orebody is available on Petra's website petradiamonds.com/investors/analysts/analyst-guidance



Resource Management and Exploration

Exploring for new economic kimberlites in Botswana and the careful management of our diamond resources to ensure sustainable operations for the Group.

Gross reserves and resources

Petra manages one of the world's largest diamond resources. This major resource suggests that the potential mine lives of Petra's assets could be considerably longer than the current mine plans in place at each operation, or could support significantly higher production rates. A summary of the Group's gross Reserves and Resources is above and the full 2014 Resource Statement is available on pages 148 to 151.

As at 30 June 2014, the Group's gross diamond resources (inclusive of Reserves) decreased 3% to 301.2 Mcts (30 June 2013: 309.6 Mcts).

Apart from depletion by mining activity, the main reasons for an overall decrease in gross diamond resources were the sale of the Sedibeng and Star fissure operations (1.2 Mcts), the application of a revised resource model at Williamson (resulting in the total Resource decreasing by 6.3 Mcts due to a lower grade attributed to the K1, K1A and K2/KT facies in the 'diatreme' portion of the orebody – currently not in the LOM business plan), and a 0.8 Mcts decrease in the total Resource at Kimberley Underground (mainly due to a reduced grade on the East Blow section of Dutoitspan, based on new sampling results).

These decreases were countered by a 0.5 Mcts increase at Finsch due to re-modelling of Finsch Block 4 with PCBC software, and a 0.6 Mcts increase at Koffiefontein due to the base of the mine's Resource being taken to 720 metres, based on new sampling results.

Gross reserves and resources status of the combined Petra Group operations as at 30 June 2014

Category	Tonnes millions	Grade c/pt	Contained diamonds Mcts
Reserves			
Proved	1.0	49.2	0.50
Probable	121.8	44.9	54.74
Subtotal	122.9	45.0	55.24
Resources			
Measured	14.5	7.1	1.03
Indicated	447.5	49.7	222.51
Inferred	1,289.9	6.0	77.61
Subtotal	1,751.9	17.2	301.16

As at 30 June 2014, the Group's gross diamond reserves increased 15% to 55.2 Mcts (30 June 2013: 54.4 Mcts), mainly owing to re-calibration of the Finsch Block 4 PCBC model and new PCSLC and PCBC modelling of the Finsch Block 5 SLC and Block Cave respectively.



Drill rig in operation in Botswana.

Exploration

Petra's exploration programme is concentrated on Botswana, the world's largest diamond producer by value and host to two of the world's largest diamond mines, Jwaneng and Orapa. With its high prospectivity, low risk profile and attractive fiscal regime, Petra considers Botswana to offer the most attractive environment for diamond exploration worldwide.

Petra continues to review its exploration holdings in Botswana and during FY 2014 the Company decreased the size of its 100% held diamond prospecting licences ground from circa 21,520 km² to circa 11,390 km² following the relinquishment of large tracks of well explored ground holdings.

KX36

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

Phase one of a +800 tonnes large diameter drilling ("LDD") campaign completed in FY 2013 rendered a total of circa 285 carats (including three stones of approximately 5 carats, two of which were of gem quality). This programme was followed up in FY 2014 by a third phase of narrow diameter drilling ("NDD") to improve delineation of the KX36 pipe and to provide additional geological and geotechnical information. Analysis and integration of this information into an updated 3D Gemcom model has led to the recognition and classification of mainly two different kimberlite facies – uniform coherent and transitional coherent.

Towards Year end, results from a third batch of circa 800kg of micro diamond samples (sampled by facies) became available. These results will be evaluated, together with the previously obtained micro and macro diamond results, to increase the confidence in further diamond size distribution and diamond content modelling.

Significant work is required to increase the confidence levels of both the grade and the average diamond value of the deposit, which will involve a second phase of LDD sampling, commencing in early FY 2015. The aim of this programme is to obtain circa 720 carats for a more representative diamond parcel of circa 1,000 carats which will be used for further resource modelling and diamond value determination.

KX36 surrounding area

The high resolution regional deflation sampling programme that commenced late FY 2012, covering kimberlite KX36 and the immediate surrounds, has been completed. An anomalous zone trending south west of KX36 has been defined by visually identified and probed kimberlite indicator mineral ("KIM") recoveries from 7,750 samples. This broad KIM anomaly seems to break up into several separate anomalies.

Following the analysis, interpretation and final integration of all data obtained to date for the KX36 region (a combination of SkyTEM Heli-borne Electromagnetic data, geological and

geophysical data), 16 selected targets in relatively close proximity to KX36 were drilled to a cumulative depth of circa 2,100 metres. The drilled targets were mainly electromagnetic and magnetic anomalies selected within a high interest area with respect to the kimberlitic indicator distribution. No new kimberlites were discovered.

At Year end, a complete data package was handed over to external consultants for a thorough review of all KX36 region exploration work done to date.

Kokong Field

Further to the award of three new prospecting licences to the east and adjacent to the Kokong kimberlite field, a 6,286 line-km low-level hi-res (Xcalibur) aeromagnetic survey was conducted over a portion of the newly issued licence PL189/2014 in this project area. Ground geophysical follow-up of high interest targets has already commenced and will continue into FY 2015.

Manica Minerals Co-operation Agreement

During the Year, the Company announced a diamond exploration co-operation agreement ("Agreement") with Manica Minerals Ltd ("Manica"), which is led by Dr Peter Hildebrand and Dr John Gurney, the renowned kimberlite expert. The Agreement is an exciting development for Petra, due to the combined kimberlite exploration skills and expertise in both Manica and Petra, and provides the Company with access to an additional circa 18,200 km² of highly prospective land holdings in the Jwaneng and Orapa areas.

Work on the Manica prospecting licences held in the Orapa area commenced in earnest in the middle of the Year with a detailed historical data review and geophysical target generation exercise, followed by high resolution ground magnetic follow-up over selected targets. This area is also host to several known kimberlites, and particular attention will be given to the initial evaluation of these previously identified kimberlites with respect to size, mineral chemistry and diamond-bearing potential.

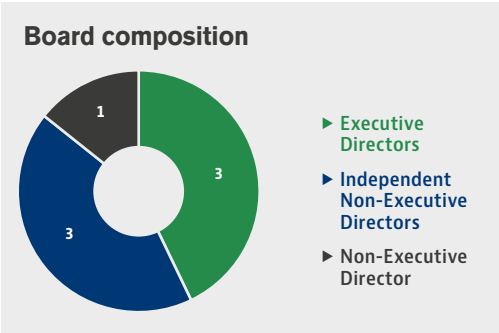
To this end, a circa 1,300 metres Reverse Circulation ("RC") drilling programme was carried out in Q1 FY 2015. Material obtained through this programme has been submitted for Mantle Mapper™ analysis, a procedure developed by Mineral Services (under the auspices of Dr Gurney), for quantitatively analysing the abundance and composition of key indicator minerals in kimberlite to allow reliable evaluation of the diamond potential of the host orebody.

Jim Davidson
Technical Director
17 October 2014

Governance Overview



Adonis Pouroulis
Non-Executive
Chairman



Dear Shareholder

As Chairman, one of my core responsibilities is to ensure effective corporate governance throughout the Group, thereby:

- » protecting the interests of shareholders and other stakeholders;
- » abiding by our ethical principles; and
- » upholding the high value placed upon our unique product.

The above objectives are considered integral to ensuring the long-term sustainability of our business.

Overview

As an LSE Main Market listed company, Petra is subject to the UK Corporate Governance Code 2012 ("the Code"), which is recognised as one of the world's most comprehensive governance standards. The Corporate Governance Statement on pages 54 to 61 sets out in full how Petra adheres to the Code in spirit and practice.

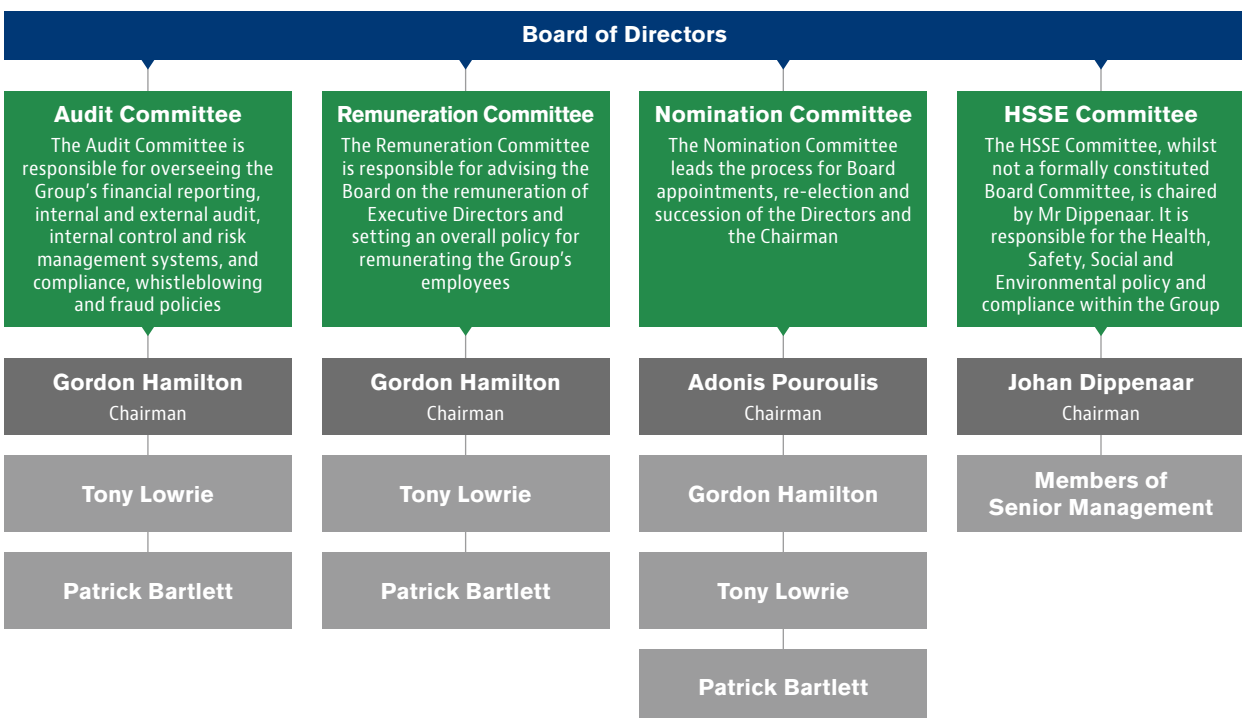
The ability of the Company to continue to strengthen its governance practices, in line with its increasing size and stature and also to reflect the ever changing nature of the governance and regulatory landscape, remains a core focus for me, personally, my fellow Board members and Petra's Senior Management.

The Group's growth profile is exciting but it also presents challenges, which are being addressed by continuing to build on our organisational capacity with enhanced systems and structures. We remain highly focused on delivering Petra's growth profile in the right way and without compromising our core values.

+ Read more about our values at petradiamonds.com/about-us/our-vision-and-values

Governance structure

The Board delegates certain duties and responsibilities to its Committees, whose terms of reference are published on Petra's website www.petradiamonds.com/about-us/corporate-governance/board-committees. The Audit and Remuneration Committees are wholly composed of independent NEDs to ensure their independence, while the Nomination Committee is composed of independent NEDs and chaired by the Company's Chairman. The Committees are provided with the requisite support and information to enable them to discharge their duties.



Governance Performance in FY 2014

Board Strategy and Performance

The Board made good headway with its objectives in FY 2014, particularly with regards to strategy, risk management/internal controls and Board process. Board and Committee composition has been identified as an area for focus in FY 2015, particularly taking into account the importance of diversity. Read more about the Board's performance for the Year on page 57.

Independent Board Evaluation

The Board's first external review process was carried out in May 2014 and included a thorough and independent evaluation of its performance. Read more about the process on page 59.

Director Training

My fellow Directors and I participate in various ongoing professional development courses and training opportunities. During the Year a formal training session for the full Board and the investor relations team was held. Topics chosen were highly relevant to Petra's business. Read more on page 58.

A New Reporting Era

There have been a number of significant changes with regards to UK company reporting which have come into effect recently and trends that are redefining how companies approach corporate reporting. There is a clear demand from investors for corporate reporting that provides a clear and concise explanation of a business's strategy, performance, risks and opportunities in a manner that 'cuts the clutter'; additional reporting requirements for the Audit Committee; new regulations with regards to remuneration (covered in the Directors' Remuneration Report on pages 74 to 90); and important new sustainability disclosure requirements covering greenhouse gas emissions, diversity and human rights. The Board is also now responsible for reviewing and signing off an Annual Report and Accounts that is considered to give a 'fair, balanced and understandable' view of the business as a whole.

We welcome such changes, which require companies to focus on the reporting of material issues and to provide shareholders with an integrated view of key opportunities and risks that could affect a company's development and performance.

While all businesses should be forward looking, mining is especially a long-term industry, which requires considerable strategic thinking, planning and action today in order to achieve results in the future. This is evidenced by the investment and expansion plans we currently have in place in order to reach our target of circa 5 million carats by FY 2019. Providing transparent information on the Company and its strategy was already in line with Petra's approach to reporting – read more on page 60 in 'Shareholder Communication – Strategy'.

Risk Management


The Board, on the recommendation of the Audit Committee, approved the formation of a Group risk management/internal audit department during the Year and, post Year end, an experienced Group Risk and Internal Audit Manager was appointed. Read more on page 67.

A Culture of Integrity

The Board and Senior Management of Petra fosters a Group culture from the top down of integrity, diligence and accountability, backed up by a real passion for what we are doing. Our aim is to maintain this positive culture as Petra continues to grow and progress its mission to build a leading, independent diamond mining group.

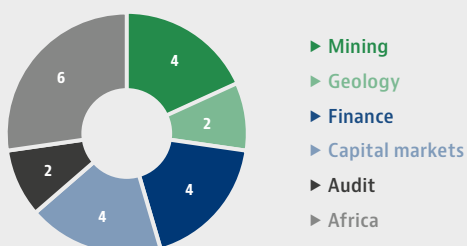
Feedback

The views of our stakeholders are important to Petra. If any shareholder would like to speak to me or the Senior Independent Director about the contents of this Report, they should get in contact via our Corporate Communications team based in London (see page 152 for contact details).

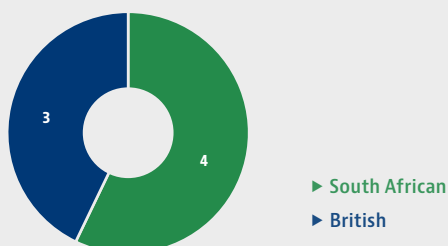


Adonis Pouroulis
Non-Executive Chairman
17 October 2014

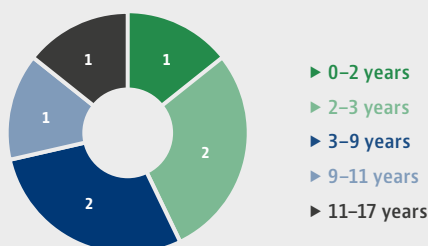
Directors' experience/backgrounds



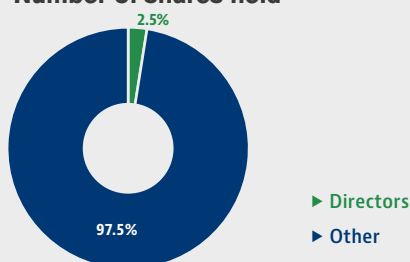
Directors' nationality



Tenure of Directors



Number of shares held



Board of Directors

**Name and title**

Adonis Pouroulis (44)
Non-Executive Chairman

Johan Dippenaar (57)
Chief Executive

David Abery (51)
Finance Director

Appointment date

March 1997

June 2005

July 2003

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.

Mr Dippenaar leads the management of the Group, implements the agreed strategy and runs the business on a day-to-day basis. He is a member of the Executive Committee and chairs the HSSE Committee.

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

Qualifications

Mining Engineer – University of Witswatersrand, South Africa

Chartered Accountant – member of the South African Institute of Chartered Accountants

Chartered Accountant – ICAEW

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.

Since 1990 Mr Dippenaar has been involved in the leadership and management of diamond mining companies. Prior to his appointment as Chief Executive of Petra, he was Chief Executive 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 circa 175,000 carats in FY 2006 to 3.1 million carats in FY 2014, and establishing the Company as a leading independent diamond producer.

Mr Abery has many years experience as a chief financial officer in both the South African and UK business environments. He has been integral to the structuring and delivery of strategic Group corporate development, acquisitions and fundraisings at Petra. He is responsible for all matters pertaining to Petra's UK listing.

External appointments

Non-Executive Director of Chariot Oil & Gas plc

None

None

Board meetings attended

5 out of 5

5 out of 5

5 out of 5

Interest in the Company as at 30 June 2014¹

9,564,650 shares
(30 June 2013:
9,564,650 shares)

640,000 shares
(30 June 2013:
640,000 shares)

1,979,649 shares
(30 June 2013:
1,979,649 shares)

1. There have been no changes to the Director holdings since 30 June 2014 to the date of the Strategic Report.



Jim Davidson (69)
Technical Director

June 2005

Mr Davidson leads the technical management team and is responsible for the direction and implementation of the Group's technical and exploration programmes.

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

Mr Davidson has had a multidisciplinary professional career spanning 43 years and is an authority on the exploration, mining and beneficiation of diamond deposits worldwide. He was key to the building up of Crown Diamonds' fissure mine portfolio. Following the Crown merger with Petra, he continued in the role of Technical Director for Petra to oversee the technical and geological stewardship of the Group. Jim's unique tenure brings a specialist oversight across the full diamond process.

None

5 out of 5

640,000 shares
(30 June 2013:
640,000 shares)



Tony Lowrie (72)
Independent
Non-Executive Director

September 2012

Mr Lowrie is the Senior Independent Director and member of the Audit, Remuneration and Nomination Committees.

Royal Commission –
Sandhurst Military Academy

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.

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

5 out of 5

Nil shares
(30 June 2013: nil shares)



Dr Pat Bartlett (69)
Independent
Non-Executive Director

November 2011

Dr Bartlett is an Independent Non-Executive Director and member of the Audit, Remuneration and Nomination Committees.

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

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.

Director of the Board of Trustees for the De Beers Benefit Society and the De Beers Pension Fund

5 out of 5

Nil shares
(30 June 2013: nil shares)



Gordon Hamilton (69)
Independent
Non-Executive Director

November 2011

Mr Hamilton is an Independent Non-Executive Director, Chairman of the Audit and Remuneration Committees and a member of the Nomination Committee.

Chartered Accountant – ICAEW

Mr Hamilton retired from Deloitte 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, 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.

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

5 out of 5

100,000 shares
(30 June 2013: 70,000 shares)

Principal risks and uncertainties

The Group is exposed to a number of risks and uncertainties which could have a material impact on its performance and long-term development. The effective identification, management and mitigation of these risks and uncertainties is a core focus of the Group, as they are key to the Company's objectives and strategy being achieved.

Central to Petra's approach to risk management is having the right Board and Senior Management team in place, with such members combining extensive experience both of the specialist world of diamond mining, corporate governance, risk management, and the local operating conditions in South Africa, Tanzania and Botswana.

Risk management is the overall responsibility of the Board, assisted primarily by the Audit and HSSE Committees. Petra has the following risk management structure in place (see diagram below).

As a growing company, Petra is continually looking to adapt and strengthen its risk management processes. Post Year end, the Company appointed a Group Risk and Internal Audit Manager, who is currently working with the Finance Director and Audit Committee to agree the detailed scope and FY 2015 work programmes for internal audit. The recruitment of an appropriately resourced and experienced internal audit team, as well as a review of the Group Risk Registers to ensure the approach to risk and internal audit management addresses the appropriate areas, are also key objectives in the short term.

Given the long-term nature of the mining business, particularly taking into account the extensive life span of Petra's assets, the majority of the Group's risks are unlikely to alter significantly on a yearly basis. However, inevitably the level of risk can change, as could the Group's risk appetite.



Principal risks

A detailed review of the Group's principal risks and risk management for the Year can be found on pages 68 to 71.

RISK	RISK APPETITE	RISK RATING	NATURE OF RISK	CHANGE IN FY 2014
External risks				
Rough diamond prices	High	Medium	Long term	Lower – diamond prices increased over the Year, thereby assisting Petra revenues
Currency	High	Medium	Long term	Lower – the weaker Rand during the Year had a favourable impact on the diamond sales banked in Rands and the US Dollar reporting of operating costs
Country and political	High	Medium	Long term	No change – no material country/political changes affected Petra during the Year
Operating risks				
Safety	Low	High	Long term	Higher – while our overall safety performance improved in FY 2014, very regrettably one fatality was recorded
Mining and production	Medium	Low	Long term	No change – Petra did not experience any undue mining challenges in FY 2014
ROM grade volatility	Medium	Medium	Short term	Higher – volatility of ROM grade increased at the Cullinan mine
Expansion and project delivery	Medium	Medium	Medium term	No change – Petra's expansion plans remain materially on schedule and on budget
Labour relations	Medium	Medium	Short to medium term	Higher – Petra experienced some labour unrest during the Year, though with no material impact on Company performance
Strategic risks				
Financing	Medium	Low	Medium term	Lower – treasury management remains a core focus; Petra's expansion plans remain fully financed
Cost control and capital discipline	Medium	Medium	Long term	No change – Petra maintains strong control of operating costs, G&A and Capex
Retention of key personnel	Medium	Medium	Long term	No change – Petra's employment policies and terms are designed to attract, incentivise and retain individuals of the appropriate calibre.
Regulatory compliance	Low	Medium	Long term	No change – Petra is highly focused on materially meeting all requirements to maintain its licences to operate and comply with all other relevant laws and regulations

Sustainability

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



Risk assessment is carried out with the construction team at Koffiefontein before commencing work.

Petra publishes an annual Sustainability Report, which provides a detailed overview of the Group's approach to sustainability and its performance for the Year. This report can be accessed at www.petradiamonds.com/sustainability.

Strategy

Our strategy is to invest our resources in our mines – capital, in order to extend our mine lives, and people, in order to apply the expertise of our team.

We structure and plan our operations to ensure that all stakeholders receive maximum benefit from our presence. This approach aims to ensure long-term sustainable operations.



Petra's five core sustainability objectives are in alignment with our Values and with our Group strategy to 'Work Responsibly':

- 1 ensure that everyone works safely, in a 'zero harm' environment;
- 2 ensure that we work in harmony with our natural environment and manage resources appropriately;
- 3 ensure that we have sustainable relationships with all of the communities in which we operate;
- 4 ensure that we comply with relevant legislation in order to maintain our licence to operate; and
- 5 structure and implement all projects and practices with the long-term success of the Company in mind, to the benefit of all stakeholders.

Material Sustainability Issues

The following have been identified as the Company's material sustainability issues, in keeping with the Global Reporting Initiative's guidelines for sustainability reporting:

- » Safety, health and wellbeing
- » Labour relations
- » Staff retention
- » Resource usage
- » Climate change
- » Stakeholder engagement
- » Community development
- » Compliance and licence to operate
- » Product assurance

Petra mitigates these issues via a combination of meeting regulatory requirements, stakeholder engagement, monitoring performance, adapting and strengthening policies and procedures, internal and external audits, and going 'beyond compliance' to do everything possible to positively enhance its direct sphere of influence.

Health and Safety

The health and safety of our people is Petra's top priority.

We follow a risk-based management approach which entails continual hazard identification, risk assessment and instilling awareness into the workplace culture. Our principal safety risks relate to trackless mobile machinery, electrical switching, supported and suspended loads, underground flooding and fall of ground.

The root cause of accidents remains breaches in safety rules and non-conformance to work procedures. The remedial process is focused on retraining, improving first line supervision and enforcement of existing controls.

All our underground mines in South Africa achieved OHSAS 18001 certification (international health and safety management systems) further to an independent third party audit conducted by PwC in FY 2014. The Williamson mine has not been subject to formal certification as yet, but its processes and systems are based upon such international standards and the mine maintains a very high level of safety performance.

Petra also has a number of services and initiatives in place to encourage a healthy and happy workforce, extending beyond occupational illnesses to local community issues and lifestyle related conditions.

In FY 2014, Petra performed well in terms of LTIFR in comparison to international industry standards, particularly for underground operations. However, the Company very regrettably recorded one fatality at the Cullinan mine in January 2014, following an electrocution accident at a surface electrical substation. For each incident resulting in loss of life or severe injury, a formal internal investigation is conducted and the lessons learnt are shared with all operations in the Group.

KPI	2014	2013
LTIFR	0.32	0.67
FIFR	0.01	0.00

Developing our people

In keeping with our core Value of 'Let's take control', Petra believes that employees who are empowered and accountable for their actions work to the best of their ability. The Company has therefore fostered a culture whereby innovation and creativity in the workplace is encouraged and rewarded.

To continuously improve the skills of our employees and empower them to achieve their full potential, we invest substantially in training programmes. This is done with cognisance that our employees' personal development will contribute to the successful development of our operations.

A suite of Group-wide HR policies that cover most aspects of employment and employee development, and are augmented at an operational level to ensure they are applicable within the local context of each mine, ensure a well-regulated HR environment. These documents are, in turn, supported by our Group Code of Ethical Conduct and other Group-level initiatives, which reinforce Petra's existing commitment to the fair treatment and sustainable development of our workforce.

In FY 2014, we increased our training spend, with the main areas of expenditure being in-house safety and technical training, engineering learnerships, internships and other learnerships (an accredited learning programme which combines practical work experience with academic learning).

Our staff turnover was abnormally high in FY 2014 due to the retrenchments at the Sedibeng and Star mines. Excluding this impact, our turnover rate improved to 8%.

	FY 2014	FY 2013
Training spend	ca. US\$6.0 million	ca. US\$4.5 million ¹
Staff turnover	22% ¹	11%

1. Includes costs in FY 2013 and staff turnover in FY 2014 for the placing on care and maintenance and subsequent sale of the Sedibeng and Star mines.

Protecting the environment

Petra recognises the need to conduct 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.

We are committed to full environmental legal compliance in the countries where we operate and to meeting best practice in terms of environmental management. All our underground pipe mines maintained their ISO 14001 certification (international environmental management systems) during the Year, with an independent evaluation carried out by PwC. Williamson has an Environmental Management System compatible with ISO 14001 and shares the same goal of continuous improvement as the certified mines.

In FY 2014, Petra consumed more water both as a total for the Group and per tonne treated, which is attributed to increased production and the improved reporting of consumption from all mines. Energy usage on the other hand decreased 1% in line with the Group's focus on energy efficiency initiatives across all its operations, leading to a reduction in energy usage per tonne.

The total carbon emitted by the Group decreased due to improved efficiencies in resource consumption, specifically electricity consumption that contributes more than 80% of the Group's total greenhouse gases emitted. When an intensity indicator is used, Petra's carbon footprint for the Year improved on a CO₂-e per carat produced basis.

Petra continued to improve on its carbon emissions data capture systems in FY 2014, but was not yet in a position to record full greenhouse gas emissions for the entire Group, in line with the new legislation applicable to UK registered companies. Whilst Petra is not a UK registered company, we are committed to capturing and reporting this information. This process will continue in FY 2015 and Petra will be in a position to disclose this data in its 2015 Annual Report.

	FY 2014	FY 2013
Water usage	40,995,687m ³ or 2.24m ³ /t	35,923,403 m ³ or 2.09m ³ /t
Energy usage	508,310,351 kWh or 27,8 kWh/t	511,806,719 kWh or 31 kWh/t
Carbon emissions	562,934.53 tCO ₂ -e or 0.18 CO ₂ -e/Ct	584,386t CO ₂ -e or 0.23 CO ₂ -e/Ct

Sustainability Overview

continued

Enhancing our communities

Petra's mission is to unlock value for all our stakeholders, of which our local communities are considered to be one of the most important.

Relationships with our local communities are not only important in securing support for our activities and maintaining our social licence to operate, but also vital for ensuring that our operations add real and lasting value to society. Effective, consistent and transparent stakeholder engagement is key to maintaining positive relationships.

Our community development efforts are therefore focused on: sustainable job creation; poverty alleviation; skills transfer; and enterprise development.

Outside of formally committed expenditure (which is agreed as per our Social and Labour Plans ("SLPs") in South Africa), the Company provides further discretionary social expenditure. In FY 2014, the Group's total spend increased to US\$1.0 million, due to increased Local Economic Development expenditure in South Africa as new and revised SLP cycles took effect and increased Group discretionary spend, which was committed to a partnership to assist people with physical disabilities in South Africa.

Petra's recruitment policy makes provision for preferential local recruitment across all operations, which encourages a more stable and cohesive workforce, while contributing to the development of local communities.

	2014	2013
CSI spend	ca. US\$1.0 million	ca. US\$0.9 million
% of employees from our local communities	South Africa: 77% Tanzania: 45%	South Africa: 77% Tanzania: 45%

Our Economic Impacts

Taxes and royalties make a significant contribution to the countries in which we operate. Petra supports the principles of the Extractive Industries Transparency Initiative ("EITI") and Publish What You Pay ("PWYP"), given that publishing details of Petra's tax payments to Governments can help improve community support for its activities.

In FY 2014, the Group paid a total of US\$53.1 million in taxes and royalties (FY 2013: US\$54.2 million). It should be noted that Petra's operations are currently subject to varying levels of tax shields, due to the significant level of investment being spent by the Company at each asset. As the capital expenditure phase starts to wind down, payments of taxes and royalties are due to rise considerably, in line with the profitability of each operation.

The Group spent US\$140.0 million on salaries, wages and other benefits in FY 2014 (FY 2013: US\$148.1 million). The 'multiplier effect' which can be applied in Africa means that whilst Petra employs 4,663 permanent employees and 3,543 contractors, a significantly larger number of people are to a greater or lesser extent dependent on our operations.

In line with our commitment to support local economic development, our operations aim to use local suppliers for goods and services where possible.

	2014 (US\$m)	2013 (US\$m)
Taxes and royalties ¹	53.1	54.2
Salaries, wages and other benefits ²	140.0 ³	148.1

1. Included in taxes and royalties are employee payroll taxes, skills development levies, unemployment insurance taxes and royalties on diamond sales.

2. Included in salaries, wages and other benefits are medical aid, pension fund, group life and other contributions.

3. Includes the Sedibeng and Star mine employees. The Sedibeng and Star mines were sold in the Year, following a retrenchment programme.

Upholding the value of diamonds

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

The Company ensures that every aspect of the business is managed and run in keeping with its Values, as well as with the value placed upon its unique product. As such, the Company monitors and manages each step in the diamond production process to the highest ethical standards: from exploration, development and mining, through to processing and sorting, and finally marketing and sale.

Petra will only operate in countries which are members of the Kimberley Process and only sells diamonds from known sources, thereby providing assurance that 100% of its production is certified as 'conflict-free'.

Protecting Human Rights

We recognise that there has been increased focus on the important area of human rights and the responsibilities of business to uphold and protect the rights of its employees and other stakeholders. Petra welcomes this attention, recognising the role that business can play in terms of driving change for good globally.

Petra is fully committed to upholding the human rights of all of its stakeholders, including its employees, contractors and partners, and as such has a policy of fair dealing and integrity in place in terms of the conduct of its business. This is set out in the Company's Code of Ethical Conduct which explicitly includes 'Principle 4: Not only do we respect human rights, but we actively advance them'.

Petra has judged that human rights are not a material risk to the business as the Company operates within constitutional democracies where there are sufficient laws in place to protect human rights. In addition the Company has adequate policies and procedures in place to forbid any kind of discrimination.

The Company complies with and supports the UN Universal Declaration of Human Rights and has aligned its principles with the International Labour Organisation Declaration on Fundamental



Read more about our business ethics at
[petradiamonds.com/about-us/
 corporate-governance/business-ethics](http://petradiamonds.com/about-us/corporate-governance/business-ethics)



The Williamson mine's Biogas Project intends to address the issues of limited energy supply at its local communities.

Principles and Rights at Work. There is no risk of child labour or forced labour taking place at any of Petra's operations, due to the Company's rigorous recruitment and pre-employment vetting process, reinforced by the legislative frameworks of the countries in which we operate.

More information on Petra's approach to managing human rights issues is included in the Company's annual Sustainability Report.

Encouraging Diversity

Petra recognises diversity, encompassing people from a range of backgrounds, skills and perspectives, as a moral and business imperative, due to the benefits that well-managed diversity brings to all levels of an organisation.

From a regulatory perspective, established and functional Employment Equity Committees are in place at all of our South African mines in accordance with the Employment Equity Act, with membership drawn from employer and employee representatives. These Committees monitor the implementation of Employment Equity Plans, which detail the identified barriers to equitable employment and specify affirmative measures to be implemented by each operation.

A Diversity Management workshop was held at Finsch during the Year, and there are plans to roll-out such workshops to all the South African operations during FY 2015, post the finalisation of an Integrated Transformation Framework ("ITF"). The ITF is an analytical tool which will assist the Company in effectively conceptualising and managing transformation within the Group.

Whilst not subject to the same regulation and legislation as the South African operations, the Williamson Mine in Tanzania has a policy to promote equal opportunity and to eliminate discrimination in the workplace. Williamson also applies affirmative action measures consistent with the promotion of women in mining, particularly during the recruitment process.

In FY 2014, the total percentage of women employed by the Group increased from 14% to 16%. Despite the challenges inherent in employing women in the mining industry, Petra makes proactive and concerted efforts to advance workplace equality through the recruitment and development of women.

Read more about our Board and diversity in the Report of the Nomination Committee on page 72.

This Strategic Report and the information referred to herein has been approved by the Board and signed on its behalf by:

David Abery
Finance Director
17 October 2014

Corporate Governance



Monitoring the dense media
separation plant at Williamson.



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Corporate Governance Statement

UK Corporate Governance Code compliance

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.

Petra is not subject to a code of corporate governance in its country of incorporation, Bermuda. As a Main Market listed company, Petra is required to comply with the UK Corporate Governance Code 2012 ("the Code") or to explain in this statement any areas of non-compliance.

The Company considers that there is only one area in which it is not strictly in compliance with the Code, which is as follows and which has been previously disclosed:

- » Remuneration of Non-Executive Directors ("NEDs") – Petra's Non-Executive Chairman, Mr Pouroulis, 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 pages 74 to 90).

Directors' Remuneration Report Pages 74 to 90

A copy of the Code is available on the Financial Reporting Council's website frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx

Board and Committee meetings

The full Board meets formally at least four times a year and more often as required. There is frequent communication between Board members outside of the formal meeting dates, in order to stay abreast of business developments.

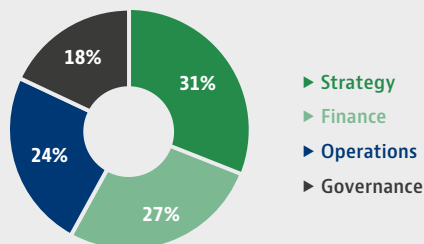
The formal Board and Committee meeting dates are scheduled to address key events in the corporate calendar (see page 153 for further information). There is a standing list of agenda items for discussion at every meeting, with extra time factored in for additional items. The agenda is agreed with the Chairman (or with the Chairman of the relevant Committee) and a timeframe set in advance for the various items, thereby ensuring that the full agenda can be covered in the time allotted.

The formal Board and Committee meetings are normally held in Jersey. Given that such meetings involve significant travel by many Directors, the meetings are generally spaced out over two days. This allows for considerable interaction by the members, both inside and outside of the formal meetings. The use of free time to discuss issues allows for clarification and engagement, meaning that consensus during the meeting is more easily attained. It is also outside of the formal meetings that input

Matters reserved for the Board

- » Vision and strategy
- » Production and trading results
- » Financial statements and reporting (supported by the Audit Committee)
- » Financing 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)
- » Health, safety, social and environmental matters (supported by the HSSE Committee)
- » Appointments and succession plans (supported by the Nomination Committee)
- » Remuneration (supported by the Remuneration Committee)

Board time



on specific issues can be addressed, with individual Directors drawing on their personal experiences.

Packs for the 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 adequate time to consider the variety of issues to be presented and debated. In the minutes of the meetings, issues identified for follow-up are set out, ensuring that matters raised by the Directors are actioned and reported back timeously.

In addition to formal Board and Committee meetings, the Chairman holds private meetings with the independent Non-Executive Directors ("iNEDs") during the Year, enabling free discussions without the Executive Directors present. These meetings also allow the Chairman to update the iNEDs on the various activities of the Group where necessary before a formal Board meeting, in particular when the Executive Directors are reviewing matters of strategy, the budgetary process and other corporate activities.

The Role of the Board

Petra is headed by an effective Board, with the appropriate balance of experience, skills, independence and knowledge of the Company to properly discharge its responsibilities and duties.

In order to fulfil its 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 in achieving such objectives;
- » develops and promotes the 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.

The role of the Chairman

Mr Pouroulis:

- » leads the Board and is primarily responsible for the effective working of the Board;
- » ensures good corporate governance;
- » sets the Board's agenda and ensures that all Directors are encouraged to participate fully in the activities and decision-making process of the Board;
- » engages with shareholders and other governance-related stakeholders, as required;
- » meets with the Senior Independent Director and with the iNEDs without the executive team present, in order to encourage open discussions and to assess the executive team's performance; and
- » chairs the Nominations Committee and thereby plays an important part in assessing and advising on the appropriate composition of the Board and its skill-set.

The role of the Chief Executive

Mr Dippenaar:

- » is primarily responsible for developing Petra's strategy in consultation with the Board, for its implementation and for the operational management of the business;
- » leads and provides strategic direction to the Company's management team;
- » runs the Company on a day-to-day basis;
- » is responsible, along with the executive team, for implementing the decisions of the Board and its Committees;
- » is the Company's primary spokesperson, communicating with external audiences, such as investors, analysts and the media;
- » chairs the HSSE Committee and thereby has direct involvement in the strategic management of Petra's HSSE issues; and
- » assists with management of Petra's labour relations in South Africa, having developed extensive experience in this area.

The role of the Senior Independent Director

Mr Lowrie:

- » provides a sounding board for the Chairman and serves as an intermediary for the other Directors as necessary;
- » is available to shareholders if they have concerns which contact through the normal channels has failed to resolve or for which such contact is inappropriate;
- » leads the iNEDs in undertaking the evaluation of the Chairman's performance appraisal;
- » provides valuable input with regards to Petra's investor relations strategy, in line with his extensive capital markets experience; and
- » is a member of Petra's Audit, Remuneration and Nomination Committees, thereby bringing his skill-set and independent judgement to the benefit of these Committees.

The role of the independent Non-Executive Directors

Dr Bartlett, Mr Hamilton, Mr Lowrie:

- » challenge the opinions of the Executive Directors, provide fresh insight in terms of strategic direction and bring their diverse experience and expertise to the benefit of the leadership of the Group;
- » assess the performance of the Chairman;
- » scrutinise the performance of the Executive Directors in terms of meeting agreed goals and objectives;
- » monitor the reporting of performance;
- » ensure that the financial information, controls and systems of risk management within the Group are robust and appropriate;
- » determine the appropriate levels of remuneration of the Executive Directors;
- » appoint or remove Executive Directors to or from the Board, when necessary; and
- » are members of Petra's Audit, Remuneration and Nomination Committees (and Chairman of the Audit and Remuneration Committee in the case of Mr Hamilton), thereby bringing their skill-set and independent judgement to the benefit of these Committees.

Corporate Governance Statement

continued

How our Board operates

Board calendar – FY 2014

Number of meetings attended

	Board meetings 5 held	Audit Committee 6 held	Remuneration Committee 5 held	Nomination Committee 2 held	HSSE Committee 3 held	Annual General Meeting 1 held
Adonis Pouroulis	5	n/a	n/a	2	n/a	1
Johan Dippenaar	5	n/a	n/a	n/a	3	1
David Aberly	5	n/a	n/a	n/a	n/a	1
Jim Davidson	5	n/a	n/a	n/a	n/a	1
Pat Bartlett	5	6	5	2	n/a	1
Gordon Hamilton	5	6	5	2	n/a	1
Tony Lowrie	5	6	5	2	n/a	1

Date of meetings held

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Board meetings	1		1		1			1			1	
Audit Committee	1		1	1	1			1			1	
Remuneration Committee	1		1		1	1					1	
Nomination Committee	1										1	
HSSE Committee					1			1		1		
iNEDs with Chairman (without Executive team)							1		1			1
Board, Chairman and individual Director evaluation exercise											1	
Annual General Meeting					1							



Site visits

The ability to visit Petra's operations in person and to interact with Senior Management is considered very important for Board members and annual site visits for the iNEDs are arranged to facilitate this.

In May 2014, Dr Bartlett carried out a tour of the Finsch, Cullinan, Koffiefontein and Kimberley Underground mines in South Africa and was joined at Cullinan by Mr Hamilton. Mr Pouroulis visited the Cullinan mine in April 2014.

Dr Bartlett commented: "I very much enjoy being able to discuss the mine development plans with our senior operations teams and to see the progress in action. I am glad to be able

to contribute my extensive knowledge of block caving to the benefit of the team and to see Petra's ambitious plans become reality."

Mr Hamilton commented: "Visiting the operations in person and also meeting the finance team at the corporate office in Johannesburg is an essential part of my role as Chairman of Petra's Audit Committee, in order to ascertain culture and systems on the ground. I also find such visits helpful in terms of continually building on my knowledge of the technical aspects of diamond mining and the progress of our development plans."

Board strategy and performance

Objectives for FY 2014

Progress and achievements in FY 2014

Objectives for FY 2015

Strategy

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> » Continue to review and monitor 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. | <ul style="list-style-type: none"> » The Board continued to evaluate the Group's growth and project expansion plans, in accordance with Petra's stated objective to reach production of circa 5 million carats by FY 2019. » Where there were variances to production results or issues with regards to production and/or project delivery, the Board was fully briefed, discussed the applicable issues and any remedial action to be taken. » The Board continued to evaluate growth opportunities in the diamond sector. | <ul style="list-style-type: none"> » Continue to review and monitor the Group's production results and delivery against the approved expansion and development plans, with continued focus on carat production and cashflow generation. » Continue to assess opportunities to further improve upon the Group's expansion plans (from existing mines) to maximise value and cashflow opportunities from the Group's substantial resource base. » Continue to evaluate growth opportunities in the diamond sector that have the potential to deliver significant shareholder value. » Finalise an appropriate dividend policy and commencement date. |
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Board and committee composition

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> » Continue to consider Board and Committee composition, taking into account diversity, independence and relevant expertise/experience. » Continue to consider succession planning. | <ul style="list-style-type: none"> » Formalisation of the Board's diversity policy. » While the Nomination Committee devoted time to the consideration of Board and Committee composition, particularly taking into account diversity, there were no new Board developments to report for the Year. » Discussion of succession planning for the Executive Directors was carried out. | <ul style="list-style-type: none"> » Continue to consider optimal Board and Committee composition, taking into account the specialist nature of Petra's business and the diamond mining industry. » Appoint a suitably qualified iNED to the Board, in line with the Company's diversity policy, as formalised in FY 2014 – see page 72 of the Report of the Nomination Committee. » Formalise and develop succession planning at both Board and Senior Management levels. |
|---|---|---|

Risk management and internal controls

- | | | |
|---|--|---|
| <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 Board site visit to appropriate Group operations that are material to Petra's results and future development, with a focus on engagement with Group Senior Management. | <ul style="list-style-type: none"> » Following the development of a role specification in FY 2014, a Group Risk and Internal Audit Manager, with industry specific experience, was recruited post Year end. » The Board carefully considered the Company's operational and free cashflows, both actual and forecast, as well as the spend associated with the Group's expansion projects, when evaluating the most appropriate financing arrangements for the Group. » Two of the iNEDs and the Chairman visited the South African operations in FY 2014. | <ul style="list-style-type: none"> » Assess the findings of the FY 2015 work scope, as agreed between the Audit Committee and the newly appointed Group Risk and Internal Audit Manager. » Continue to debate the key risks that are relevant to the Petra group, ensuring the possible effect of such risks and plans for the mitigation thereof is fully understood and continually actioned by the Board and Senior Management. » Arrange at least one annual visit for the full Board to the Group's operations, providing the Chairman and iNEDs with the opportunity to experience production and project development directly, as well as to interact with key management and discuss important issues. |
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Board process

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> » Continue to provide relevant training programmes to Directors in order to ensure that all Board members stay abreast of relevant developments. » 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. | <ul style="list-style-type: none"> » The Directors attended training programmes throughout the Year with sessions on, amongst other topics, the evolving regulatory environment and the technical aspects of block caving. » Alongside regular formal Board and Committee meetings, the Directors met on a frequent basis. » The independent Board evaluation flagged positive process dynamics in terms of Board cohesion, communication and culture. Refer to page 59 for further information on the evaluation process. | <ul style="list-style-type: none"> » Continue to assess training needs and to provide relevant training opportunities to Directors in order to ensure that all Board members stay abreast of relevant developments. » 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. |
|---|---|--|

Corporate Governance Statement

continued

Why our Board is effective

Director commitment

The Board believes that each of the Directors is able to allocate sufficient time to the Company to fulfil their obligations, as confirmed by the individual external Director performance evaluations carried out in May 2014. The Directors' biographies and duties can be found on pages 44 and 45 and during the Year there have been no changes to their respective duties.

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 external appointments that affect their contribution to Petra.

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. During the Year, there were no significant changes to the Chairman's external commitments and he is considered to have sufficient time to fulfil his duties.

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 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. The Company's iNEDs are of the opinion 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 2014. None of the iNEDs received any fees from the Company in FY 2014 other than their contractual iNED fees, as set out on pages 85 and 86 of the Directors' Remuneration Report.



Case study – Director training sessions

The full Board undertook a training session in May 2014 to address key areas which were identified as central to their ongoing development. This included an update from the Company's auditors, BDO LLP, on corporate governance and reporting developments, an update from Deloitte Remuneration Services on developments in remuneration reporting and the regulatory environment, a session on sustainability and emissions reporting and a technical seminar on block caving.

Key areas of the new UK Corporate Governance Code that were discussed comprised: the enhanced need for explanation in the 'comply or explain' principle; the enhanced role of the Audit Committee report; the requirement for reporting to be 'fair, balanced and understandable' and the Board's approach to this in relation to Petra's annual report and accounts; diversity in the boardroom; and new style audit reports.

The Board was briefed on mandatory emissions reporting and discussed the consequences, opportunities and challenges involved for Petra.

Commenting on the technical seminar, led by Dr Bartlett, Mr Hamilton noted: "Block caving is at the heart of Petra's ability to maximise value from its major assets and therefore it is paramount that we, as a Board, remain fully abreast of the topic and continue to be briefed by the technical members of our team on such matters."

In relation to the corporate governance session, Mr Pouroulis, said: "As Chairman of the Board, it is vital that I and my other Board members are well informed on all corporate governance developments and therefore sessions such as these with our auditors are invaluable to our ability to ensure that Petra maintains the highest possible standards in this regard."

Chairman of the HSE Committee, Mr Dippenaar, noted: "Petra places significant emphasis on energy efficiency and recognises the ever-growing importance of curbing carbon emissions. Part of our commitment to this area includes progression of our carbon emission reporting to ensure that it keeps up with regulations and best practice. Such reporting provides transparency and focuses Petra on driving energy efficiency as part of cost control."

Why our Board is effective continued

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 may be, if requested by the Chairman, excluded from any related discussion and will always be excluded from any formal decision.

Director information, training and development needs

Detailed knowledge of the specialist world of diamonds, the global mining industry, international capital markets, UK and LSE legislation, sub-Saharan Africa (particularly South Africa) and Petra's unique business and operations is crucial to the Board's ability to effectively lead the Company.

On appointment to the Board, new Directors are provided with a full induction to the Company to ensure that they are brought up to speed as quickly as practicable. Such an induction would typically involve meetings with the Board and various members of Senior Management, a full information pack of appropriate corporate documents, including the Company's Annual and Sustainability reports, Main Market prospectus, the Bye-Laws

and Committee Terms of Reference and other key Group policies, enabling them to familiarise themselves with the Group and its current activities. A site visit to one or more of the Group's key operations would also be arranged as soon as possible, with such a visit including presentations on the current operations, expansion plans and key ESG considerations.

Existing Board members are provided with ongoing training and other professional development opportunities in order to ensure that each Director's knowledge and skill-set remains up to date and relevant. Training is arranged as appropriate to suit each Director's individual needs and covers topics such as industry developments, governance, technical subjects related to diamond mining and ESG matters. The Chairman reviews and agrees with each Director their training and development needs.

The Company's Corporate Communications team acts as a conduit of regular information to the Board and Senior Management, providing daily briefings by email on relevant topics, such as key diamond industry trends, peer group developments, regulatory updates, socio-economic information about Petra's countries of operation, and internal company news.

The Board has access to the advice and services of the Company Secretary as required.

Evaluation of the Board's performance

In FY 2014, the Board undertook its first external independent evaluation process, which was facilitated by Armstrong Bonham Carter LLP, a consultancy which has had no other relationship or engagement with the Company. The evaluation exercise was undertaken in May 2014 with the facilitator conducting interviews with all the Directors following an agreed agenda approved by the Chairman and the Senior Independent Director. This covered a review of the performance of the Board, the three Board Committees and of each Director.

The facilitator then collated and analysed the results from the evaluation exercise and prepared a report on each Director summarising the key findings on the individual's performance, as well as a report for the Board, summarising its effectiveness as a whole and one for each Committee.

The Board report and those of the Committees were then presented by Armstrong Bonham Carter LLP to the full Board and each Director was provided with a copy of their individual report in a discussion with the Chairman or the Senior Independent Director, as appropriate.

The overall result of the evaluation exercise was that the Board was considered to be very effective with few issues identified. Recommendations were made on how the Board could clarify the development of strategy, formalise the Group's risk appetite and further reinforce employee culture, aligned with the Group's expected continued successful progression.

Senior iNED, Tony Lowrie, commented: "Along with my fellow Directors, we all found Petra's first independent Board evaluation process to be extremely useful. We were all encouraged to hear Armstrong Bonham Carter's positive feedback and will give attention to the areas identified for future focus."

Shareholder communication

IR calendar for FY 2014

July	FY 2013 trading update – investor/analyst conference call
August	FY 2014 analyst guidance – investor/analyst conference call
September	FY 2013 prelim results – analyst presentation/webcast Investor roadshow in UK
October	Annual Report published
November	AGM Q1 FY 2014 Interim Management Statement – investor/analyst conference call Investor roadshow in Canada/US
December	—
January	H1 FY 2014 trading update – investor/analyst conference call Investor/analyst site visits to Finsch and Cullinan
February	H1 FY 2014 interim results – analyst presentation/webcast; investor roadshow in UK; participation in industry investor conferences in South Africa and the US
March	Participation in industry investor conference in Canada
April	Q3 FY 2014 Interim Management Statement – investor/analyst conference call Participation in industry investor conference in the UK
May	Participation in industry investor conference in the UK and the US
June	Participation in industry investor conferences in Botswana

Corporate Governance Statement

continued

Shareholder communication continued Strategy

Investor relations ("IR") is an essential aspect of the Company's corporate communications strategy. The aim of Petra's IR programme is to ensure that the Company's business model, strategy and future prospects are clearly understood by the investment community both in the UK and internationally.

The Company achieves this by operating with a high level of transparency with regards to its historical, current and future operations, by providing consistent information and messages across a number of communication channels and by using clear language that aims to demystify the Petra investment story and ensure that it is easy to understand for a wide range of audiences.

Petra continues to support an open and transparent 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.

Petra aims for its website, www.petradiamonds.com, to provide 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.

IR activity

Petra has a dedicated in-house Corporate Communications team 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, as well as to the Board, on shareholder and analyst communication, and ensures that analyst research notes are circulated as received. A monthly IR report covering Petra trading in relation to its peers, an overview of IR activity and investor feedback, analyst forecasts and share register movements is distributed monthly to the Board and a quarterly IR presentation is included for review at Board meetings.

As part of Petra's proactive investor relations approach, the Chief Executive, 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 these are stored thereafter at www.petradiamonds.com/investors/financial-reports-and-results.

In addition, the Chairman is available to meet with shareholders as required 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 iNEDs are available to shareholders to hear concerns that contact with the Chairman, Chief Executive or Finance Director failed to resolve, or for which such contact was inappropriate.

Petra hosts one formal investor/analyst site visit per year, with additional ad hoc visits arranged as required. Such visits are considered an essential part of the Company's IR programme as seeing one of the operations in person is the best way for an investor/analyst to understand the scope and scale of Petra's assets, as well as the depth of operational management on site and the passion of Petra's people.

FY 2014 shareholder engagement

In FY 2014, the Company's IR team held regular meetings with current and potential shareholders.

Recurrent topics and issues raised by shareholders during the Year centred on:

- » Petra's consistent strategy, team and performance has established the Company as a pre-eminent diamond investment opportunity;
- » key risks to execution of Petra's expansion programmes;
- » future growth opportunities/M&A;
- » returns to shareholders: dividends/share buybacks;
- » the diamond market and its prospects;
- » the weakness of the Rand and its impact on Petra's cost base;
- » labour relations and the political climate in South Africa;
- » trading liquidity; and
- » synthetic 'lab-grown' diamonds and how these affect the market for natural diamonds.

In addition to meeting with portfolio managers from the various institutions that own holdings in the Company, Petra held several meetings with ESG contacts within said institutions. Petra anticipates that such ESG shareholder engagement will increase going forward and welcomes the opportunity to set out to shareholders how its operations are responsibly structured.

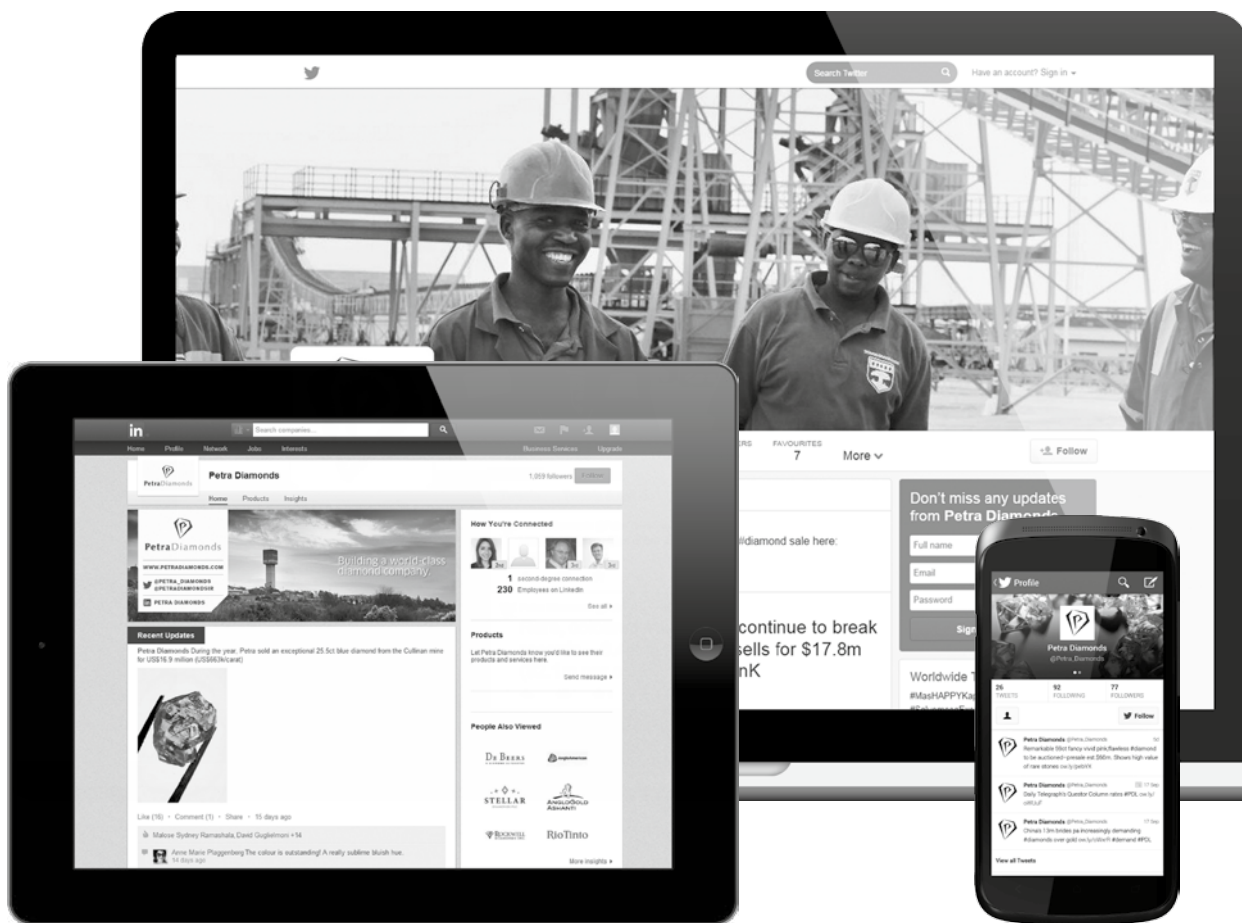
The Company hosted four site visits for investors/analysts to its two flagship operations, Finsch and Cullinan, and ensured that an appropriate mix of Executive Directors and Senior Management were available to host the groups and answer any queries they had throughout the day.

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 was present at the AGM in November 2013. The Board Committee Chairmen were available to answer any questions which shareholders may have raised with reference to their activity.

A summary of the proxy voting for the AGM was made available via the London Stock Exchange and on the corporate website as soon as reasonably practicable on the same day as the meeting.

The Corporate Communications team would be happy to hear your views and opinions – contact details can be found on page 152.



 Petra Diamonds

 petradiamonds.com

 @Petra_Diamonds

 @PetraDiamondsIR

Reporting

Petra's objective with regards to external reporting (via its Annual Report and Accounts and its accompanying Sustainability Report) is to provide a high level of transparency, in order to set out a clear picture of the Group's past performance and its potential future prospects. To this end Petra has aimed to provide a high level of disclosure, particularly across the area of sustainability, having produced detailed stand-alone sustainability reports for the last six years.

Petra continues to develop its reporting every year and has made meaningful headway in FY 2014, in light of the significant changes with regards to UK company reporting which have come into effect recently. As with the other areas of the business, Petra's approach to reporting is one of progression, as it continually looks to improve on past performance.

Launch of social media

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. Recognising the growing importance of social media both in terms of news dissemination and in terms of providing an alternative communications channel to stakeholders, Petra made its debut on both Twitter and LinkedIn in FY 2014.

Petra has two Twitter channels: 1) a dedicated IR channel from which we only tweet regulatory news announcements and 2) a corporate channel that can provide a much wider range of information and insight into the Company, from general diamond market news to information on corporate social responsibility to photos of Company events and other non-regulatory news. The aim is to provide shareholders and other stakeholders with a window into the world of Petra Diamonds and to the diamond industry more generally.

Report of the Audit Committee



Members of the Audit Committee

► Independent Non-Executive Directors

Gordon Hamilton (Chairman, pictured)

Pat Bartlett

Tony Lowrie

Dear Shareholder,

The Group's Audit Committee ("the Committee") is tasked with the important job of ensuring that the Group has the appropriate risk management and internal control systems in place and that its financial, governance and audit functions remain appropriate and effective.

The Committee also assists the Board in overseeing the Company's financial reporting and audit process. Our responsibility to shareholders includes ensuring that, together with the Board, the Annual Report and Accounts presents a fair, balanced and understandable view of the business, thereby providing relevant information with which to evaluate Petra's past performance and future prospects.

The Committee places significant emphasis on remaining abreast of all relevant developments in financial reporting and related company law and I therefore note below the following key regulatory developments applicable for FY 2014:

» A fair, balanced and understandable Annual Report and Accounts

The Financial Reporting Council ("FRC"), through the revised UK Corporate Governance Code (September 2012) ("the Code"), has introduced new requirements for directors of London Stock Exchange listed companies to state that the Annual Report and Accounts are considered to be 'fair, balanced and understandable'. Petra has always sought to achieve this in past reports as a matter of good practice but additional onus this Year has been placed on the Committee, on behalf of the Board, to consider the tone, content and clarity of language that is used to give readers an informed view of the Company. Read more in 'Activities in FY 2014' on page 64.

» Consideration of significant issues in relation to the preparation of the Financial Statements

The Code now requires that the Committee provide details of any significant issues and judgements considered in preparing the Financial Statements. We welcome this step, which is responding to a market-wide trend in which investors are seeking transparent, concise and insightful disclosure regarding what an audit committee considers to be the key financial reporting risks facing the business and how it acts to protect shareholder value.

» Relationship with the external auditors

The Code requires that the Committee provide information on its relationship with the external auditors, including an assessment of how the Committee engages with the external auditors and assess their independence and effectiveness. Read more on page 67.

» Tender of external audit contract

The continued independence of the external auditors is noted as being an important governance focus point and the Code now sets out requirements for the external audit contract to be tendered at least every ten years. The Committee has discussed this matter and recognises the overall aim of ensuring continued independence in the external audit function.

I look forward to continue working with my fellow Committee members and the Company's newly appointed Group Risk and Internal Audit Manager in FY 2015.

Gordon Hamilton
Audit Committee Chairman
17 October 2014



FY 2014 was a very productive Year for Petra's Audit Committee, with six formal meetings held, supported by many other informal activities, such as meetings with management and the finance team, meetings with the external auditors and a visit to our South African operations.

Gordon Hamilton
Audit Committee Chairman



Committee experience and skill-set

The members of the Audit Committee are considered to possess the appropriate skills and experience to monitor and ensure the integrity of the Group's financial, governance, internal audit, internal control and risk management systems and to support Petra's governance.

Mr Hamilton, the Chairman of the Committee, fulfils the requirements of the Code with regards to recent and relevant financial experience, having spent more than 30 years as a partner at Deloitte LLP primarily responsible for multinational and FTSE 350 listed company audits, in mining and for other South African companies. He is currently chairman of the audit committees for several other companies. Mr Lowrie brings many years of business experience across international banking and financial sectors and Dr Bartlett, as an experienced diamond geologist, possesses a wealth of sector-specific experience relevant to the nature of Petra's business.

The Committee receives appropriate ongoing training and development. In addition to receiving updates from the Group's auditors on relevant financial reporting developments, the Code and regulatory developments as part of the audit planning process, in FY 2014 the Committee members also participated in dedicated training sessions, which included presentations on:

- » block cave mining techniques;
- » responsibilities of the Committee arising from the Code; and
- » trends, regulatory developments and market sentiment regarding corporate and sustainability reporting.

In addition, the Committee may, if considered necessary, take independent advice at the expense of the Company. Other than BDO LLP as the external auditors, and the external independent review of the Committee carried out by Armstrong Bonham Carter in May 2014, no other external consultants assisted the Committee during FY 2014.

Committee meetings

In FY 2014, the Committee invited the Group Chairman and Executive Directors to attend the meetings as appropriate. In addition, the Chairman of the Committee met separately with the BDO LLP audit partner on several occasions to discuss significant audit and accounting matters, together with relevant financial reporting and governance developments. The full Committee also met with the audit partner without the Executive Directors present during the Year.

The Committee recognises the importance of allocating significant time to fulfil its duties effectively. In advance of each Committee meeting, a formal agenda and information pack is circulated allowing each member time to thoroughly review the information and prepare for the Committee meetings. During the formal meetings, the members then engage in robust and open debate and assessment of relevant matters.

Mr Hamilton, as Chairman of the Committee, allocates a significant amount of time to this role. In addition to chairing formal meetings of the Committee and attending sessions with the external auditors, Mr Hamilton travelled regularly to Johannesburg in FY 2014 where he was able to meet with Mr Abery and his corporate and financial teams to discuss the activities of the Group on a timely basis. These visits, combined with Mr Hamilton and Dr Bartlett's visit to the certain of the Group's operations, assisted the Committee in maintaining a sound understanding of the Company's activities, risks and control environment.

Report of the Audit Committee

continued

Committee role and activities

The principal functions of the Audit Committee are listed below, along with the corresponding activity and performance in FY 2014.

Role	Activities in FY 2014	Outcomes
To monitor the integrity of the interim and preliminary results announcements, as well as the Annual Report and Accounts published by the Company, reviewing significant financial reporting judgements contained therein.	<p>The Committee formally considered the Group's interim results and the Annual Report and Accounts and considers that they present a fair, balanced and understandable assessment of the Group's position and prospects. The Committee, on behalf of the Board, has established a process of review that enables it to make this assessment.</p> <p>These processes included a detailed review of the Annual Report and Accounts by each member of the Committee. The Committee then met with the Executive Directors to discuss their questions and comments. In particular, the Committee assessed the balance of information reported against their understanding of the Group, as well as the tone and language used in the reporting.</p> <p>Outside of formal Committee meetings, accounting matters were also discussed by the Chairman of the Committee and the Finance Director and his team. Key auditing, financial reporting and governance matters, typically focused on areas of significant judgement, estimation or accounting policy selection, were discussed with the audit partner ahead of Committee meetings and then during the Committee meetings.</p>	In accordance with the Code, the Directors consider that the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provides information necessary for shareholders to assess the Company's performance, business model and strategy.
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.	<p>As part of its work to approve the Group's Financial Statements, the Committee also reviewed the key financial reporting judgements and accounting policies therein. These judgements were assessed through discussions with the Group's auditors and presentations by management in which the Committee challenged the basis for such judgements and estimates.</p> <p>Details of the significant matters considered by the Committee in respect of the FY 2014 Annual Report are set out on pages 65 and 66.</p> <p>The Committee actively reviewed the Group's disclosures in respect of accounting policies such as depreciation, with the focus on providing transparent disclosure.</p>	The Committee considers that the accounting policies used are appropriate to the Group in all regards, including the specialised nature of its business.
To ensure that Petra's risk management systems, internal financial controls and other internal controls are effective.	<p>The Committee assesses the Company's risk management systems and internal controls on an ongoing basis. As part of this, the Committee invites the Group Chairman and Executive Directors to attend the meetings as appropriate.</p> <p>During these meetings, the Committee was provided with updates on the Group's activities and the members considered the risk and control implications on an ongoing basis. Additionally, the Board as a whole received presentations and reports by management on operational and financial performance each quarter that allowed for assessment of risk and internal controls.</p> <p>The Committee meetings during FY 2014 included presentations by BDO LLP regarding the results of the FY 2013 audit, the interim review for H1 FY 2014 and the FY 2014 Audit Committee Planning Report, with a presentation by BDO LLP of the results of the FY 2014 audit subsequent to Year end. These presentations included the auditors' observations and recommendations in respect of internal controls that the Committee incorporated into its overall assessment of the effectiveness of risk management and controls.</p>	<p>The Committee considers that Petra's internal controls continue to be robust and defensible.</p> <p>As detailed below, the Group has appointed a Group Risk and Internal Audit Manager since the Year end. A focus for FY 2015 for the Committee will be ensuring that the internal audit function develops a robust and systematic internal audit strategy to further support and enhance the Group's risk management and internal control systems.</p>
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.	<p>As the Group has expanded and its operations have become more complex in recent years, the Committee has continued to assess the need for an internal audit function.</p> <p>During FY 2014, the formation of an internal audit department was approved by the Committee and recommended to the Board, in order to further drive the Group's internal control procedures and risk management systems.</p> <p>A specification was drawn up for the recruitment of a Group Risk and Internal Audit Manager and a rigorous candidate search and selection process was undertaken, which included the Committee Chairman meeting with the Group Risk and Internal Audit Manager prior to his appointment.</p>	A Group Risk and Internal Audit Manager was recruited post Year end. During FY 2015, the Committee will focus on agreeing the terms of reference and internal audit strategy with this newly formed function, which will report directly to the Committee.

Role	Activities in FY 2014	Outcomes
<p>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.</p> <p>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.</p>	<p>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.</p> <p>In advance of the FY 2014 audit, the Committee reviewed and approved the external auditors' audit planning presentation and assessed the appropriateness of the audit strategy, scoping, materiality and audit risks.</p> <p>The Committee approved the audit fees as part of the audit planning process. The Committee also approved certain non-audit fees during the Year, having considered the safeguards implemented by BDO LLP to protect audit independence.</p> <p>Details of the Committee's assessment of the auditors' independence and its assessment of their effectiveness are provided on page 67.</p>	<p>The Committee has taken appropriate steps to assess the independence of its auditors, recognising the importance of audit independence to the audit process.</p> <p>The Committee has reviewed and gained a thorough understanding of the external auditors' strategy and has satisfied itself that it was robust and that the auditors remain independent.</p>
<p>To give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the UK Listing Rules.</p>	<p>The Committee received adequate timely information, briefings and training on all relevant regulatory updates and developments, as detailed on pages 58 and 59.</p> <p>The Committee as a whole and, on occasion, the Chairman of the Committee met separately with the BDO LLP audit partner to discuss significant audit, accounting and governance developments during the Year.</p>	<p>The Committee is satisfied that Petra continues to act in accordance with the Code and all relevant laws, regulations and the UK Listing Rules.</p>
<p>To review the adequacy of the Company's whistleblowing system, its fraud detection procedures and the systems and controls in place for bribery prevention.</p>	<p>The Committee has previously introduced the Group's Anti-Bribery Policy in accordance with the UK Anti-Bribery Act and the Group's Code of Ethical Conduct, both of which are available on the Company's website at www.petradiamonds.com/about-us/corporate-governance/business-ethics.</p> <p>In line with best practice, the Company also has a dedicated and independent whistleblowing hotline in place to allow employees to confidentially raise any concerns they may have about business malpractice.</p>	<p>During FY 2014, there were no incidents of malpractice and no calls were made to the whistleblowing hotline.</p> <p>The Committee will instigate a training process on the Company's Anti-Bribery Policy and its Code of Ethical Conduct in FY 2015.</p>

Committee Terms of Reference

The Committee Terms of Reference remain in line with best practice and can be accessed on the Company's website at: www.petradiamonds.com/about-us/corporate-governance/board-committees.

Significant issues considered by the Audit Committee in FY 2014

The following are considered by the Committee to be the significant issues considered by the Committee in respect of the Group's Financial Statements, based upon its interaction with both management and the external auditors during the Year.

Significant matters considered

Our response to these matters

Carrying value of the Helam and Kimberley Underground mines

The carrying value of the Helam and Kimberley Underground mining assets remained a key focus area for the Committee in FY 2014, given the historically limited headroom in the LOM models and the sensitivity in FY 2013 to diamond prices, foreign exchange rates and production growth assumptions.

Whilst the improved diamond prices and favourable exchange rates during the Year increased headroom at Kimberley Underground, significant judgements remain in forming diamond price, exchange rate and production rate growth assumptions, as well as judgements regarding future access to ore resources. Details of the impairment test assumptions and headroom are set out in note 7.

The Helam mine was subject to a strategic business review in Q4 FY 2014 and, as a result, the assets were impaired by US\$13.9 million. Refer to note 7 for details. The impairment involved application of judgement regarding the future prospects of the mine following the strategic business review.

The Committee members reviewed the significant assumptions in the Kimberley Underground LOM plan that supported the impairment test performed by Management. We sought to assure ourselves regarding the diamond price forecasts compared to historic pricing levels and market forecasts, the foreign exchange rates against current and forward rates and the basis for production forecasts and inclusion of additional resources in the mine plan.

In addition, noting the historic volatility in diamond prices and foreign exchange rates, we considered management's sensitivity analysis performed on the models. Having considered these factors and challenged Management regarding the assumptions, we satisfied ourselves that no provision for impairment is necessary and that the disclosure in note 7 was appropriate.

Management provided a presentation of the strategic business review at Helam. This review indicated that, at current and forecast diamond prices, the LOM plan does not support the carrying value of the mine's assets under Petra's ownership. As such, we considered the impairment of the assets to be appropriate as detailed in note 7.

Report of the Audit Committee

continued

Significant issues considered by the Audit Committee in FY 2014 continued

Significant matters considered

Our response to these matters

Depreciation policy and its associated judgements and estimates

As detailed in note 14, the Group allocates assets to specific orebody zones and depreciates on a unit of production basis. There is significant judgement required in determining the allocation of assets to specific zones and determining the ore reserves and resources to which they relate. In particular, judgement is required when including resources for deep level kimberlite pipe mines, such as Finsch and Cullinan, in determining appropriate depreciation rates for infrastructure and other assets with life beyond the current reserve profile or which are utilised over multiple orebody areas.

The Group's Finance Director provided the Committee with analysis of Petra's depreciation policy and its application in FY 2014. The Committee focused on the basis for including resources over and above those in the current LOM plan, noting that these ore tonnes are included in the Reserves and Resources Statement. Similarly, we critically assessed the extent to which the existing assets, such as shared infrastructure (processing plant, shaft, etc.), provided economic benefit over these resources. Having challenged management's judgements, the Committee is satisfied that the Group's policy is appropriate and that the judgements and estimates taken by management are appropriate given the nature of the mine orebodies and infrastructure.

Capital expenditure, progress on development plans, related controls and areas of estimation

The Group continues to incur substantial capital expenditure as part of its development programmes at Finsch, Cullinan and Koffiefontein. The controls regarding capital expenditure, progress achieved and the associated accounting judgements represent a key focus for the Committee, both in terms of risk management and financial reporting.

Financial reporting judgement is required in the classification of assets under construction, the allocation of costs between operational and capital projects, and capitalisation of specific borrowing costs.

On a quarterly basis, the Committee members received capital project reports which provided detailed analysis of the status of each capital project, costs incurred against budget and estimated total project cost. The Committee members took the opportunity to challenge Management regarding cost variances and project variations to assure themselves as to the quality of capital project management. Similarly, the Committee members also approve the annual budgets and material revisions to such budgets, challenging management as to the basis for judgements and decisions.

Management undertook a detailed review of the Group's assets under construction in the Year to ensure that projects are transferred to commercial production on a timely basis and depreciated accordingly. The Committee was provided with details of this process and assessed judgements taken. Similarly, management provided details of judgements taken regarding cost allocation and capitalisation which the Committee challenged and considered to be appropriate.

Related party transactions

The Group has a number of related party transactions and the Committee is cognisant of the need to ensure potential related party transactions are identified timeously and the related party transactions are reported in a complete and accurate manner.

The Committee sought to assure itself as to the complete and accurate disclosure of related party transactions by making specific inquiry of each Board member regarding disclosable interests, assessment of IFRS and Listing Rule disclosure requirements and the Group's controls over related parties.

The Committee then reviewed the Group's disclosure of related party transactions in note 28. Having considered the disclosures and made suitable inquiries of management, we consider the disclosures to be appropriate.

Each of these areas also represented significant audit risk areas for BDO LLP and, accordingly, we were provided with detailed written and oral presentations by the engagement team on each of these matters. On the basis of its work, BDO LLP reported to the Committee no inconsistencies or misstatements that were material in the context of the Financial Statements as a whole.

External auditors

BDO LLP have been the Group's external auditors for nine years since the year ended 30 June 2006 (following a formal tender). The Company recognises the importance of audit independence and, in consideration of the Code and the associated FRC transition guidelines, will put the audit out to tender when the next partner rotation is due in FY 2018.

Auditors' remuneration

US\$ million	FY 2014	FY 2013
Audit services	0.8	0.7
Audit-related services	0.1	—
Non-audit services	0.5	—
Total	1.4	0.7

1. Audit fees for the Year ended 30 June 2014 stated above refer to fees for the FY 2013 audit; audit fees for the year ended 30 June 2013 refer to fees for the FY 2012 audit.

2. Non-audit services refer to corporate finance services and ESG training.

During the Year, the Committee fully considered the effectiveness, objectivity, skills, capacity and independence of BDO LLP as part of its re-appointment, considering all current ethical guidelines, and was satisfied that all these criteria were met. The auditors' fees were approved as part of this process.

The effectiveness of the external auditors was reviewed based on the extent to which the audit strategy was deemed to be appropriate for the Group's activities and addressed the risks the business faces. The Committee also made enquiries of Management to obtain their feedback on the audit process and considered this feedback in its assessment. The Committee places considerable importance on the following attributes: mining sector experience (given the specialised nature of the industry), service levels, value for money and audit quality. Each of these areas was considered to be appropriately met by the Group's auditors.

Non-audit services

The 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 areas such as internal control testing procedures; providing comfort letters to Management and/or underwriters; and performing regulatory audits.

The provision of any non-audit service requires Committee pre-approval and 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, as well as measures available to guard against independence threats and to safeguard the audit independence.

During the Year, BDO LLP provided corporate finance advice and training related to environmental, social and governance ("ESG") matters. In approving these non-audit services, the Audit Committee considered the auditors' independence to be appropriately safeguarded, given a variety of factors.

Whilst it is noted that the corporate finance fees represented approximately 62% of the audit fees, the corporate finance advice was non-recurring in nature and it was delivered by a separate engagement team to safeguard audit independence. The ESG training was delivered by a separate engagement team and the fees were insignificant relative to the audit fee. In each instance, the non-audit services and fees were pre-approved by the Committee.

Internal controls (including the system of internal financial controls) and risk management

The Board is responsible for the Group's system of internal control (including the system of internal financial 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.

In FY 2015, the Committee will work with the newly appointed Group Risk and Internal Audit Manager to agree the detailed scope and FY 2015 work programmes for internal audit, the recruitment of an appropriately resourced and experienced internal audit team, as well as a review of the Group Risk Registers to ensure the approach to risk and internal audit management addresses the appropriate areas.

Systems of internal control and internal financial control

The Committee regularly reviews the adequacy and effectiveness of the Group's internal control and internal financial control procedures and risk management systems through regular reports from the Group's finance, operations 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.

In FY 2014, no material weaknesses in internal control and internal financial control systems were identified. Whilst being satisfied that controls and risk management remain appropriate for the Group's activities, the Committee continues to undertake a thorough review and to challenge 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.




Consideration of 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.




Risk Management

Identifying and mitigating risk

Risk management is the overall responsibility of the Board at Petra, but the Board Committees also play important roles in terms of the identification, management and ongoing mitigation of risks within their realm of responsibility. The Board and its Committees have identified the following as being the principal external, operational, strategic and HSSE risks (in no order of priority).

Risk	Risk change	Description and impact	Mitigation
External risks			
Rough diamond prices Long term		Whilst the medium to long-term fundamentals of the diamond market remain intact, with demand forecast to significantly outpace supply, some volatility in rough diamond pricing is always possible.	The Group's management closely monitors developments in the international diamond market (across the pipeline from the rough market to the retail consumer market) to be in a position to react in a timely manner to changes in rough diamond prices and demand.
Currency Long term		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.	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 indicates it appropriate. Such contracts are generally short term in nature.
Country and political Long term		Petra's operations are predominantly based in South Africa, with lesser exposure to Tanzania and Botswana. Emerging market economies are generally subject to greater risks, including legal, regulatory, economic and political risks, and are potentially subject to rapid change.	The Petra team is highly experienced at operating in Africa. Petra routinely monitors political and regulatory developments in its countries of operation at both regional and local level. The Company keeps abreast of all key legal and regulatory developments.

Operational risks

Safety Long term		Ensuring the safety of all Petra people is the Group's number one priority. Poor safety performance can also lead to temporary mine closures, thereby impacting production results.	Underground cave mining (both block caving and sub level caving) is inherently a safe and highly mechanised mining process. However, as with all heavy industries, accidents can occur so embedding a culture of strict procedures and safety awareness is key. HSSE targets are explicitly included as part of Petra's annual bonus framework.
Mining and production Long term		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.	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 'brownfields' expansions, meaning that the knowledge of the deposits allows management to eliminate much of the risk associated with developing a new diamond mine.
ROM grade volatility Short term		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 has nearly been exhausted and that the area is nearing the end of its life. 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.	The objective of Petra's development programmes 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 mainly undiluted ore is being mined by FY 2019.



Increase output



Drive efficiencies



Optimise recoveries



Work responsibly

FY 2014 risk management and developments

Strategic objectives

KPIs



Responsibility

Read more





The market for rough diamonds strengthened over the course of the Year, with rough diamond pricing achieved by Petra up on average 10%, thereby assisting Company revenues.		Revenue; Profitability	Executive Directors	Our market – pages 13 to 17
Significant ZAR/US\$ volatility resulted in active currency management being particularly important to address exchange rate risks. The Company took advice from two specialist banks in order to advise on exchange rate strategy.		Revenue; Profitability	Executive Directors	Financial Statements, note 25 – page 127
There were no country events or changes to regulatory regimes that materially affected the Company.	 	Production; Local employment; CSI expenditure	Executive Directors; HSSE Committee	—
While Petra's overall safety performance improved in FY 2014, a fatality was recorded further to an accident at an electricity substation at Cullinan.	 	Production; LTIFR; FIFR	HSSE Committee; Remuneration Committee	Safety – pages 48 and 49 DRR – page 81
The Group's management team is comprised of key personnel with a substantial and specialised knowledge of kimberlite mining and diamond recovery, and this skills base enables the Company to manage mining and production risks.	 	Production; LTIFR; FIFR	Executive Directors; HSSE Committee	Operational Review – pages 30 to 41
Mitigation of the risk at Finsch was assisted by the plant changes (lowering the cut-off), which served to significantly increase the mine's ROM grade. At Cullinan, the ROM grade was slightly lower than guidance for FY 2014. Petra is managing the volatility in ROM grade at Cullinan by accessing undiluted 'gapfiller' tonnes which can be drawn whilst the expansion plans progress to open up access to undiluted ore.	 	Production; Revenue; Profitability	Executive Directors	Moving into undiluted ore – pages 30 and 31







Risk Management

continued

Risk	Risk change	Description and impact	Mitigation
Operational risks continued			
Expansion and project delivery Medium term		Petra has set out a clear and transparent growth profile to increase annual production to circa 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.	Petra has an enviable track record in the management of underground diamond operations. The Group has established procedures to control, monitor and manage the roll-out of its development plans. Petra's diversified portfolio of operating mines provides flexibility in terms of overall portfolio performance. Expansion project targets are explicitly included as part of Petra's annual bonus framework and long-term share awards.
Labour relations Short to medium term		The Group's production, and to a lesser extent its project development activities, is dependent on a stable and productive labour workforce. Petra remains highly focused on managing labour relations and on maintaining open and effective communication channels with the appropriate employee and union representatives at its operations.	Petra remains focused on managing labour relations and on maintaining open and effective communication channels with its employees, the appropriate union representatives at its operations; and local communities. Post Year end, Petra reached a three-year wage agreement with the National Union of Mineworkers.

Strategic risks

Financing Medium term		Petra has a significant Capex programme over the years to FY 2019. The Company plans to continue to finance this Capex from operating cashflows and debt finance. Lack of adequate available cashflows could delay development work.	Whilst management prepares detailed plans, 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 reviews its cashflow planning to ensure that Capex plans are adequately financed.
Cost control and capital discipline Long term		Petra's main cost inputs are labour and energy, both of which have been rising above official inflation rates in South Africa and Tanzania. Ineffective cost control leads to reduced margins and profitability.	Given the relatively high fixed-cost nature of Petra's operations (circa 70%), the Company's strategy to increase tonnage throughput at each operation will assist in controlling cost per tonne on a unit basis. The Company's expansion plans also include initiatives to streamline ore-handling and plant processes, thereby driving efficiencies. Profit and cost measures form part of Petra's annual bonus framework.
Retention of key personnel Long term		The successful achievement of the Group's strategies, business plans and objectives depends upon its ability to attract and retain certain key personnel.	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 likewise designed to attract, incentivise and retain individuals of the right calibre.
Regulatory compliance Long term		In order to maintain its exploration or mining licences, Petra must comply with stringent legislation to justify its licence to operate. Failure to comply with relevant legislation in South Africa, Tanzania or Botswana could lead to delays or suspension of its mining and exploration activities.	Petra's approach is to go 'beyond compliance' in terms of meeting its health and safety, social, environmental and local community obligations, by adopting a holistic approach with the true long-term sustainability of each operation in mind.

FY 2014 risk management and developments	Strategic objectives	KPIs	Responsibility	Read more
<p>Petra's growth plan continued to progress well in FY 2014, with all expansion programmes on track and on budget.</p>		<p>Production; Revenue; Capex</p>	<p>Executive Directors; Audit Committee; Remuneration Committee</p>	<p>Operational Review – pages 30 to 41 Report of the Audit Committee – pages 62 to 67 DRR – pages 74 to 90</p>
<p>Cullinan, Koffiefontein, Kimberley Underground and Helam were affected by work stoppages during August/September 2013. However, the Company was able to maintain around a 60% level of normal production during this time and was able to reach a satisfactory resolution to the industrial action after an approximately two week period.</p>		<p>Production</p>	<p>Executive Directors</p>	<p>—</p>
<p>Petra's Capex for FY 2014 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.</p>		<p>Production; Revenue; Profitability; TSR</p>	<p>Executive Directors</p>	<p>Financial Review – pages 26 to 29</p>
<p>Operating costs were well controlled in FY 2014 despite inflationary pressures. Corporate overhead decreased in US Dollar terms in FY 2014, a good achievement considering the continued growth of the Company.</p>		<p>Profitability</p>	<p>Executive Directors; Remuneration Committee</p>	<p>Financial Review – pages 26 to 29</p>
<p>Petra's clear strategy and continued achievement of its objectives help to propagate a positive company culture, in which employees feel they can directly contribute to the Company's success. The Company's remuneration strategy is designed to reward management for delivery against the Company's long-term objectives, as well as retain key management for the longer term.</p>		<p>Production; Revenue; Profitability; Staff turnover</p>	<p>Remuneration Committee</p>	<p>DRR – pages 74 to 90 Our People – page 49</p>
<p>Petra continually stays abreast of developments and changes in the laws and regulations of all of the countries in which it operates. Petra is also involved, where appropriate, in industry or sector consultation prior to such changes being introduced. Petra has systems to ensure it meets all the requirements of its mining rights and related matters.</p>		<p>Production; Revenue; Profitability; CSI; Training spend; Local employment; Diversity</p>	<p>Audit Committee; HSSE Committee</p>	<p>Sustainability – pages 48 to 51</p>

Report of the Nomination Committee



Membership of the Nomination Committee

► Non-Executive Chairman

Adonis Pouroulis (Chairman, pictured)

► Independent Non-Executive Directors

Pat Bartlett

Gordon Hamilton

Tony Lowrie

Nomination Committee role and activities

The principal functions of the Nomination Committee are listed below, along with the corresponding activity and performance in FY 2014.

Role	Activities in FY 2014	Outcomes
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.	Oversaw the independent Board performance evaluation exercise. Identified the need to enhance Board diversity and agreed to a Group Diversity Policy.	The overall result of the evaluation exercise was that the Board was considered to be very effective with a few areas for improvement identified. See page 59. Steps will be taken to address Board diversity in FY 2015.
To identify, nominate and recommend, for the approval of the Board, appropriate candidates to fill Board and Committee vacancies as and when they arise.	Identified the need to appoint an additional independent NED to further strengthen Board and Committee independence.	A specification for this role has been developed by the Nomination Committee and a search is well advanced.
To satisfy itself, with regards to succession planning, that plans are in place with regards to both Board and Senior Management positions.	Succession planning was discussed during the Year, and it was agreed that more focus should be applied to this area.	Succession planning will be a key area of focus for FY 2015.
To 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.	The Company's first independent Board evaluation exercise took place in FY 2014.	Each Director was considered to remain effective and thereby was proposed by the Committee for re-election to the Board at the forthcoming AGM.

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

Diversity

Petra understands that diversity is important to the effective functioning of a Board. The Petra Board is considered to have a broad and highly relevant skill-set; however the Company's Nomination Committee is continually evaluating its composition, bearing in mind a range of factors, including diversity.

The Board welcomed the 2011 Davies Report, which has done much to encourage transformation in business by attracting attention to the importance of gender diversity. Given the clear business case for gender diversity at all levels of the organisation, Petra is actively seeking to improve the diversity of its Board, which currently does not include any female directors.

During FY 2014, the Nomination Committee (and subsequently the Board) formalised the Group's policy concerning boardroom diversity. It was agreed that the Petra Board will continue to make appointments based on merit, taking into account the specialist skill-set which is required for its business specifically and taking into account diversity. To specifically address gender diversity in the short term, and with this policy in mind, the Nomination Committee has a target to appoint a female candidate to the Board (and to the Audit Committee) in FY 2015.

Gender diversity across Petra

FY 2014	Men		Women	
	Number	%	Number	%
Board (including NEDs)	7	100	—	—
Senior Management	30	97	1	3
Management	170	81	41	19
Employees	3,731	84	687	16
Total	3,938	84	729	14

Petra is committed to encouraging women in mining and has a number of initiatives which focus on developing women into managerial positions. Since its inception, the Company's Leadership Development Programme has focused on the advancement of women and 48% of the candidates currently on the programme are women. Furthermore, 42% of the Company's interns are women, while 64% of the Company's scholarship positions are filled by girls from local schools.

Read more about how Petra encourages diversity throughout the Group on page 51.

Report of the HSSE Committee



Membership of the HSSE Committee

► Chief Executive

Johan Dippenaar (Chairman, pictured)

Group Support Manager – Egbert Klapwijk
Group Legal Services Manager – Craig Kraus
Group HSEQ Manager – Charl Barnard

► Senior Management

Group Operations Manager – Koos Visser
Head of Mining Operations – Teon Swanepoel

HSSE Committee role and activities

The principal functions of the HSSE Committee are listed below, along with the corresponding activity and performance in FY 2014.

Role	Activities in FY 2014	Outcomes
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.	In line with the Company's growth, a revised HSSE management framework for the HSSE Committee was finalised and presented to the Board.	Approval of the revised HSSE management framework. Appointment of a Group HSEQ Manager to further unify Group systems and strategies.
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.	The HSSE Committee received regular reports with regards to Group compliance. Areas that required additional attention were given due focus. A Group Water Management Plan and Strategy was finalised and approved.	Reports to the Board on levels of compliance as appropriate. Focus on risk assessment and strategies for mitigation. Updates to the Group Code of Ethical Conduct.
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.	Monitoring of HSSE performance and reporting to the Board on any material issues. Review of top causes of accidents/risks/incidents across the HSSE spectrum.	The Board was kept regularly informed of the Group's HSSE performance. Core focus areas were safety awareness campaigns, environmental awareness, labour relations initiatives and strengthening of stakeholder engagement processes.
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.	Full investigation into the accident at Cullinan, which resulted in the passing away of one employee and the injuring of two other employees in January 2014.	The Board was briefed. Lessons learnt were shared with all Group operations.
To evaluate the quality and integrity of any reporting to external stakeholders concerning health, safety, social and environmental aspects.	Review of international guidelines and best practice in respect of Petra's sustainability reporting. Review of the Group's disclosure gaps further to GRI indicators and sustainability/governance ratings agencies requirements. Training on the new reporting regulations for UK companies, with regards to human rights, diversity and GHG emissions.	Additional disclosure was provided to the following independent sustainability bodies: CDP, EIRIS, FTSE4Good. Strategy put in place with regards to progression of the Group's annual sustainability reporting, including development of GHG emissions reporting.
To review the Group's performance indicators in connection with health, safety, social and environmental aspects.	Review and discussion of the Group's ongoing performance across its key HSSE performance indicators.	Where performance was not in line with expectations, focus was given to areas for improvement.

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

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

Directors' Remuneration Report

Letter from the Chairman



Membership of the Remuneration Committee

► Non-Executive Chairman

Gordon Hamilton (Chairman, pictured)

► Independent Non-Executive Directors

Pat Bartlett

Tony Lowrie

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for FY 2014. 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 that reinforces the Company's ambitious growth strategy.

Petra is a unique organisation and the industry in which it operates requires specialist skills and experience. The Committee is aware of the need to consider the levels of executive compensation against this specific background.

Directors' Remuneration Report

Following the introduction of new UK regulations, this Year shareholders will be asked to vote separately on our remuneration policy and our annual remuneration report. Petra has chosen to comply with the new disclosure regulations notwithstanding that it is not a UK company, and therefore our Policy Report and Annual Remuneration Report will be subject to an advisory vote at the forthcoming AGM on 27 November 2014.

Remuneration framework

The Group's remuneration policies are weighted towards performance-related pay and the Committee is of the view that they support the objectives of Petra and its shareholders. We have made no significant changes to the remuneration framework for Executive Directors during the course of the Year.

We reviewed the performance measures for the PSP and determined that going forward these should be rebalanced in order to better support the objectives of Petra as the Company develops. For awards made in FY 2014 onwards we will continue to base 50% of the awards on TSR performance. However we have rebalanced the remaining portion of the award away from carat production and towards stretching project delivery and operational efficiency performance targets, which align directly with our stated long-term strategy. Carat production targets are retained within the annual performance bonus framework.

Petra has always adopted a modest approach to base salary levels. The Chief Executive's salary was set at a below market level when listed on AIM, and this approach was continued when the Company moved to the Main Market in 2011. When reviewing salaries for FY 2015, the Committee was strongly of the view that the Chief Executive's salary no longer reflected the scale and complexity of the role at Petra, and that the very significant discount to market levels was not sustainable. The Committee has determined that the Chief Executive's salary should be increased to £360,000. This increased salary level continues to be below market levels of similar sized companies in our sector.

Salaries for the other Executive Directors were increased by 3% which is less than those applying across the Group's employee population more generally.

Performance out-turns

This has been a further Year of excellent progress for Petra, as illustrated by:

- » carat production increased by 17% to 3.1 million carats;
- » substantial increases in adjusted EBITDA and net profit after tax;
- » project delivery remaining on track and materially within budget;
- » improvement in safety performance;
- » Petra's share price increased by 65% during the Year from 113.8 pence to 188.3 pence; and
- » Petra was ranked second in terms of TSR performance against the FTSE 350 Mining Index for the three year period to 30 June 2014.

The annual bonus and Performance Share Plan outcomes reflect this performance.

Shareholders

Last year the Remuneration Committee was pleased to note that 99.5% of shareholders voted in favour of our Directors' Remuneration Report.

Overall we believe our remuneration policies are aligned with our strategy to enhance long-term value for shareholders. We hope you find our report this Year informative and will continue to support our remuneration policies and practices by voting in favour of the resolutions at the Company's AGM.

Gordon Hamilton

Chairman of the Remuneration Committee
17 October 2014

Directors' Remuneration Policy Report

Directors' Remuneration Policy Report

The following section sets out the Group's remuneration policy (the "Policy Report"). As a Bermuda-incorporated company, Petra is not subject to the new UK disclosure regulations. However, the Remuneration Committee recognises the importance of good governance and therefore the structure of this report follows the new regime. Recognising that the Company is unable to benefit from the associated statutory protections afforded by the UK Companies Act 2006, this Policy Report and the Annual Remuneration Report will be put to shareholders separately for approval on an advisory basis at the AGM on 27 November 2014.

It is intended that this Policy Report will come into immediate effect following the AGM.

Remuneration principles

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

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

Future policy table

Fixed remuneration

Salary

Purpose and link to strategy	<ul style="list-style-type: none"> » To attract and retain Executive Directors of the calibre required by the business. » This is a core element of the remuneration package.
Operation	<ul style="list-style-type: none"> » The base salaries for Executive Directors are determined by the Committee taking into account a range of factors including: <ul style="list-style-type: none"> » the scope of the role; » the individual's performance and experience; and » positioning against comparable roles in other mining companies of similar size and complexity. » Base salaries are normally reviewed annually with changes effective from the start of the financial Year on 1 July. » With effect from 1 July 2014, Executive Director salaries are: <ul style="list-style-type: none"> » Johan Dippenaar – £360,000. » David Abery – £290,615. » Jim Davidson – £290,615.
Maximum opportunity	<ul style="list-style-type: none"> » In determining salary increases, the Committee is mindful of general economic conditions and salary increases for the broader Company employee population. » More significant increases may be made at the discretion of the Committee in certain circumstances, including (but not limited to): <ul style="list-style-type: none"> » where an individual's scope of responsibilities has increased; » where, in the case of a new Executive Director who is positioned initially on a lower starting salary, an individual has gained appropriate experience in the role; and » where the positioning is out of step with salary for comparable roles in the market.

Benefits

Purpose and link to strategy	<ul style="list-style-type: none"> » To provide market competitive benefits.
Operation	<ul style="list-style-type: none"> » Benefit policy is to provide an appropriate level of benefit for the role taking into account relevant market practice. » Under the current arrangements, Executive Directors receive: <ul style="list-style-type: none"> » a cash allowance of 10% of salary in lieu of both benefits and pension; and » Group life, disability and critical illness insurance. » The Committee retains the discretion to provide reasonable additional benefits based on individual circumstances (e.g. travel allowance and relocation expenses for new hires, or pension arrangements).
Maximum opportunity	<ul style="list-style-type: none"> » The benefit provision will be set at an appropriate level taking into account the cost to the Company and the individual's circumstances.

Directors' Remuneration Report

Directors' Remuneration Policy Report continued

Directors' Remuneration Policy Report continued

Variable remuneration

Annual bonus

Purpose and link to strategy	<ul style="list-style-type: none"> » To motivate and reward performance measured against annual key financial, operational and strategic goals of the Company, which reflect critical factors of success. » Deferred element of the annual bonus ensures that part of the value of payments earned remains aligned to the Company's share price, thus creating alignment with the shareholder experience.
Operation	<ul style="list-style-type: none"> » Short-term annual incentive based on performance during the financial Year. » A proportion of the award earned for a financial year will normally be deferred into shares. » Deferred shares may accrue dividend equivalents. » In respect of FY 2014, 25% of the award earned was deferred for a period of two years. » Where delivery of the deferred element of the bonus in shares is deemed by the Company to be impractical for any reason (e.g. due to exchange control regulations) cash equivalents linked to the share price provides alignment with shareholders.
Maximum opportunity	<ul style="list-style-type: none"> » Maximum award of up to 150% of base salary.
Performance measures	<ul style="list-style-type: none"> » The amount of bonus earned is based on performance against financial, operational and strategic measures. » The Committee reviews the performance measures annually and sets targets to ensure that they are linked to corporate priorities and are appropriately stretching in the context of the business plan. » Prior to determining bonus outcomes, the Committee considers performance in the round to ensure that actual bonuses are appropriate. » For FY 2015, the performance measures for the bonus will include carat production, cost management, adjusted EBITDA and profit, project delivery, HSSE objectives, and strategic and corporate priorities. » Any amounts deferred into shares (or a cash equivalent) will be subject to continuing employment, but not to any further performance measures.

Performance Share Plan ("PSP")

Purpose and link to strategy	<ul style="list-style-type: none"> » To motivate and reward for the delivery of long-term objectives in line with the business strategy. » To create alignment with the shareholder experience and motivate value creation.
Operation	<ul style="list-style-type: none"> » Awards of conditional shares (or equivalent) which will normally vest based on performance over a period of three years. » Awards may accrue dividend equivalents. » Where delivery in shares is deemed by the Company to be impractical for any reason (e.g. due to exchange control regulations) cash equivalents linked to the share price provide alignment with shareholders.
Maximum opportunity	<ul style="list-style-type: none"> » Maximum award of up to 200% of salary. » For FY 2015, Executive Directors will be granted conditional awards of up to 150% of salary.
Performance measures	<ul style="list-style-type: none"> » Vesting is based on performance against financial, operational and strategic measures. » The Committee determines targets each year to ensure that targets are stretching and represent value creation for shareholders, while remaining motivational for management. » For FY 2015, the performance measures used will be: <ul style="list-style-type: none"> » TSR relative to FTSE 350 mining companies and listed diamond mining peers (25%); » absolute TSR (25%); and » project delivery and operational performance (50%).

Shareholding guidelines

It is the Company's policy that each of the Executive Directors holds a meaningful number of Petra shares. The guideline is to build and maintain a minimum of one year's basic salary for the applicable Director.

Directors' Remuneration Policy Report continued

Notes to the remuneration policy table

Performance measures for incentives

The performance measures and targets for the annual bonus and PSP awards to Executive Directors are intended to be closely aligned with the Company's short-term and long-term objectives. The intention is to provide a direct link between reward levels, performance and the shareholder experience. The following summarises the performance measures currently used:

Production	» Carat production is at the core of Petra's strategy. These measures are therefore embedded in the performance measurement framework.
Costs and profitability	» Petra remains focused on managing costs and profitability. Profit and cost measures form part of the annual bonus metrics.
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.
HSSE	» Health, safety, social and environment measures are explicitly included as part of the annual bonus framework, reflecting Petra's commitment to corporate responsibility.
Total shareholder return	» Share awards are linked to value created for shareholders by measuring both relative and absolute total shareholder return ("TSR").

Recovery provisions

In line with best practice, the vesting of deferred bonus and PSP awards are subject to recovery provisions. This enables the Committee to exercise discretion to reduce, cancel or impose further conditions on an award prior to vesting or exercise (as the case may be) in circumstances including:

- » a serious downturn in the financial performance of the Company;
- » a serious misstatement of the Company's audited results;
- » a serious failure of risk management; or
- » serious reputational damage to the Company.

Legacy arrangements

The Committee may approve payments outside of the Remuneration Policy in order to satisfy any legacy arrangements agreed prior to the adoption of this Policy Report or made to a Director prior to (but not in contemplation of) appointment to the Board.

Petra has two legacy plans which were adopted prior to moving from AIM to the Main Market: the 2005 Executive Share Option Scheme and the 2011 Longer-Term Share Plan. There is currently no intention to grant further awards to Executive Directors under either of these plans.

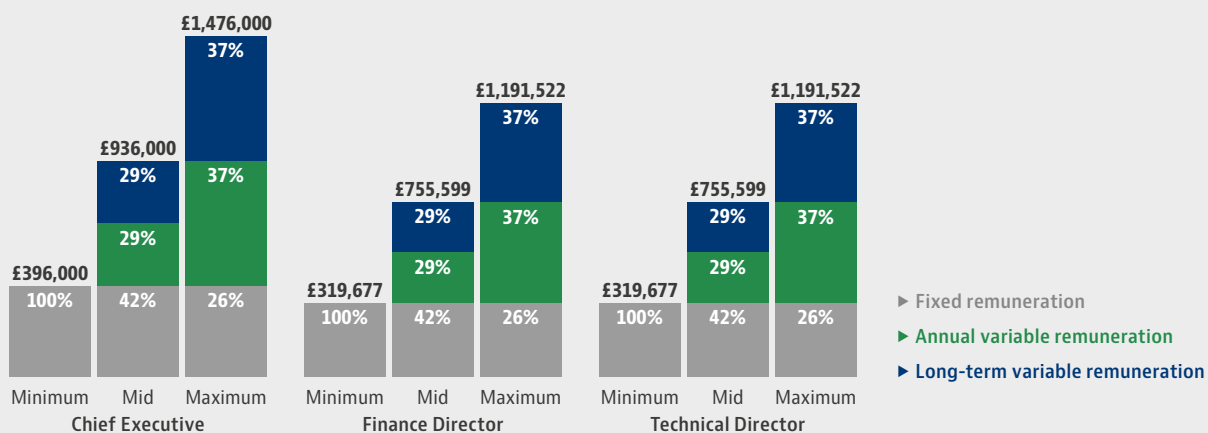
2005 ESOS	<ul style="list-style-type: none"> » The Company previously operated the Employee Share Option Scheme (introduced in 2005), whereby it can issue options to eligible employees (including Executive Directors and Senior Management) to subscribe for shares in the Company at set prices. » The last awards under this plan were granted to the Executive Directors in March 2010 and are now capable of exercise.
2011 Longer-Term Share Plan ("2011 LTSP")	<ul style="list-style-type: none"> » The one-off 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. » For the production element, up to 25% of the element may vest if the target of 11.7m carats' cumulative production is delivered to 30 June 2016, rising to 100% for 12.8m carats' cumulative production. Up to 50% of the award may vest based on performance against accelerated vesting targets. » The award is subject to a recovery provision in line with the PSP.

Directors' Remuneration Report

Directors' Remuneration Policy Report continued

Directors' Remuneration Policy Report continued

Illustration of application of the remuneration policy



The charts above have been compiled using the following assumptions:

Fixed remuneration	Fixed remuneration (salary and benefits allowance) as at 1 July 2014.
Variable remuneration	<ul style="list-style-type: none"> » Annual bonus: maximum award of up to 150% of salary. » PSP: conditional award of 150% of salary. » The amounts shown do not take into account share price growth or receipt of dividend equivalents.

Performance scenarios

Minimum	Fixed remuneration only.
Mid	Fixed remuneration plus variable pay for the purpose of illustration as follows: <ul style="list-style-type: none"> » Annual bonus: assumes a bonus pay-out of 50% of maximum. » PSP: assumes vesting of 50% of maximum.
Maximum	Fixed remuneration plus variable pay for the purpose of illustration as follows: <ul style="list-style-type: none"> » Annual bonus: assumes a bonus pay-out of 100% of maximum. » PSP: assumes vesting of 100% of maximum.

Recruitment policy

The Committee's key principle when determining appropriate remuneration arrangements for a new Executive Director (appointed from within the organisation or externally) is to ensure that arrangements are in the best interests of both Petra and its shareholders, without paying more than is considered necessary by the Committee to recruit an executive of the required calibre to develop and deliver the business strategy.

Fixed pay	Salary and benefits would be determined within the bounds of the future policy table above.
Variable pay	The UK regulations require the identification of a maximum level of variable pay which may be granted on recruitment (excluding any buy-out arrangements). The maximum level of variable pay (bonus and long-term incentives) for a new recruit will be consistent with the policy table on page 76. Within these limits and where appropriate the Committee may tailor the incentives (e.g. timeframe, form, performance criteria) based on the commercial circumstances at the time of recruitment.
Buy-outs	<p>The Committee may need to buy-out remuneration forfeited on joining Petra. In such circumstances, the Committee will seek to ensure any buy-out is of comparable commercial value and is capped as appropriate.</p> <p>The quantum, form and structure of any buy-out arrangement will be determined by the Committee taking into account the terms of the forfeited arrangements (e.g. form of award, timeframe, performance criteria, likelihood of vesting, etc.). The buy-out may be structured as an award of cash or shares; however, where appropriate, the Committee will normally seek to make awards under the existing incentive plans.</p>
Non-Executive Directors	On the appointment of a new Chairman or Non-Executive Director, the fees will be consistent with the policy set out on page 85. Fees to Non-Executive Directors will not include share options or other performance-related elements.

Directors' Remuneration Policy Report continued

Executive Director service contracts and policy on payment for loss of office

When determining leaving arrangements for an Executive Director, the Committee takes into account any contractual agreements including the provisions of any incentive arrangements, typical market practice and conduct of the individual.

Notice period	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).
Payment in lieu of notice	In the event of termination by the Company of an Executive Director's employment, the contractual remuneration package (incorporating base salary and benefits including any legal and professional fees), reflecting the 12 month notice period, would normally be payable.
Annual bonus	The Executive Director may, at the discretion of the Committee, remain eligible to receive an annual bonus for the financial Year in which they ceased employment. Such a bonus will be determined by the Committee taking into account time in employment and performance.
Share awards	<p>'Good leavers' (e.g. ill health or retirement)</p> <p>If a participant is deemed to be a good leaver, unvested awards will usually continue until the normal vesting date, unless the Board determines that the award will vest sooner (e.g. at the time of departure). For PSP awards any vesting will normally take account of any performance targets and, unless the Board determines otherwise, the time elapsed since the award was granted. For legacy LTSP awards any vesting will normally take account of any performance targets and may also take into account the time elapsed where cessation occurs within three years of grant.</p> <p>'Bad leavers'</p> <p>If a participant is deemed to be a bad leaver, unvested awards will lapse.</p>

Future remuneration policy for Non-Executive Directors

The remuneration of the independent Non-Executive Directors, with the exception of the Chairman, is determined by the Chairman and the Executive Directors; the remuneration of the Chairman is determined by the Committee. Directors are not involved in any decisions as to their own remuneration.

The table below sets out the remuneration policy with respect to the Non-Executive Directors. Independent Non-Executive Directors do not participate in the Company's bonus arrangements, share schemes or pension-benefit plans. Any new independent Non-Executive Director will be treated in accordance with this policy.

Approach to setting fees

The fees for Non-Executive Directors are set at a level which is considered appropriate to attract individuals with the necessary experience and ability to oversee the business.

Fees are reviewed periodically, typically annually.

Judgement is used and consideration is given to a number of internal and external factors including responsibilities, market positioning, inflation and pay increases for the broader Company employee population.

Limited role-specific benefits may be provided. Mr Pouroulis continues to receive the benefit of membership of the Group's life insurance scheme.

Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties and any associated taxes) incurred in the course of performing their duties may be reimbursed to Non-Executive Directors.

Opportunity

The fee opportunity reflects responsibility and time commitment.

Additional fees are paid for further responsibilities, such as chairmanship of committees.

The value of benefits provided will be reasonable in the market context and take account of the individual circumstances and benefits provided to comparable roles.

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 does not participate in any other or future Company share scheme arrangements.

Directors' Remuneration Report

Directors' Remuneration Policy Report continued

Directors' Remuneration Policy Report continued Detailed provisions

All incentive awards are subject to the terms of the relevant plan rules under which the award was granted. The Committee may adjust or amend awards in accordance with the provisions of the plan rules. This includes making adjustments to awards to reflect corporate events, such as a change in the Company's capital structure.

The Committee may adjust the calibration of performance measures and vesting outcomes, or substitute or amend any vesting condition (e.g. due to a significant acquisition or disposal) provided that the resulting condition is appropriate and not materially more or less difficult to satisfy.

In the event of a change of control of the Company, the Committee may determine the extent to which any PSP award will vest based on the extent that any performance target has been satisfied, the period of time that has elapsed since the award was granted, and such other factors the Board deems relevant. Deferred awards will normally vest in full on a change of control, unless the Committee determines otherwise. Legacy LTSP awards will normally vest in full on a change of control, unless the Committee determines that any vesting is inappropriate taking into account performance over the period. In certain circumstances, the Board may alternatively permit or require part or all of an award to be exchanged for equivalent awards which relate to shares in an acquiring company.

The Committee may make minor amendments to the remuneration policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes).

Remuneration elsewhere in the Company

When assessing remuneration, the Committee takes care to ensure that pay levels reflect roles and responsibilities. The Committee also takes care to ensure that packages for senior individuals are appropriate in comparison to the remuneration of other employees within the Company, whilst still supporting delivery of Petra's corporate objectives. Remuneration arrangements throughout the organisation are based on similar reward principles.

Shareholder engagement

The Committee believes that it is very important to maintain open dialogue with shareholders on remuneration matters. Where significant changes are proposed to the Executive Directors' remuneration framework, the Committee's normal approach is to consult with major shareholders.

Since moving from AIM to the Main Market, the Committee has engaged with shareholders in relation to the operation of the Company's incentive plans.

Directors' Annual Remuneration Report

Directors' Annual Remuneration Report

This report explains how the Group's remuneration policy was implemented during FY 2014 and how it will be applied for FY 2015.

Overview of policy and how it will be applied for FY 2015**Salary**

Influenced by role, individual performance and experience and market positioning.

- » The Chief Executive's salary was previously at a very significant discount to the market level, and has been repositioned to better reflect the scale and complexity of the role. The revised salary remains below market levels.
- » Increases of 3% for the Finance and Technical Directors, which is less than those applying across the Group's employee population more generally.
- » With effect from 1 July 2014, Executive Director salaries are:
 - » Johan Dippenaar – £360,000
 - » David Abery – £290,615
 - » Jim Davidson – £290,615

Benefits

Provision of an appropriate level of benefit for the relevant role and local market.

- » Executive Directors receive:
 - » a benefits allowance of 10% of salary in lieu of both pension and other benefits; and
 - » Group life, disability and critical illness insurance.

Annual bonus

Linked to key financial, operational, HSSE and strategic goals of the Company, which reflect critical factors of success.

- » Maximum opportunity for FY 2015 of 150% of salary.
- » For FY 2014, 25% of the bonus earned for the Year has been deferred into shares for two years.
- » For FY 2015, the bonus will be linked to:
 - » carat production;
 - » cost management;
 - » adjusted EBITDA and profit;
 - » major project delivery;
 - » HSSE objectives; and
 - » strategic and corporate priorities.

Performance share plan

Aligned with shareholders and motivating the delivery of long-term objectives.

- » Conditional share award for FY 2015 of 150% of salary.
- » Performance measured over three financial years (FY 2015 to FY 2017):
 - » total shareholder return ("TSR") relative to FTSE 350 mining companies and listed diamond mining peers (25%);
 - » absolute TSR, with a threshold target of 8% growth per annum and maximum target of 16% growth per annum (25%); and
 - » project delivery and operational performance (50%).

Shareholding guidelines

Aligned with shareholders.

- » Shareholding guidelines of 100% of salary.
- » Executive Directors' actual shareholdings are significantly above the guidelines.

Directors' Remuneration Report

Directors' Annual Remuneration Report continued

Directors' Annual Remuneration Report continued

Single figure of total remuneration

The following table gives a breakdown of the remuneration received by the Executive Directors for FY 2014 and 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.

	Year	Salary £	Benefits £	Annual bonus – paid in cash £	Annual bonus – deferred to shares £	Long-term incentives ¹² £	Retirement benefits ³ £	Total £
Johan Dippenaar	2014	303,050	36,080	291,496	97,166	272,206	—	999,998
Chief Executive	2013	290,000	34,484	236,531	78,844	164,502	—	804,361
David Abery	2014	282,150	33,651	271,393	90,464	252,763	—	930,421
Finance Director	2013	270,000	31,898	220,219	73,406	164,502	—	760,025
Jim Davidson	2014	282,150	31,572	271,393	90,464	252,763	—	928,342
Technical Director	2013	270,000	30,018	220,219	73,406	164,502	—	758,145

1. Long-term incentives in FY 2014 relate to the PSP awards granted on 15 May 2012 based on performance between 1 July 2011 and 30 June 2014. This award vested at 62.2% of the maximum shortly after Year end and is expected to be released in due course. For the purpose of this table, the awards have been valued based on the average share price during the three-month period to 30 June 2014 of 163.59 pence. In accordance with 'single figure' calculation requirements, whilst the awards had not been released at Year end they are included in the figures above as the performance period had completed.

2. Long-term incentives in FY 2013 relate to the 2005 ESOS awards granted on 30 September 2009 and 17 March 2010 prior to admission to the Main Market. These options remain unexercised, and therefore no gain has yet been realised by the Directors in respect of these awards. For the purpose of this disclosure, these options have been valued based on the notional gain on the relevant tranches that became exercisable on 30 September 2012 and 17 March 2013 respectively.

3. Executive Directors are provided with a benefits allowance but do not currently participate in any Company pension plan and are not provided with any retirement benefits.

These total remuneration figures reflect a number of factors:

- » Since admission to the Main Market, salaries have not increased significantly and have been modestly set relative to salaries and benefits available to executive directors of comparable companies.
- » A significant portion of pay is performance based, which is comprised of annual bonus and long-term incentives. The amounts above reflect that Petra has performed well against its corporate objectives. However, this way of structuring remuneration also ensures that if Petra does not achieve its corporate objectives, then the Executive Directors' total remuneration would be significantly reduced.
- » A portion of the annual bonus is deferred into shares (and is therefore subject to share price movements) rather than being paid immediately to Executive Directors.
- » The amounts shown under long-term incentives are shares which have not yet been delivered to participants and are due to be released shortly. Figures shown are estimates. These awards were granted in prior years and were subject to stretching performance conditions.
- » Executive Directors also have significant shareholdings, reflecting their commitment to Petra's future and sustainable growth going forward.

Additional notes to the remuneration table

Salary

For FY 2015, the Committee has determined that the base salaries (per annum) for Executive Directors should be as set out below:

	Base salary to 30 June 2014 £	Base salary from 1 July 2014 £
Johan Dippenaar	303,050	360,000
David Abery	282,150	290,615
Jim Davidson	282,150	290,615

Petra has always adopted a modest approach to base salary levels. The Chief Executive's salary was set at a below market level when listed on AIM, and this approach was continued when the Company moved to the Main Market in 2011. When reviewing salaries for FY 2015, the Committee was strongly of the view that the Chief Executive's salary no longer reflected the scale and complexity of the role at Petra, and that the very significant discount to market levels was not sustainable. The Committee determined that the Chief Executive's salary should be increased to £360,000. This increased salary level continues to be below market levels of similar sized companies in our sector. The Committee will continue to keep his salary under review and may make further adjustments in the future if considered appropriate.

Base salaries for the Finance and Technical Directors have been increased by 3%, which is lower than salary increases made across the Company's employee population.

Directors' Annual Remuneration Report continued

Benefits

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

Annual 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 the final bonus outcomes, the Committee considers performance in the round to ensure that actual bonuses are appropriate.

For FY 2014, the Committee's assessment of performance against the balanced scorecard of key measures and milestone achievements in the Year included the following key achievements and targets. The Committee and the Board have given careful consideration to the retrospective disclosure of targets and have disclosed targets where this is not considered to be commercially sensitive.

Performance metrics	Weighting	Performance and targets	Vesting outcome
Production and project delivery (carat production and delivery against project milestones)	30%	<ul style="list-style-type: none"> » Production increased by 17% from 2.7 million carats to 3.1 million carats. This exceeded the target of 3.0 million carats. » The weighted average project delivery score achieved from the scorecard was 8.6/10. 	25.3%
Profitability (including adjusted EBITDA, adjusted net profit and cost management)	40%	<ul style="list-style-type: none"> » Adjusted EBITDA increased from US\$127.6 million to US\$187.7 million, which significantly exceeded the target set of US\$170 million. » The cost target was met. » Adjusted PAT increased from US\$53.6 million to US\$93.7 million, which exceeded the target set of US\$90 million. 	34.2%
Corporate (including corporate and strategic priorities and health, safety and environmental performance)	30%	<ul style="list-style-type: none"> » LTIFR was reduced to 0.32 (FY 2013: 0.67) – an encouraging trend in the context of the capital programmes progress. » The Committee carefully considered the performance of the Executive Directors in delivering against corporate and strategic priorities. 	26.0%

On the basis of this review and taking into account overall performance, the Committee determined that the bonus for Executive Directors would be 85.5% of the maximum award (equating to 128.25% of base salary). The Committee has determined that 25% of the bonuses earned will be deferred for two years into shares (or settled as a cash equivalent, in line with the Remuneration Policy).

For FY 2015, the Committee has agreed a further balanced scorecard of performance measures, targets and milestone achievements. The key measures are:

Performance measure	Weighting
Production and project delivery (carat production and delivery against project milestones)	30%
Profitability (including adjusted EBITDA, adjusted net profit and cost management)	40%
Corporate (including corporate and strategic priorities and health, safety, social and environmental performance)	30%

As noted above, the bonus framework includes both measurement against pre-defined targets and the exercise of judgement. For project delivery, performance is assessed by a scoring framework based on measurable and defined objectives.

Long-term incentives – Performance Share Plan

Annual long-term share awards are granted under the Performance Share Plan. This plan was originally approved by shareholders at the January 2012 AGM. The vesting of awards is conditional on the achievement of both shareholder return and operational measures.

Directors' Remuneration Report

Directors' Annual Remuneration Report continued

Directors' Annual Remuneration Report continued

FY 2012 to FY 2014 award

The long-term incentive plan figures shown in the single figure table relate to the first awards granted under the PSP following shareholder approval. This award was subject to performance measures assessed over the period 1 July 2011 to 30 June 2014. These awards were linked to total shareholder return (50%) and operational delivery and carat production (50%).

Following the end of the performance period, the Committee assessed performance achieved against the pre-determined measures and targets.

Performance measure	Weighting	25% of element vests ¹	100% of element vests	Actual performance
Ranked TSR vs FTSE 350 mining companies	25%	Median	Upper quartile	2nd rank (upper quartile)
Absolute TSR growth	25%	8% per annum	16% per annum	Below threshold

1. No portion of an element vests for performance below this threshold level.

Petra's TSR over the period was ranked second in the comparator group, which was sufficient to trigger full vesting for this element. The element linked to absolute TSR lapsed in full, reflecting macro factors which impacted all companies in the mining sector. As shown in the chart on page 89, Petra has delivered positive shareholder returns over the longer five-year period.

	Weighting	25% of element vests ¹	80% of element vests	100% of element vests	Actual performance
Carats recovered	25%	7.6m carats	8.0m carats	8.4m carats	7.95m carats
Expansion project delivery	25%	6/10	8/10	10/10	Overall 8.4/10

1. No portion of an element vests for performance below this threshold level.

Petra has increased carat production from 2.2 million in FY 2012 to 3.1 million in FY 2014, and the performance over the period was sufficient to trigger vesting of 18.3% (out of 25%) of this element.

The Committee assessed performance at each of the key expansion sites, considering performance against expansion progress metrics. Performance was in respect of Finsch, Cullinan, Koffiefontein and Kimberley Underground (weighted 8%, 11%, 3%, 3% respectively). The metrics included safety, staffing, project management, financial, governance, development metres, raiseboring metres, design and engineering milestones and project spend. Vesting was 18.9% (out of 25%) of this element. Further details of performance at each site is set out in the Strategic Report.

On the basis of the above performance, the PSP awards for Executive Directors vested at 62.2% of the maximum.

Awards granted during the Year

During FY 2014, the Committee considered the key areas of focus for the next three financial years. The following changes were made to the long-term incentive performance measurement framework for share awards from FY 2014:

- » The comparator group for the relative TSR element was expanded to include six diamond mining companies – Alrosa, Dominion Diamond, Lucara Diamond, Mountain Province, Gem Diamonds and Stornoway Diamonds.
- » The absolute TSR element was retained with a threshold target of 8% growth per annum and a maximum target of 16% growth per annum.
- » The portion relating to carat production was removed. Carat production has increased significantly since the Company's admission to the Main Market, and Petra remains on a trajectory of increased carat production. However Petra is focused on 'value' as opposed to 'volume' production which is not captured in carats as a stand-alone measure.
- » The portion relating to project delivery has been retained and the weighting increased to 50%, reflecting the strategic importance of the mines' expansion programmes. Operational efficiency is included within the 50%. The outcome can be increased or decreased by up to 15% based on an assessment of overall operational efficiency (although any increase cannot result in this portion vesting above the 50% weighting). Assessment of operational efficiency will take into account a range of factors including operating performance, cashflow generation, production, cost management and profitability.

Directors' Annual Remuneration Report continued

Summary of performance targets

Performance measure

Ranked TSR vs FTSE 350 mining companies plus diamond mining peers

- » Half of the award is linked to returns made for shareholders.
- » The first element is linked to relative TSR measured against other mining peers.
- » The second element is based on absolute TSR so that reward is linked to creation of absolute value for shareholders.

Absolute TSR growth

	Weighting	25% of element vests ¹	100% of element vests
Ranked TSR vs mining companies	25%	Median	Upper quartile
Absolute TSR growth	25%	8% per annum	16% per annum

1. No portion of an element vests for performance below this threshold level.

Project delivery and operational efficiency

- » 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.
- » The operational element is based on carat production, cashflow, costs and profitability.
- » The expansion element is based on an assessment of performance at each mine where a significant expansion programme is underway.
- » 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.
- » This element can be varied by up to 15% (upwards or downwards) to reflect operational efficiency, including factors such as operating and cashflow generation, production, revenue, costs and profitability, overall mine management and other metrics considered appropriate by the Committee.

	Weighting	25% of element vests ¹	80% of element vests	100% of element vests
Project delivery and operational efficiency	50%	6 out of 10	8 out of 10	10 out of 10

1. No portion of an element vests for performance below this threshold level.

It is intended that this performance framework will be used for awards to be made in FY 2015.

Non-Executive Director remuneration

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 does 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.

The Chairman's fee was reviewed by the Board and increased to £155,000 with effect from 1 July 2013. The fee is payable in cash.

The other Non-Executive Directors receive a fixed basic fee for their normal services rendered during the Year and a fee for chairmanship of Committees. All fees are payable in cash. The basic fee was reviewed by the Board and increased to £55,000 with effect from 1 July 2013.

The additional fee paid for chairmanship of the Audit and Remuneration Committee is £15,000 and £12,500 respectively. There is no additional fee for chairmanship of the Nomination Committee. The additional fee paid to the Senior Independent Director is £22,500.

Independent Non-Executive Directors do not participate in the Company's bonus arrangements, share schemes or pension plans, and for FY 2014 (in accordance with the Company's normal policy) did not receive any other remuneration from the Company outside of the fee policy outlined above.

Directors' Remuneration Report

Directors' Annual Remuneration Report continued

Directors' Annual Remuneration Report continued

The following table gives a breakdown of the remuneration received by the Non-Executive Directors for FY 2014 and 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.

Single figure of total remuneration

	Year	Fees £	Benefits £	Subtotal £	Long-term incentives (prior to admission to the Main Market) £	Total £
Adonis Pouroulis	2014	155,000	2,520	157,520	—	157,520
Chairman	2013	140,000	2,539	142,539	47,001	189,540
Pat Bartlett	2014	55,000	—	55,000	—	55,000
	2013	50,000	—	50,000	—	50,000
Gordon Hamilton	2014	82,500	—	82,500	—	82,500
	2013	70,000	—	70,000	—	70,000
Tony Lowrie	2014	77,500	—	77,500	—	77,500
	2013	56,144	—	56,144	—	56,144

1. Long-term incentives in FY 2013 relate to the 2005 ESOS awards granted to Mr Pouroulis on 30 September 2009 and 17 March 2010. At the time the options were granted, Mr Pouroulis was an Executive Director of the Company. Following his move to the position of Non-Executive Chairman, Mr Pouroulis will not participate in any future Company share scheme arrangements. These options remain unexercised, and therefore no gain has yet been realised by the Directors in respect of these awards. For the purpose of this disclosure, these options have been valued based on the notional gain on the relevant tranches that became exercisable on 30 September 2012 and 17 March 2013 respectively.

Directors' shareholding and share interests

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. All the Executive Directors meet this guideline. Executive share ownership and alignment with shareholders is further supported by the Company's bonus deferral and share incentive schemes.

The current share interests of the Directors are detailed below. Executive Directors currently exceed the guideline for Petra share ownership.

		Shareholding as at 30 June 2013	Shareholding as at 30 June 2014	Shareholding guideline ¹
Adonis Pouroulis	Chairman	9,564,650	9,564,650	n/a
Johan Dippenaar	Chief Executive	640,000	640,000	185,250
David Abery	Finance Director	1,979,649	1,979,649	172,474
Jim Davidson	Technical Director	640,000	640,000	172,474
Tony Lowrie	Senior iNED	—	—	n/a
Pat Bartlett	iNED	—	—	n/a
Gordon Hamilton	iNED	70,000	100,000	n/a

1. Shareholding guideline based on three-month average share price to 30 June 2014 of 163.59p.

As at 30 June 2014, the Directors' interests in share plans of the Company were as follows:

Breakdown of share plan interests as at 30 June 2014	Shares		Options	
	Unvested and subject to performance ¹	Unvested and not subject to performance ²	Vested but not exercised	Exercised in the Year
Executive Directors				
Johan Dippenaar	1,496,825	140,142	2,450,000	—
David Abery	1,420,523	130,307	1,950,000	—
Jim Davidson	1,420,523	130,307	2,450,000	—
Non-Executive Directors				
Adonis Pouroulis	—	—	950,000	—
Pat Bartlett	—	—	—	—
Gordon Hamilton	—	—	—	—
Tony Lowrie	—	—	—	—

1. This comprises the FY2012, FY2013 and FY2014 unvested PSP and LTSP awards as at the Year end. As noted in the single figure table above, following the Year end the FY 2012 PSP is due to vest at 62.2% of the maximum and the balance of this award will lapse.

2. This comprises outstanding Deferred Share Awards in respect of FY 2012 and FY 2013. During the year in respect of FY 2013, the following awards were granted: Mr Dippenaar – 71,223 shares; Mr Abery – 66,311 shares; and Mr Davidson – 66,311 shares. These awards represent 25% of the total bonus in respect of FY 2013.

Directors' Annual Remuneration Report continued

As at 30 June 2014, Executive Directors held the following interests in the 2012 PSP:

	Date of award	Outstanding at 1 July 2013	Awarded during the Year	Vested during the Year	Lapsed during the Year	Outstanding at 30 June 2014	Performance period
Johan Dippenaar	15/05/2012 ¹	267,516	—	—	—	267,516	July 11 – June 14
	20/12/2012 ²	418,672	—	—	—	418,672	July 12 – June 15
	20/12/2013 ³	—	410,637	—	—	410,637	July 13 – June 16
Total		686,188	410,637	—	—	1,096,825	
David Abery	15/05/2012 ¹	248,408	—	—	—	248,408	July 11 – June 14
	20/12/2012 ²	389,798	—	—	—	389,798	July 12 – June 15
	20/12/2013 ³	—	382,317	—	—	382,317	July 13 – June 16
Total		638,206	382,317	—	—	1,020,523	
Jim Davidson	15/05/2012 ¹	248,408	—	—	—	248,408	July 11 – June 14
	20/12/2012 ²	389,798	—	—	—	389,798	July 12 – June 15
	20/12/2013 ³	—	382,317	—	—	382,317	July 13 – June 16
Total		638,206	382,317	—	—	1,020,523	

1. The performance measures applicable to the award consisted of: (a) TSR relative to FTSE 350 mining companies (25%); (b) absolute TSR (25%); (c) carat production (25%); and (d) project delivery (25%). The share price on 15 May 2012 was 133.0 pence; the 30 day trading average price to the date preceding the date of the award, which was used to calculate the maximum share award, was 157.0 pence. As noted above, following the Year end this award is due to vest at 62.2% and the balance of this award will lapse.

2. The performance measures applicable to the awards consist of: (a) TSR relative to FTSE 350 mining companies (25%); (b) absolute TSR (25%); (c) carat production (25%); and (d) project delivery (25%). The share price 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 103.9 pence.

3. The performance measures applicable to the awards consist of: (a) TSR relative to FTSE 350 mining and listed diamond companies (25%); (b) absolute TSR (25%); and (c) project delivery and operational performance (50%). The share price on 20 December 2013 was 113.8 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 110.7 pence. Further details of the performance conditions are set out on page 76.

As at 30 June 2014, Executive Directors held the following interests in the 2011 LTSP:

	Date of award	Outstanding at 1 July 2013	Awarded during the Year	Vested during the Year	Lapsed during the Year	Outstanding at 30 June 2014	Performance period
Johan Dippenaar	15/05/2012 ¹	400,000	—	—	—	400,000	July 12 – June 16
Total		400,000	—	—	—	400,000	
David Abery	15/05/2012 ¹	400,000	—	—	—	400,000	July 12 – June 16
Total		400,000	—	—	—	400,000	
Jim Davidson	15/05/2012 ¹	400,000	—	—	—	400,000	July 12 – June 16
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 Remuneration Policy on page 77.

Directors' Remuneration Report

Directors' Annual Remuneration Report continued

Directors' Annual Remuneration Report continued

As at 30 June 2014, Executive Directors and Chairman held the following vested share options under the 2005 ESOS:

	Date of grant	Exercisable from	Exercise price (p)	Outstanding at 1 July 2013	Granted during the Year	Lapsed during the Year	Exercised during the Year	Outstanding at 30 June 2014	Expiry date
Adonis Pouroulis	16/06/2005	16/06/2008	85.0	250,000	—	—	—	250,000	16/06/2015
	31/05/2006	31/05/2009	79.5	250,000	—	—	—	250,000	31/05/2016
	12/03/2009	12/03/2012	27.5	250,000	—	—	—	250,000	12/03/2019
	30/09/2009	30/09/2012	45.5	100,000	—	—	—	100,000	30/09/2019
	17/03/2010	17/03/2013	60.5	100,000	—	—	—	100,000	17/03/2020
Total				950,000	—	—	—	950,000	
Johan Dippenaar	16/06/2005	16/06/2008	85.0	750,000	—	—	—	750,000	16/06/2015
	31/05/2006	31/05/2009	79.5	250,000	—	—	—	250,000	31/05/2016
	12/03/2009	12/03/2012	27.5	750,000	—	—	—	750,000	12/03/2019
	30/09/2009	30/09/2012	45.5	350,000	—	—	—	350,000	30/09/2019
	17/03/2010	17/03/2013	60.5	350,000	—	—	—	350,000	17/03/2020
Total				2,450,000	—	—	—	2,450,000	
David Abery	16/06/2005	16/06/2008	85.0	250,000	—	—	—	250,000	16/06/2015
	31/05/2006	31/05/2009	79.5	250,000	—	—	—	250,000	31/05/2016
	12/03/2009	12/03/2012	27.5	750,000	—	—	—	750,000	12/03/2019
	30/09/2009	30/09/2012	45.5	350,000	—	—	—	350,000	30/09/2019
	17/03/2010	17/03/2013	60.5	350,000	—	—	—	350,000	17/03/2020
Total				1,950,000	—	—	—	1,950,000	
Jim Davidson	16/06/2005	16/06/2008	85.0	750,000	—	—	—	750,000	16/06/2015
	31/05/2006	31/05/2009	79.5	250,000	—	—	—	250,000	31/05/2016
	12/03/2009	12/03/2012	27.5	750,000	—	—	—	750,000	12/03/2019
	30/09/2009	30/09/2012	45.5	350,000	—	—	—	350,000	30/09/2019
	17/03/2010	17/03/2013	60.5	350,000	—	—	—	350,000	17/03/2020
Total				2,450,000	—	—	—	2,450,000	

External non-executive directorships

None of the Company's Executive Directors hold a directorship at another listed company.

Directors' Annual Remuneration Report continued

Other disclosures

Performance graph

The graph below shows a comparison between the TSR for Petra shares for the five-year period to 30 June 2014 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.

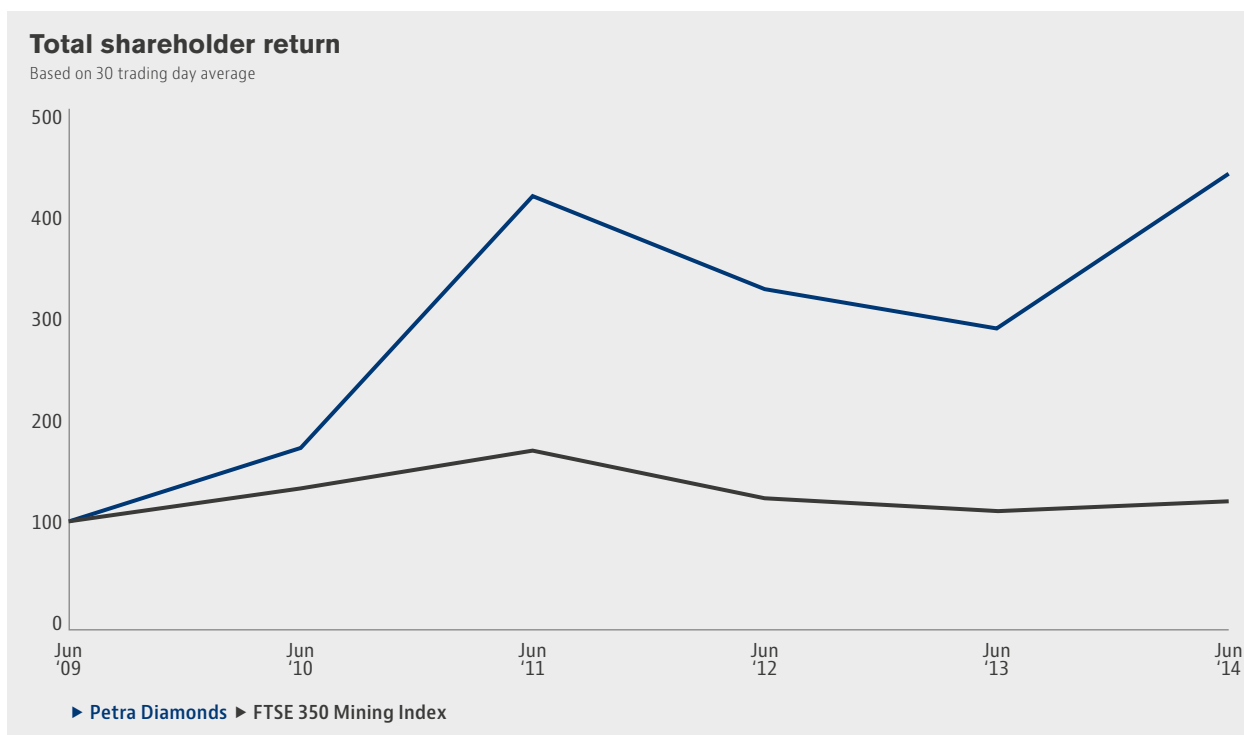


Table of historic data for the Chief Executive

Before the Company stepped up to the Main Market, the Company operated a different remuneration structure. Prior to FY 2012, there was no set maximum annual bonus opportunity for Executive Directors and the Company granted share options, rather than the more conventional 'PSP' awards with set performance criteria. Therefore it is not possible to provide fully comparable data for awards across this five-year period.

	AIM		Main Market		FY 2014
	FY 2010	FY 2011	FY 2012	FY 2013	
Single figure of total remuneration (£)	507,500	879,258	1,115,496	804,361	999,998
Annual bonuses as a % of maximum ¹	—	—	68%	72.5%	85.5%
Long-term incentives as a % of maximum ²	—	—	—	—	62.2%

1. The Chief Executive's annual bonuses for FY 2010 and 2011 were £180,000 and £170,000 respectively.

2. Prior to FY 2012, the Company granted share options to Executive Directors. At the Year end, the options vesting in the period remain unexercised and no gain has yet been realised by the Chief Executive in respect of these awards. For the purposes of the single figure for FY 2010 to FY 2013 in the table above, these options have been split into three equal tranches and valued based on the notional gain as at the first, second and third anniversaries of the original grant date.

Percentage change in remuneration of the Chief Executive

In FY 2014, the Chief Executive's salary was increased by 4.5% but his benefits allowance (as a percentage of salary) was unchanged. This compares to an average increase in salaries across Petra of 8.2%. The Chief Executive's annual bonus earned in respect of the Year increased by 23.2%.

Relative importance of spend on pay

The following table sets out the percentage change in payments to shareholders and overall expenditure on pay across the Group.

	FY 2014 \$m	FY 2013 \$m	Change %
Payments to shareholders	nil	nil	n/a
Group employment costs	136.2	130.7	4.2%

Directors' Remuneration Report

Directors' Annual Remuneration Report continued

Directors' Annual Remuneration Report continued

Service contracts

Director	Role	Date of contract	Term	Notice period by Company or Director
Executive Directors				
Mr Dippenaar	Chief Executive	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 Directors				
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

Membership of the Committee

The Committee members for FY 2014 were Gordon Hamilton (Chair), Pat Bartlett and Tony Lowrie.

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

- » the Company's general policy on the remuneration of the Executive Directors, the Chairman and 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 www.petradiamonds.com/about-us/corporate-governance/board-committees.

External advisers

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.

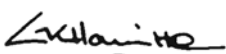
The Committee engages the services of Deloitte LLP ("Deloitte") to provide independent advice to the Committee relating to remuneration matters. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice it has received from Deloitte during the Year has been objective and independent. The fees paid to Deloitte for work carried out in the financial Year ended 30 June 2014 for the Remuneration Committee totalled £47,000 and were based on a time and materials basis.

During the Year Deloitte LLP 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.

Statement of shareholder voting

At the last AGM on 28 November 2013, the Directors' Remuneration Report received the following votes from shareholders:

	%	Number
For	99.51	294,535,633
Against	0.49	1,437,990
Withheld		6,212,071
Total votes cast		295,973,623


Gordon Hamilton

Chairman of the Remuneration Committee

17 October 2014

Financial Statements

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Directors' Responsibilities Statement

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 are required 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 Company 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 it faces.

Fair, balanced and understandable

The Board considers that the Annual Report and Accounts, taken as a whole, provides shareholders with a fair, balanced and understandable view 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.

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 2014 AGM to be held on 27 November 2014.

The Financial Statements were approved by the Board of Directors on 17 October 2014 and are signed on its behalf by:



David Abery

Director

17 October 2014

Independent Auditors' Report

To the members of Petra Diamonds Limited

We have audited the accompanying Financial Statements of Petra Diamonds Limited (the "Company") which comprise the Consolidated Statement of Financial Position at 30 June 2014 and the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cashflows for the Year then ended and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") 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 auditors' 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.

Our unmodified opinion on the Financial Statements

In our opinion the Financial Statements:

- » present fairly, in all material respects, the state of the Group's affairs at 30 June 2014 and of its financial performance and its cashflows for the Year then ended;
- » have been properly prepared in accordance with IFRS as adopted by the European Union; and
- » have been prepared in accordance with the requirements of the Companies Act 1981 as enacted in Bermuda.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

We determined materiality for the Financial Statements as a whole to be US\$9.8 million, which equates to less than 1% of the total assets of the Group and represents 1.6% of total equity and 10% of adjusted net profit after tax. We consider total assets to be an appropriate basis for materiality given the Group's stage of development and in particular the strategic focus on capital expansion programmes which are yet to become producing.

Whilst materiality for the Financial Statements as a whole was US\$9.8 million, each component of the Group was audited to a lower materiality as detailed below.

We agreed with the Audit Committee ("the Committee") that we would report to them all individual audit differences identified during the course of our audit in excess of US\$0.2 million. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Whilst Petra Diamonds Limited is a London Stock Exchange listed company, the Group's operating mines are located in South Africa (four significant operating mines as well as the Helam fissure mine) and Tanzania (one significant operating mine). In approaching the audit, we considered how the Group is constructed and assessed the business to be made up of six significant components being the Finsch, Cullinan, Kimberley Underground and Koffiefontein mines in South Africa, the Williamson mine in Tanzania and the Group's head office function.

Full scope audits for Group reporting purposes were performed by component auditors in South Africa over the four significant South African reporting components and by component auditors in Tanzania over the one significant component in Tanzania. Audits for Group purposes were performed by component auditors in South Africa over remaining local reporting components. The Group audit team performed audits over Petra Diamonds Limited as a stand-alone entity, along with the audit of the Group, including the significant head office component and consolidation adjustments. The combined effect of this approach covered 100% of Group revenue, profit before tax and assets.

The significant component audits were performed to component materiality levels as set by the Group audit team. Materiality for these significant component audits ranged from US\$0.5 million to US\$3.3 million.

Detailed instructions were sent to component auditors, which covered the significant areas to be covered by the audits (including the relevant risks of material misstatement detailed below), and set out the information required to be reported to the Group audit team. The Group audit team was physically present in South Africa and Tanzania at certain times during the substantive testing phase of the audits. The Group audit team was actively involved in the direction of the audits performed by the component auditors for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn. The Responsible Individual and or his senior team visited three of the operating mines, attended the component clearance meetings and spent significant periods of time with the component auditors on location.

Independent Auditors' Report

To the members of Petra Diamonds Limited continued

Our assessment and response to risks of material misstatement

We identified the following risks that we believe to have had the greatest impact on our audit strategy and scope and set out how we addressed those areas below:

Risk	Our response
Carrying value of the Kimberley Underground and Helam mining assets	
<p>As detailed in note 7, the assessment of any impairment to the carrying value of mining assets requires significant estimation by management.</p> <p>The carrying value of the Kimberley Underground mining assets represented a risk given the limited headroom noted in previous periods at the Group's Kimberley Underground mine and continued sensitivity of the carrying value to assumptions over future diamond prices, foreign exchange rates and achieving increased production in the near future.</p> <p>The Helam mine was subject to a strategic business review in the Year. As a result, management have impaired the Helam mining assets by US\$13.9 million to an estimate of its recoverable value.</p>	<ul style="list-style-type: none"> » We evaluated management's impairment models against approved Life of Mine plans and our understanding of the operations, and critically challenged the key estimates and assumptions used by management for each of the Group's operating mines but with particular focus on Kimberley Underground. » Our testing included comparison of the diamond price forecasts to prices achieved by the Group in the Year, pricing trends and market forecasts; comparison of foreign exchange rates to market spot and forward rates; recalculation of discount rates for the assets by our valuation specialists; and critical review of the forecast cost and production profiles against approved mine plans and empirical performance. » We assessed the Group's ability to achieve forecast growth in production with reference to plant upgrades and production run rates. » We performed our own sensitivity analysis and evaluated the disclosures given in note 7. » We considered the findings of management's strategic business review of the Helam mine to confirm the basis and accuracy of the impairment charge of US\$13.9 million and the presentation of the impairment and mine's results.
Capital expenditure	
<p>The Group has incurred US\$211.2 million of capital expenditure largely as part of its development of the Finsch, Cullinan and Koffiefontein mines. The existence, accuracy and completeness of capital expenditure at these mines represented a risk. Additionally, as discussed in note 14, judgement is applied by management in the allocation of costs between operating expenditure and capital expenditure and the extent to which borrowing costs meet the Group's capitalisation criteria. This judgement added to the risk for our audit.</p>	<ul style="list-style-type: none"> » Our audit included detailed tests of controls and substantive procedures to obtain assurance as to the authorisation, accuracy and completeness of the recording and classification of capital expenditure. Verification procedures included verification of costs to source documentation and contracts. » We critically reviewed management's allocation of costs between operating expenditure and capital expenditure to assess the allocation of such costs based on the nature of the underlying activity, supported by sample based verification testing. » We verified that the Group's application of IFRIC 20 "Stripping Costs" was appropriate by verifying the current and historic stripping cost expenditure and challenging management's assessment regarding the allocation and depreciation of such costs. » We critically reviewed the borrowing costs incurred and relationship to ongoing capital expenditure to assess the validity of borrowing cost capitalisation.
Depreciation	
<p>As detailed in note 14, the Group's depreciation policy requires significant estimation and judgement to determine the allocation of assets to the particular orebody sections over which they will be utilised.</p> <p>Additionally, judgement is required in determining the estimated ore reserves and certain resources that are capable of economically viable extraction using the Group's existing assets. This includes determination of the appropriate units of production measures for common infrastructure (such as processing plants and mine shafts) used across multiple sections of the orebody; and depreciated over reserves and resources included in the current LOM plans together with certain additional resources outside of the current LOM Plan.</p>	<ul style="list-style-type: none"> » Our audit included the sample based re-performance of depreciation calculations and we critically challenged the significant judgements, estimates and inputs to the calculations. » We analysed the reserves and resources used in the calculations compared to the Group's current LOM plans and Reserves and Resources Statement. We further considered the competence and independence of the Competent Person. » We reviewed the Group's strategic plans and met with the Group's geologists and mining engineers to assess the appropriateness of the asset allocations, units of production methodology and the reserves and resources included in the calculations. » In particular, we challenged the extent to which additional resources to those in the current approved life of mine plan were capable of extraction using the Group's existing asset base. » We evaluated the disclosure in note 14 regarding the Group's depreciation policy and the judgements and estimates contained therein.

Risk

Our response

Related party disclosures

The Group has, or has had, a number of related party relationships and transactions as detailed in note 28. The accuracy and completeness of disclosures around related party transactions represented a focus area for our audit.

- » We considered the completeness of disclosure of related party transactions through review of statutory information, books and records and minutes and assessed the disclosures for accuracy against information obtained in our audit.
- » We agreed amounts disclosed to underlying documentation and reviewed relevant agreements as part of our evaluation of the disclosures.
- » We assessed the controls which management have in place to detect and record related parties and made inquiries regarding related party transactions at various levels of management.

The Report of the Audit Committee describes the Audit Committee's assessment of each of these matters on pages 65 and 66.

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.

Under the terms of our engagement, we are required to report to you if, in our opinion, information in the Annual Report is:

- » materially inconsistent with the information in the audited Financial Statements; or
- » apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Committee which we consider should have been disclosed.

We have nothing to report in this respect of these matters.

Respective responsibilities of Directors and auditors


As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements in accordance with the Bermuda Companies Act 1981 and for being satisfied that they give a true and fair view. The Directors are responsible for such internal controls as the Directors determine are necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (as issued by the International Federation of Accountants ("IFAC")). Those standards require us to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

Scope of the audit of the Financial Statements

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.


Scott McNaughton (Responsible Individual)

For and on behalf of
BDO LLP
Chartered accountants
London
17 October 2014

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 2014

US\$ million	Notes	2014	2013 ¹
Revenue		471.8	392.5
Mining and processing costs	3	(320.1)	(298.1)
Other direct income	4	6.7	6.1
Exploration expenditure	5	(2.9)	(4.9)
Corporate expenditure	6	(13.7)	(13.6)
Impairment charge	7	(13.9)	—
Total operating costs		(343.9)	(310.5)
Financial income	8	14.5	8.0
Financial expense	8	(18.0)	(16.0)
Profit before tax		124.4	74.0
Income tax charge	9	(41.0)	(25.1)
Profit for the year from continuing operations		83.4	48.9
Loss on discontinued operations (net of tax)	10	(15.9)	(21.0)
Profit for the year		67.5	27.9
Profit/(loss) for the year attributable to:			
Equity holders of the parent company		49.6	32.0
Non-controlling interest		17.9	(4.1)
		67.5	27.9
Earnings per share attributable to the equity holders of the parent during the year			
From continuing operations:			
Basic profit – US\$ cents	12	12.80	10.43
Diluted profit – US\$ cents	12	12.42	10.14
From continuing and discontinued operations:			
Basic profit – US\$ cents	12	9.69	6.30
Diluted profit – US\$ cents	12	9.40	6.13

1. Comparative results have been amended to reflect the results of the Sedibeng JV and Star operations within the loss on discontinued operations (net of tax) as per the requirements of IFRS 5; refer to note 10.

The notes on pages 102 to 142 form part of these Financial Statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 30 June 2014

US\$ million	2014	2013
Profit for the year	67.5	27.9
Exchange differences on translation of the share-based payment reserve	2.7	0.2
Exchange differences on translation of foreign operations ¹	(44.3)	(97.9)
Exchange differences on non-controlling interest ¹	(1.5)	(4.7)
Profit on foreign exchange hedges transferred directly to equity ¹	3.1	—
Recycling of foreign currency translation reserve on disposal of operations ²	8.5	—
Valuation loss on available-for-sale financial asset ¹	—	(0.1)
Total comprehensive income/(expense) for the year	36.0	(74.6)
Total comprehensive income/(expense) for the year attributable to:		
Equity holders of the parent company	19.6	(65.8)
Non-controlling interest	16.4	(8.8)
	36.0	(74.6)

1. Valuation losses on available-for-sale financial assets, exchange differences arising on non-controlling interests, exchange differences on translation of foreign operations and gains on foreign exchange hedges transferred directly to equity will be reclassified to profit and loss if specific future conditions are met.

2. During the Year the Company disposed of the Sedibeng JV and Star operations and recognised a foreign exchange translation loss of US\$8.5 million.

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

The notes on pages 102 to 142 form part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

US\$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained (losses)/earnings	Attributable to the parent	Non-controlling interest	Total equity
At 1 July 2013	86.3	654.8	(143.0)	13.9	(0.8)	(40.1)	571.1	16.3	587.4
Profit for the year	—	—	—	—	—	49.6	49.6	17.9	67.5
Other comprehensive (expense)/income	—	—	(35.8)	2.7	3.1	—	(30.0)	(1.5)	(31.5)
Non-controlling interest disposed	—	—	—	—	—	—	—	3.1	3.1
Transfer between reserves for exercise of options and warrants	—	—	—	(4.2)	—	4.2	—	—	—
Equity share-based payments settled in cash	—	—	—	(0.7)	—	(3.9)	(4.6)	—	(4.6)
Equity-settled share-based payments	—	—	—	6.6	—	—	6.6	—	6.6
Allotments during the year:									
– Share options exercised	0.1	0.2	—	—	—	—	0.3	—	0.3
– Warrants exercised	0.3	2.8	—	—	—	—	3.1	—	3.1
At 30 June 2014	86.7	657.8	(178.8)	18.3	2.3	9.8	596.1	35.8	631.9

The notes on pages 102 to 142 form part of the Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014 continued

US\$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained (losses)/earnings	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 10)	—	—	—	—	—	(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

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;
- » amounts transferred to retained losses in respect of exercised and lapsed warrants and options; and
- » amounts derecognised as part of cash settlement of vested awards originally planned for equity settlement.

Hedging and other reserves

The hedging reserves comprise the change in the fair value of derivative contracts which qualify as effective and are designated cashflow hedges of US\$3.1 million (30 June 2013: US\$nil).

The other reserves comprise the cumulative gains or losses arising from available-for-sale financial assets of US\$0.8 million (30 June 2013: US\$0.8 million). The Directors do not consider there to be objective evidence that the available-for-sale financial asset is permanently impaired.

Retained earnings/(losses)

The retained earnings/(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 and Williamson mines. The non-controlling interest share of total comprehensive income includes US\$16.4 million total comprehensive income (30 June 2013: US\$8.8 million total comprehensive expense) for the Year.

Consolidated Statement of Financial Position

At 30 June 2014

US\$ million	Notes	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	14	839.1	735.6
Available-for-sale financial assets		0.1	0.1
Deferred tax asset	24	3.0	5.9
Loans and other receivables	17	89.2	85.4
Total non-current assets		931.4	827.0
Current assets			
Trade and other receivables	17	86.0	93.7
Inventories	18	46.1	53.7
Derivative asset	25	1.4	—
Cash and cash equivalents (including restricted amounts)	19	34.0	26.2
Total current assets		167.5	173.6
Total assets		1,098.9	1,000.6
EQUITY AND LIABILITIES			
Equity			
Share capital	20	86.7	86.3
Share premium account		657.8	654.8
Foreign currency translation reserve		(178.8)	(143.0)
Share-based payment reserve		18.3	13.9
Hedging and other reserves		2.3	(0.8)
Retained earnings/(losses)		9.8	(40.1)
Attributable to equity holders of the parent company		596.1	571.1
Non-controlling interests		35.8	16.3
Total equity		631.9	587.4
LIABILITIES			
Non-current liabilities			
Loans and borrowings	21	125.1	109.9
Trade and other payables	22	64.2	65.3
Provisions	23	75.4	67.3
Deferred tax liabilities	24	96.4	64.1
Total non-current liabilities		361.1	306.6
Current liabilities			
Loans and borrowings	21	33.8	37.1
Trade and other payables	22	70.0	64.7
Provisions	23	2.1	4.8
Total current liabilities		105.9	106.6
Total liabilities		467.0	413.2
Total equity and liabilities		1,098.9	1,000.6

The notes on pages 102 to 142 form part of the Financial Statements.

The Financial Statements were approved and authorised for issue by the Directors on 17 October 2014.

Consolidated Statement of Cashflows

For the year ended 30 June 2014

US\$ million	Notes	2014	2013
Profit before taxation for the year from continuing and discontinued operations		108.5	52.5
Depreciation of property, plant and equipment		41.7	42.8
Impairment	7	13.9	12.6
Increase/(decrease) in other provisions		0.5	(0.2)
Provision for retrenchments		—	2.6
Other finance income	8	(10.9)	(12.7)
Net unrealised foreign exchange (gain)/loss	8	(3.6)	4.7
Other finance expense	8	18.0	16.1
Loss on disposal of discontinued operations		10.1	—
Present value adjustment of rehabilitation provision – change in assumptions		—	(1.9)
Loss on sale of property, plant and equipment		0.6	—
Share-based payment provision		4.2	3.3
Cash-settled share-based payments		(4.6)	—
Operating profit before working capital changes		178.4	119.8
Decrease/(increase) in trade and other receivables		2.2	(57.3)
Increase in trade and other payables		10.9	28.6
Decrease/(increase) in inventories		4.8	(15.5)
Cash generated from operations		196.3	75.6
Finance expense		(0.2)	(2.6)
Taxation paid (corporate income tax)		—	—
Net cash generated from operating activities		196.1	73.0
Cashflows from investing activities			
Acquisition of property, plant and equipment (including cash interest paid and capitalised of US\$9.7 million (30 June 2013 US\$9.3 million))		(209.1)	(190.6)
Payments for acquisition of increased interest in the Group's South African mines		—	(0.6)
Dividend received		—	6.6
Loans advanced to BEE partners		(0.5)	—
Finance income		0.3	0.4
Transfer (to)/from restricted cash deposits		(1.7)	3.9
Net cash utilised in investing activities		(211.0)	(180.3)
Cashflows from financing activities			
Proceeds from the issuance of share capital		3.4	4.3
Increase in borrowings		69.4	98.9
Repayment of borrowings		(50.8)	(9.2)
Net cash generated by financing activities		22.0	94.0
Net increase/(decrease) in cash and cash equivalents		7.1	(13.3)
Cash and cash equivalents at beginning of the year		14.1	31.3
Effect of exchange rate fluctuations on cash held		(1.0)	(3.9)
Cash and cash equivalents at end of the Year¹		20.2	14.1

1. Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US\$13.8 million (30 June 2013: US\$12.1 million) and unrestricted cash of US\$20.2 million (30 June 2013: US\$14.1 million).

The cashflows specific to the discontinued operations (net of tax) are disclosed in note 10.

The notes on pages 102 to 142 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 2014

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 and in the subsequent notes to these Financial Statements, 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 Report. The financial position of the Group, its cashflows and borrowing facilities are set out in the Financial Review, which is part of the Strategic Report. The notes to the Financial Statements set out the Group's objectives, policies and processes for managing its capital, exposures to credit risk, foreign exchange risk, interest rate 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\$). ZAR balances are translated to US Dollars at R10.63 as at 30 June 2014 (30 June 2013: R9.88) and at an average rate of R10.38 for transactions during the Year ended 30 June 2014 (30 June 2013: R8.83).

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. 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. Such unrealised gains and losses are recycled through the Consolidated Income Statement on disposal of the Group's shares in the entity.

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.

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.

Significant judgements and estimates relevant to the basis of preparation

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.

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 2013 which have been adopted by the Group for the first time this Year and which have not had a material effect. The new standards and amendments relevant to the Group have been disclosed below:

		Effective period commencing on or after	Impact on Group
IFRS 13	Fair Value Measurement	1 January 2013	No material impact
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	No material impact
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013	No material impact
IAS 19	Amendment – Employee Benefits	1 January 2013	No material impact
IAS 36	Recoverable amount disclosures for non-financial assets	1 March 2013	No material impact
	Annual improvements to IFRSs (2009–2011 Cycle)	1 January 2013	No material impact

1. Accounting policies continued

IAS 19 – The amendment to IAS 19 “Employee Benefits” withdraws the corridor method that the Group previously used 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 adoption of IAS 19 during the Year by the Group did not have a material impact on the results for the Year or the results of prior periods.

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 open cast mining activities and so this standard is relevant. IFRIC 20 requires that, to the extent that the benefit from the stripping activity is realised in the form of inventory produced, the directly attributable costs of that activity should be treated as ore stockpile inventory. To the extent that the benefit is the improved access to ore, the directly attributable costs should be treated as a non-current ‘stripping activity asset’, if the following criteria are met:

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

The stripping activity asset is initially measured at cost and is treated as an enhancement of an existing asset, not as an independent asset. Subsequently the stripping activity asset is accounted for in a manner consistent with that adopted for the asset it has enhanced and is depreciated on a units of production basis over the expected useful life of the identified component of the orebody that becomes more accessible as a result of the stripping activity. The adoption of IFRIC 20 during the Year by the Group did not have a material impact on the results for the Year or the results of prior periods.

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 2014 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 9 ¹	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IAS 27	Amendment – Separate Financial Statements	1 January 2014
IAS 28	Amendment – Investments in Associates and Joint Ventures	1 January 2014
IAS 32 ¹	Offsetting Financial Assets and Financial Liabilities	1 January 2014

1. Not yet adopted by the European Union.

The Group is currently assessing the impact of these standards on the Financial Statements. Those anticipated to be significant or relevant to the Group are as follows:

IFRS 10 – The Group holds a controlling interest in its mines and consolidates them accordingly. The Group also holds an equity accounted interest in one of its South African BEE partners. IFRS 10 introduces amendments to the definition of control under IFRS. However, the Group does not anticipate any change to its accounting treatment under IFRS 10.

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.

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.

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

1. Accounting policies continued

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.

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 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.

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.

1.4 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.

1.5 Key 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 in the relevant sections of this report and summarised as follows:

Key estimate or judgement	Note
Net investments in foreign operations judgements	1.1
Life of mine and ore reserves and resources estimates and judgements	7
Impairment review estimates and judgements	7
Capitalisation of borrowing costs judgement	8 and 14
Taxation judgement	9
Depreciation judgements	14
Inventory and inventory stockpile estimates	18
Provision for rehabilitation estimates	23
Valuation of share options and share-based incentives	27
Pension scheme estimates	31
Post-retirement medical fund estimates	32

2. Segment information

Significant accounting policies relevant to segmental 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.

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.

Management reviews the Group's performance by reviewing the results of the mining activities in South Africa and Tanzania, reviewing the results of 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.

2. Segment information continued

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, depreciation and other income and expenses. Unallocated items comprise mainly interest-earning assets and revenue, interest-bearing borrowings and expenses and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the Year to acquire 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 South Africa and Antwerp for external customers from various countries, the ultimate customers of which are not known to the Group.

The Group's non-current assets are located in South Africa US\$824.3 million (30 June 2013: US\$730.0 million), Tanzania US\$106.5 million (30 June 2013: US\$96.5 million), Botswana US\$0.5 million (30 June 2013: US\$0.4 million) and Jersey US\$0.1 million (30 June 2013: US\$0.1 million). The Group's property, plant and equipment included in non-current assets are located in South Africa US\$732.1 million (30 June 2013: US\$638.7 million), Tanzania US\$106.5 million (30 June 2013: US\$96.5 million) and Botswana US\$0.5 million (30 June 2013: US\$0.4 million).

Operating segments US\$ million	South Africa – mining activities					Tanzania – mining activities	Botswana	Jersey	Inter- segment 2014	Consolidated 2014
	Finsch 2014	Cullinan 2014	Koffiefontein 2014	Kimberley Underground 2014	Fissure Mine (Helam) 2014	Williamson 2014	Exploration 2014	Corporate administration 2014		
Revenue	183.7	162.8	26.7	38.8	5.9	53.9	—	—	—	471.8
Segment result ¹	82.0	75.5	5.2	3.5	(16.3)	1.0	(2.9)	(13.7)	0.8	135.1
Impairment charge	—	—	—	—	(13.9)	—	—	—	—	(13.9)
Other direct income	1.9	1.0	0.5	0.1	3.0	0.2	—	—	—	6.7
Operating profit/(loss) ²	83.9	76.5	5.7	3.6	(27.2)	1.2	(2.9)	(13.7)	0.8	127.9
Financial income										14.5
Financial expense										(18.0)
Income tax expense										(41.0)
Loss on discontinued operations (net of tax)										(15.9)
Non-controlling interest										(17.9)
Profit attributable to equity holders of the parent company										49.6
Segment assets	337.2	581.0	129.8	78.5	11.3	141.7	1.0	1,944.9	(2,126.5)	1,098.9
Segment liabilities	235.5	345.2	121.7	95.7	56.2	260.5	34.7	912.4	(1,594.9)	467.0
Capital expenditure	67.8	93.1	30.7	10.1	1.0 ³	8.9	0.2	1.9	(2.5)	211.2

1. The segment result includes total depreciation of US\$41.7 million comprises depreciation incurred at Finsch US\$13.0 million, Cullinan US\$7.7 million, Koffiefontein US\$2.0 million, Kimberley Underground US\$4.3 million, Helam US\$10.8 million, Williamson US\$3.3 million, Exploration US\$0.1 million and Corporate administration US\$0.5 million.

2. Operating profit is equivalent to revenue of US\$471.8 million less total operating costs of US\$343.9 million as disclosed in the Consolidated Income Statement.

3. Capital expenditure at Helam includes work in progress of US\$0.3 million in respect of the manufacture of plant and equipment for other mines within the Group. Other direct income in respect of Helam includes US\$13.5 million of revenue and US\$14.8 million of costs in respect of the Helam projects division 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.

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

2. Segment information continued

Operating segments US\$ million	South Africa – mining activities					Tanzania – mining activities	Botswana	Jersey	Inter- segment 2013	Consolidated 2013
	Finsch 2013	Cullinan 2013	Koffiefontein 2013	Kimberley Underground 2013	Fissure Mine ⁴ (Helam) 2013	Williamson 2013	Exploration 2013	Corporate administration 2013		
Revenue	160.6	133.0	16.6	33.4	7.0	41.9	—	—	—	392.5
Segment result ¹	61.2	49.5	(9.4)	(0.2)	(3.7)	(3.8)	(4.9)	(13.6)	0.8	75.9
Other direct income	3.0	1.7	0.6	0.2	(0.8)	0.4	—	—	1.0	6.1
Operating profit/(loss) ²	64.2	51.2	(8.8)	—	(4.5)	(3.4)	(4.9)	(13.6)	1.8	82.0
Financial income										8.0
Financial expense										(16.0)
Income tax expense										(25.1)
Loss from discontinued operations (net of tax)										(21.0)
Non-controlling interest										4.1
Profit attributable to equity holders of the parent company										32.0
Segment assets	241.5	542.8	92.2	87.9	85.9	121.1	0.9	1,824.8	(1,996.5)	1,000.6
Segment liabilities	186.0	322.9	88.2	106.1	131.9	240.0	31.7	877.1	(1,570.7)	413.2
Capital expenditure	48.6	89.0	20.4	21.6	7.0 ³	11.7	—	5.4	(12.5)	191.2

1. The segment result includes total depreciation of US\$42.3 million comprises depreciation incurred at Finsch US\$15.8 million, Cullinan US\$11.2 million, Koffiefontein US\$2.2 million, Kimberley Underground US\$9.0 million, Helam US\$1.2 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\$392.5 million less total operating costs of US\$310.5 million as disclosed in the Consolidated Income Statement.

3. Capital expenditure at Helam 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 Helam includes US\$35.9 million of revenue and US\$36.9 million of costs in respect of the Helam projects division for the manufacture of plant and equipment for other mines within the Group.

4. The prior year numbers have been restated due to a reclassification of the Sedibeng JV and Star results to loss on discontinued operations (net of tax).

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

3. Mining and processing costs**Significant accounting policies relevant to mining and processing costs, other direct income, exploration expenditure and corporate expenditure**

Refer to notes 11, 14, 18, and 27 for the Group's policies, relevant to the significant cost lines below, on employment costs, depreciation, inventories, share-based payments and related key judgements and estimates.

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 whereupon 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.

3. Mining and processing costs continued

US\$ million	2014	2013
Raw materials and consumables used	142.5	144.4
Employee expenses	128.2	122.0
Depreciation of mining assets	41.1	41.9
Diamond royalty	4.5	3.6
Changes in inventory of finished goods and stockpiles	3.8	(13.8)
	320.1	298.1

4. Other direct income

US\$ million	2014	2013
Loss on disposal of fixed assets	0.6	—
Revaluation of environmental rehabilitation liability – change in assumption/estimate	—	(1.9)
Other mining income	(7.3)	(4.2)
	(6.7)	(6.1)

5. Exploration expenditure

US\$ million	2014	2013
Employee expenses	1.0	1.0
Depreciation of exploration assets	0.1	0.1
Drilling, sampling and air survey expenses	1.3	3.0
Rental and equipment hire	0.1	0.1
Other exploration expenses	0.4	0.7
	2.9	4.9

6. Corporate expenditure

US\$ million	2014	2013
Auditors' remuneration		
– Audit services ¹	0.8	0.7
– Audit-related services	0.1	—
– Non-audit services ²	0.5	—
Depreciation of property, plant and equipment	0.5	0.3
Operating lease rentals – buildings	0.8	0.7
Other charges	4.0	4.2
Share-based expense – Directors	2.1	1.4
Share-based expense – Senior Management	0.5	0.5
Other staff costs	4.4	5.8
Total staff costs	7.0	7.7
	13.7	13.6

1. Audit fees for the Year ended 30 June 2014 stated above refer to fees for the FY 2013 audit; audit fees for the Year ended 30 June 2013 refer to fees for the FY 2012 audit.

2. Non-audit services refer to corporate finance services and ESG training. Refer to the Audit Committee Report on page 67 for further information.

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

7. Impairment of operational assets and investments**Significant accounting policies relevant to 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 LOM 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 LOM plan. Details of each LOM are provided on page 110. The ore tonnes included in the Reserves and Resources Statement, which management considers economically viable, often includes ore tonnes in excess of those used in the LOM model and therefore the impairment test. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

7. Impairment of operational assets and investments continued

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.

Significant judgements and estimates relevant to impairment**Life of mine and ore reserves/resources**

There are numerous risks inherent in estimating ore reserves and resources and the associated current LOM plan. The LOM plan is the current approved management plan for ore extraction that considers specific ore reserves and resources and associated capital expenditure. The LOM 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 LOM.

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

Ore reserves and resources, both those included in the LOM and certain additional tonnes contained within the Group's Reserves and Resources statement 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 (refer to note 14). Ore reserves and resources further impact the estimated date of decommissioning and rehabilitation (refer to note 23).

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 LOM 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 Consolidated Statement of Financial Position. The Group prepares value in use impairment models and assesses mining assets for impairment. The net present value exceeds the carrying value of the Kimberley Underground mining assets by 85% (30 June 2013: 20%) but remains sensitive to rough diamond prices, foreign exchange rates, forecasted growth in production rates and the successful exploitation of orebodies.

30 June 2014

During the Year to 30 June 2014, the Group reviewed the Helam operational assets for indicators of impairment. Impairment of property, plant and equipment was considered appropriate given the outcome of the business review exercise. The Group recognised a Consolidated Income Statement charge of US\$13.9 million, being management's estimate of fair value less costs to sell the Helam assets. Detail of the impairment assessment is shown below.

Impairment US\$ million	Asset class	Segment	Impairment	Carrying value
Helam	Property, plant and equipment	Fissure mines	13.9	1.3
	Mineral properties		4.1	
	Underground development		4.5	
	Buildings		1.2	
	Mining property, plant and equipment		4.1	
Total			13.9	1.3

7. 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. The Group formally decided to put both Sedibeng JV and Star on care and maintenance, meaning that they would 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 at 30 June 2013. Details of the impairment test assessments are shown in notes 7.1 and 7.2.

Impairment US\$ million	Asset class	Segment	Impairment	Carrying value post-impairment
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

The prior year impairment charge related to Sedibeng JV and Star and has been reclassified within the loss from discontinued operations comparatives. Refer to note 10.

7.1 Impairment testing assumptions

a) Impaired operations: Helam

30 June 2014

The recoverable value for Helam was derived by estimating the expected value to be recovered through the sale of the assets, less cost to sell, which gave rise to a value in excess of the value in use.

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.

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

7. Impairment of operational assets and investments continued**7.2 Impairment tests – other mining operations 30 June 2014 and 30 June 2013****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 Helam, the Group also performed impairment testing for Finsch, Cullinan, 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 LOM 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 LOM plans have not been included in impairment testing for the above operations.
Life of mine – reserves and resources	<p>Finsch – LOM includes Block 5 over the next 16 years (30 June 2013: 17 years); total resource processed 58.6 Mt (52.8 Mt underground ROM and 5.8 Mt tailings) (30 June 2013: 74.5 Mt (53.0 Mt underground ROM and 21.5 Mt tailings)) at a rate of 5.4 Mtpa (2.8 Mtpa underground ROM tonnes and 2.6 Mtpa tailings tonnes) (30 June 2013: 5.5 Mtpa (2.8 Mtpa underground ROM tonnes and 2.7 Mtpa tailings tonnes) reducing to 3.5 Mtpa (3.5 Mtpa underground ROM tonnes and 0.0 Mtpa tailings tonnes)) (30 June 2013: 6.2 Mtpa (3.2 Mtpa underground ROM tonnes and 3.0 Mtpa tailings tonnes)).</p> <p>Cullinan – LOM includes C-Cut Phase 1 and reprocessing of certain tailings over the next 16 years (30 June 2013: 17 years); total resource processed 95.6 Mt (54.9 Mt underground ROM and 40.7 Mt tailings) (30 June 2013: 101 Mt (57.6 Mt underground ROM and 43.4 Mt tailings)) at a rate of 5.4 Mtpa (2.7 Mtpa underground ROM tonnes and 2.7 Mtpa tailings tonnes) (30 June 2013: 5.5 Mtpa (2.8 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 2013: 6.7 Mtpa (4.0 Mtpa underground ROM tonnes and 2.7 Mtpa tailings tonnes)).</p> <p>Koffiefontein – 11 years (30 June 2013: 12 years) LOM plan; total resource processed 12.8 Mt (11.7 Mt underground ROM and 1.1 Mt surface/tailings tonnes) (30 June 2013: 14.2 Mt (12.0 Mt underground ROM tonnes and 2.2 Mt surface/tailings tonnes)) at a rate of 1.5 Mtpa (0.7 Mtpa underground ROM tonnes and 0.8 Mtpa surface/tailings tonnes) (30 June 2013: 1.5 Mtpa (0.3 Mtpa underground and 1.2 Mtpa surface/tailings tonnes)) reducing to 1.1 Mtpa (1.1 Mtpa underground and 0.0 Mtpa surface/tailings tonnes)).</p> <p>Kimberley Underground – 12 years (30 June 2013: 13 years) LOM plan; total resource processed 13.2 Mt (30 June 2013: 12.8 Mt) at a rate of 1.17 Mtpa increasing to 1.25 Mtpa (30 June 2013: 1.1 Mtpa increasing to 1.25 Mtpa).</p> <p>Williamson – 19 years (30 June 2013: 20 years) LOM plan: total resource processed 92.3 Mt (30 June 2013: 95.5 Mt) at a rate of 4.2 Mtpa (3.7 Mtpa surface ROM and 0.5 Mtpa alluvial tonnes) increasing to 5.0 Mtpa (5.0 Mtpa surface ROM and 0.0 Mtpa alluvial tonnes) (30 June 2013: 3.9 Mtpa (3.6 Mtpa surface ROM tonnes and 0.3 Mtpa alluvial tonnes) increasing to 5.0 Mtpa (5.0 Mtpa surface ROM and 0.0 Mtpa alluvial tonnes)).</p>
LOM – capital expenditure	Management has estimated the timing and quantum of the capital expenditure based on the Group's current LOM plans for each operation. There is no inclusion of capital expenditure to enhance the asset beyond exploitation of the LOM plan orebody.
Diamond prices	Diamond prices are based on guidance prices as shown on page 17. The ROM US\$/carat price range used in the calculations was US\$140–US\$800 (30 June 2013: US\$140–US\$650).

7. Impairment of operational assets and investments 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 2013: 4.0%) above a long-term US inflation rate of 2.5% (30 June 2013: 2.5%) per annum was used for US\$ diamond prices. Long-term inflation rates of 3.5%–7.5% (30 June 2013: 3.5%–7.5%) above the prevailing US\$ inflation rate were used for Opex and Capex valuations.
Exchange rates	Exchange rates are based on external market consensus and after considering long-term market expectations. The US\$/R exchange rate range used commenced at R10.30 (30 June 2013: R9.00), further devaluing at 3.5% (30 June 2013: 3.5%) per annum.
Valuation basis	Discounted present value of future cashflows.
Sensitivity	The mine with the lowest headroom is Kimberley Underground at 85.0%. Management notes that a 19.3% movement in diamond prices or a 52.0% movement in production (for FY 2015, FY 2016 and FY 2017) or a 19.4% movement in foreign exchange rates as compared to the R10.30/US\$1 base foreign exchange rate for FY 2015 at Kimberley Underground would result in a break-even impairment scenario. The impairment test includes initial increased production tonnes of 29% for FY 2015 versus FY 2014. The diamond prices used in the impairment test have been set with reference to recent achieved pricing and 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 R10.30/US\$1 are considered to be conservatively forecast given current exchange rates, but the US\$/R exchange rate volatility remains. The production growth included in the forecasts are considered achievable given recent plant upgrades and processing rates.

8. Net financing (expense)/income

Significant accounting policies relevant to net financial (expense)/income

Finance income comprises income from interest and finance related exchange gains and losses. 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.

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.

Refer to notes 11, 23 and 26 for the Group's policy on foreign exchange, unwinding of rehabilitation provisions and derivative instruments together with key estimates and judgements.

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

8. Net financing (expense)/income continued

US\$ million	2014	2013
Net unrealised foreign exchange gains/(losses)	3.6	(4.7)
Interest received on BEE loans and other receivables ¹	10.4	9.2
Interest received bank deposits ¹	0.3	0.4
Realised foreign exchange gains	0.2	3.1
Financial income ¹	14.5	8.0
Gross interest on bank loans and overdrafts ¹	(11.4)	(17.3)
Interest on bank loans and overdrafts capitalised ¹	9.7	12.3
Net interest expense on bank loans and overdrafts	(1.7)	(5.0)
Other debt finance costs, including BEE loan interest and facility fees ¹	(9.4)	(8.2)
Unwinding of present value adjustment for rehabilitation costs	(3.8)	(2.5)
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts	(3.1)	(0.3)
Financial expense ¹	(18.0)	(16.0)
Net financial expense	(3.5)	(8.0)

1. Calculated using the effective interest method in respect of financial liabilities calculated at amortised cost. Included in the prior 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.

9. Taxation**Significant accounting policies relevant to taxation**

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.

Significant judgements and estimates relevant to taxation

The Group has received a number of historical tax claims in respect of its Tanzanian mining operation, relating to the period prior to the operations being acquired by the Group, together with additional claims during the Group's ownership. A significant element of the claims is being disputed by the Group. Where a claim is considered probable the Group has raised a provision.

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 and available tax losses, as well as the timing of rehabilitation costs and the availability of associated taxable income.

9. Taxation continued

US\$ million	2014	2013
Current taxation		
– Current tax	0.7	—
Deferred taxation		
– Current period (origination and reversal of temporary differences)	40.3	25.1
	41.0	25.1
Reconciliation of tax rate		
– Profit before taxation from continuing operations	124.4	74.0
– Loss before taxation from discontinuing operations	(15.9)	(21.5)
– Profit before taxation	108.5	52.5
Tax at South African corporate rate of 28%	30.4	14.7
Effects of:		
– Tax charge at rates in foreign jurisdictions	2.0	3.5
– Non-deductible expenses	2.8	4.5
– Non-taxable income	(1.8)	(7.6)
– Recognition of tax losses and timing differences previously unrecognised	(2.6)	—
– Tax losses and timing differences not recognised	10.2	9.5
Total tax charge	41.0	24.6
Tax charge on continuing operations	41.0	25.1
Tax credit on discontinued operations	—	(0.5)

During the Year, the Group utilised US\$2.6 million (30 June 2013: US\$nil) in taxation benefits of previously unrecognised tax losses which reduces the current taxation payable. 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 2014 amount to US\$91.8 million (30 June 2013: US\$147.0 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 2014 amount to US\$21.1 million (30 June 2013: US\$24.6 million) and arise in South Africa.

10. Acquisitions and disposals**Significant accounting policies relevant to acquisitions and disposals**

Refer to note 1.3 for the Group's policy relevant to business combinations.

On disposal, the profit or loss on disposal is calculated as the fair value of consideration received, less the net book value of the Group's share of assets and liabilities disposed. Unrealised foreign exchange gains and losses on historic retranslation of the subsidiaries results into US Dollars are recycled to the Consolidated Income Statement. The Group designates the results of discontinued activities, including those of disposed subsidiaries, separately in accordance with IFRS and reclassifies the results of the operation in the comparative period from continuing to discontinued operations. The Group does not consider mines held on care and maintenance to be discontinued activities unless the mine is abandoned.

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).

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For the year ended 30 June 2014 continued

10. Acquisitions and disposals continued**30 June 2014****Disposal of Sedibeng JV and Star**

On 30 April 2014, the Company, in conjunction with its BEE partners, disposed of the entire share capital of its subsidiaries Messina Investments (Pty) Ltd and Autumn Star Investment Holdings (Pty) Ltd, which held the Group's Sedibeng JV and Star mines ("the Mines") in South Africa, for a deferred consideration of R25.0 million (US\$2.4 million). These Mines formed part of the operating segment called "Fissure Mines" for the purposes of the Group's segmental reporting, as disclosed in note 2, but the Sedibeng JV and Star mines were separate cash-generating units and in totally separate geographic locations to the other fissure mine, Helam. The results of the discontinued operations included in the Consolidated Income Statement and the cashflows from discontinued operations included in the Consolidated Statement of Cashflows are set out below.

US\$ million	1 July 2013– 30 April 2014	1 July 2012– 30 June 2013
a) Net assets disposed of other than cash:		
Property, plant and equipment	2.2	
Long-term advances	0.2	
Trade and other receivables	0.1	
Inventories	0.2	
Cash	—	
Total assets	2.7	
Rehabilitation provision	(1.8)	
Total liabilities	(1.8)	
Non-controlling interest recycled on disposal	3.1	
Net assets	4.0	
b) Result of discontinued operations:		
Revenue	0.8	10.2
Cost of sales	(6.6)	(18.5)
Gross loss	(5.8)	(8.3)
Finance income	—	0.1
Finance costs	—	(0.1)
Loss before taxation	(5.8)	(8.3)
Income tax credit	—	0.4
Loss after tax before impairment charge and transaction costs	(5.8)	(7.9)
Transaction costs	—	(0.5)
Impairment charge	—	(12.6)
Net loss for the year	(5.8)	(21.0)
c) Post-tax loss on disposal of discontinued operations:		
Consideration received on disposal	2.4	
Less: net assets disposed (including US\$3.1 million of non-controlling interest accumulated loss)	(4.0)	
Less: foreign currency translation reserve recycled on disposal	(8.5)	
Loss on disposal of discontinued operations	(10.1)	
Less: net loss for the period	(5.8)	
Loss on discontinued operations	(15.9)	
d) The Consolidated Statement of Cashflows includes the following amounts relating to discontinued operations:		
Operating activities	(5.5)	(4.5)
Investing activities	(0.2)	(3.6)
Net cash utilised in discontinued operations	(5.7)	(8.1)

10. Acquisitions and disposals continued**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.

Mine	Sedibeng Mining's interest %	Resultant Group's effective interest %
Finsch	17.01	82.38
Cullinan	6.16	77.03
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 during the year ended 30 June 2013 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)

The acquisition of the non-controlling interests was treated as a change in the Group's ownership interests that did not result in a change of control. This was 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 was 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 was 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.

11. Director and employee remuneration**Significant accounting policies relevant to remuneration**

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. Provisions are calculated based on current wage and salary rates.

Refer to note 27 for the Group's policy in respect of share-based payments and related key judgements and estimates.

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

11. Director and employee remuneration continued

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

US\$ million	2014	2013
Wages and salaries – mining	128.2	122.0
Wages and salaries – exploration	1.0	1.0
Wages and salaries – administration	6.9	7.6
Pension – administration	0.1	0.1
	136.2	130.7
	Number	Number
The number of employees (excluding the Non-Executive Directors and contractors)	4,663	5,139

Key management is considered to be the Executive Directors and the Non-Executive Directors. Remuneration for the Year, comprising base salary, cash benefits and annual performance bonus, for the Executive Directors can be found on page 82 of the Directors' Remuneration Report. The share-based payment charge relating to the Executive Directors for the Year was US\$2.1 million (30 June 2013: US\$1.4 million). See note 27 in respect of share-based payments.

Remuneration for the Year for the Chairman and the other Non-Executive Directors can be found on page 86 of the Directors' Remuneration Report.

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 74 to 90.

12. Earnings per share**Significant accounting policies relevant to earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the Year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the Year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the Year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	Continuing operations 30 June 2014 US\$	Discontinued operations 30 June 2014 US\$	Total 30 June 2014 US\$	Continuing operations 30 June 2013 US\$	Discontinued operations 30 June 2013 US\$	Total 30 June 2013 US\$
Numerator						
Profit/(loss) for the year attributable to parent	65,465,067	(15,896,270)	49,568,797	52,970,526	(20,961,668)	32,008,858
Denominator	Shares	Shares	Shares	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS						
As at 1 July	509,601,048	509,601,048	509,601,048	505,654,430	505,654,430	505,654,430
Effect of shares issued during the year	1,598,330	1,598,330	1,598,330	2,362,221	2,362,221	2,362,221
As at 30 June	511,199,378	511,199,378	511,199,378	508,016,651	508,016,651	508,016,651
Dilutive effect of potential ordinary shares	Shares	Shares	Shares	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	15,892,664	—	15,892,664	14,093,941	—	14,093,941
Weighted average number of ordinary shares in issue used in diluted EPS						
Weighted average number of ordinary shares in issue used in diluted EPS	527,092,042	511,199,378	527,092,042	522,110,592	508,016,651	522,110,592
	US\$ cents	US\$ cents	US\$ cents	US\$ cents	US\$ cents	US\$ cents
Basic profit/(loss) per share	12.80	(3.10)	9.69	10.43	(4.12)	6.30
Diluted profit/(loss) per share	12.42	(3.10)	9.40	10.14	(4.12)	6.13

12. Earnings per share continued

In the current period, the number of potentially dilutive ordinary shares, in respect of employee share options, Executive Director and Senior Management share award schemes and warrants, is 15,892,664 (30 June 2013: 14,093,941). These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share. 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.

	Continuing operations 30 June 2014 US\$	Discontinued operations 30 June 2014 US\$	Total 30 June 2014 US\$	Continuing operations 30 June 2013 US\$	Discontinued operations 30 June 2013 US\$	Total 30 June 2013 US\$
Profit/(loss) for the year attributable to parent	65,465,067	(15,896,270)	49,568,797	52,970,526	(20,961,668)	32,008,858
Adjustments:						
Net unrealised foreign exchange (gain)/loss	(3,591,520)	—	(3,591,520)	4,670,690	—	4,670,690
Transaction costs (note 10)	—	—	—	—	536,248	536,248
Retrenchment costs	—	—	—	—	2,603,377	2,603,377
Impairment charges	13,933,235	—	13,933,235	—	12,560,534	12,560,534
Adjusted profit for the year attributable to parent	75,806,782	(15,896,270)	59,910,512	57,641,216	(5,261,509)	52,379,707
	Shares	Shares	Shares	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS						
As at 1 July	509,601,048	509,601,048	509,601,048	505,654,430	505,654,430	505,654,430
Effect of shares issued during the year	1,598,330	1,598,330	1,598,330	2,362,221	2,362,221	2,362,221
As at 30 June	511,199,378	511,199,378	511,199,378	508,016,651	508,016,651	508,016,651
	Shares	Shares	Shares	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	15,892,664	—	15,892,664	14,093,941	—	14,093,941
Weighted average number of ordinary shares in issue used in diluted EPS	527,092,042	511,199,378	527,092,042	522,110,592	508,016,651	522,110,592
	US\$ cents	US\$ cents	US\$ cents	US\$ cents	US\$ cents	US\$ cents
Basic profit/(loss) per share	14.82	(3.10)	11.72	11.34	(1.03)	10.31
Diluted profit/(loss) per share	14.38	(3.10)	11.36	11.04	(1.03)	10.03

14. Property, plant and equipment

Significant accounting policies relevant to property, plant and equipment

Capital expenditure

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. 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.

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.

Stripping costs

Costs associated with the removal of waste overburden at the Group's open cast mine are classified as stripping costs within property, plant and equipment or inventory, depending on whether the works provide access to future ore tonnes in a specific orebody section, or generate ore as part of waste removal. When costs provide both benefits they are allocated, although the stripping to date has not generated inventory ore. The stripping asset is depreciated on a unit of production basis over the tonnes of the relevant orebody section to which it provides future access.

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

14. Property, plant and equipment continued

Depreciation

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 units-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 or processing plant).

In applying the Group's policy, assets associated solely with specific sections of the orebody are depreciated over reserves associated with that section of the orebody. Examples include underground development associated with accessing a specific orebody section. By contrast, shared infrastructure, including shared surface and underground infrastructure, is utilised for the extraction of multiple sections of the orebody or is considered to have a life in excess of the ore tonnes included in the current approved LOM plan given the substantial residual resources that exist at deeper levels in certain of the Group's kimberlite pipe mines. When the shared infrastructure assets provide benefit over multiple sections of the orebody they are depreciated over the reserves of the relevant sections of the orebody. When the shared infrastructure is expected to be utilised to access or process ore tonnes from deeper areas of the mine, which frequently represent ore resources that are outside of the current approved LOM plans but for which the Group considers there to be sufficient certainty of future extraction, such assets are depreciated over those reserves and resources.

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

Refer to notes 7, 8 and 23 for the Group's policy on impairment, borrowing cost capitalisation and rehabilitation provisions and associated decommissioning assets.

Significant judgements and estimates relevant to property, plant and equipment

Depreciation

Judgement is applied in making assumptions about the depreciation charge for mining assets as noted above. Judgement is applied when using the units of production method in estimating the ore tonnes held in reserves and resources which have sufficient geological and geophysical certainty of being economically viable and are extractable using existing assets. The relevant reserves and resources includes those included in current approved life of mine plans and, in respect of certain surface and underground shared infrastructure, certain additional resources which also meet these levels of certainty and viability. The Group depreciates its assets according to relevant sections of the orebody over which these will be utilised and a key judgement in determining the future production unit assigned to on-mine shared infrastructure which is utilised over more than one section of the orebody or is used to access ore tonnes outside the current approved LOM plan as noted above. Judgement is applied when assessing the estimated useful life of individual assets and residual values. The assumptions are reviewed at least annually by management.

Borrowing cost capitalisation

The Group capitalises effective interest costs (inclusive of fees) to property, plant and equipment when the loans are considered to have been drawn down for the purpose of funding the Group's capital development programmes. Judgement is required in determining the extent to which borrowing costs relate to qualifying capital projects.

14. Property, plant and equipment continued

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 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
Balance at 1 July 2013	575.5	1.1	2.8	0.5	91.1	189.1	860.1
Exchange differences	(45.3)	(0.1)	(0.3)	—	(6.5)	(17.0)	(69.2)
Additions	1.2	—	2.1	0.1	—	207.8	211.2
Transfer of assets under construction	55.0	—	—	—	—	(55.0)	—
Change in rehabilitation asset	9.9	—	—	—	—	—	9.9
Disposals	(34.1)	—	—	—	—	—	(34.1)
Balance at 30 June 2014	562.2	1.0	4.6	0.6	84.6	324.9	977.9
Depreciation and impairment							
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
Balance at 1 July 2013	111.3	0.1	0.8	0.2	12.1	—	124.5
Exchange differences	(8.7)	—	(0.1)	—	(0.8)	—	(9.6)
Disposals	(31.7)	—	—	—	—	—	(31.7)
Impairment charge	9.8	—	—	—	4.1	—	13.9
Provided in the year	41.0	—	0.5	0.1	0.1	—	41.7
Balance at 30 June 2014	121.7	0.1	1.2	0.3	15.5	—	138.8
Net book value							
At 30 June 2013	464.2	1.0	2.0	0.3	79.0	189.1	735.6
At 30 June 2014	440.5	0.9	3.4	0.3	69.1	324.9	839.1

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 above.

3. Included within assets under construction are amounts for expansion projects and stay in business capital expenditure of mining property, plant and equipment at the Finsch, Cullinan, Koffiefontein, Kimberley Underground and Williamson mines.

The Group's total commitments at Year end were in respect of assets under construction and future capital expenditure projects of US\$88.9 million (30 June 2013: US\$87.2 million). Borrowing costs of US\$9.7 million (30 June 2013: US\$12.3 million) have been capitalised to assets under construction.

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For the year ended 30 June 2014 continued

15. Intangible assets**Significant accounting policies relevant to intangibles**

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.

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\$2.9 million (30 June 2013: US\$4.9 million) was expensed in respect of exploration activities within Botswana.

16. Investments in associates**Significant accounting policies relevant to 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 US\$nil.

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

Interests in associates

At Year end, the Group had interests in the following companies:

	Country	Ownership	
		2014	2013
Nelesco 651 (Pty) Ltd ¹	South Africa	49.2%	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 10 for further information relating to the acquisition during FY 2013 of 49.24% of Nelesco 651 (Pty) Ltd.

The unrecognised share of losses of the associates in aggregate is US\$nil (30 June 2013: 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 10. If the investments in associates had been included at cost, they would have been included at US\$nil (30 June 2013: US\$nil).

17. Trade and other receivables**Significant accounting policies relevant to trade and other receivables**

Refer to note 25 for the Group's policy in respect of financial instruments, which include trade and other receivables.

US\$ million	2014	2013
Current		
Trade receivables	55.4	74.8
Other receivables	27.2	12.7
Prepayments	3.4	6.2
	86.0	93.7
Non-current		
Other	—	0.2
BEE partners ¹	89.2	85.2
	89.2	85.4

1. Interest on loans advanced to BEE partners (refer to note 28) is charged at the prevailing South African prime interest rate plus an interest margin ranging between 0% and 2%. The movement in the Year includes advances to BEE partners, 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	2014	2013
Current trade receivables	55.4	74.8
Other receivables (excluding VAT and prepayments)	14.0	0.1
Non-current receivables	89.2	85.4
	158.6	160.3

17. Trade and other receivables continued

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	2014	2013
Pounds Sterling	7.1	5.1
South African Rand	146.9	143.2
US Dollars	4.6	12.0
	158.6	160.3

18. Inventories

Significant accounting policies relevant to 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.

Significant judgements and estimates relevant to inventories

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.

US\$ million	2014	2013
Diamonds held for resale	27.0	31.5
Work in progress stockpiles	10.7	13.8
Consumables and stores	8.7	8.5
Livestock	0.2	0.2
	46.6	54.0
Provision for impairment of slow-moving consumables and stores	(0.5)	(0.3)
	46.1	53.7

As at 30 June 2014, diamonds (inventories held for resale) with a cost value of US\$0.6 million (30 June 2013: US\$4.7 million) have been written down by US\$0.2 million (30 June 2013: US\$1.0 million) to fair value less costs to sell of US\$0.4 million (30 June 2013: US\$3.7 million) (due to fair value less cost to sell being below cost) within the overall carrying value of US\$27.0 million (30 June 2013: US\$31.5 million). The movement in provisions against slow-moving consumables and stores resulted in a charge to the Consolidated Income Statement of US\$0.2 million (30 June 2013: US\$nil).

19. Cash

Significant accounting policies relevant to cash

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.

US\$ million	2014	2013
Cash and cash equivalents – unrestricted	20.2	14.1
Cash – restricted	13.8	12.1
	34.0	26.2

As security for the Group's rehabilitation obligations at the previously owned Sedibeng JV and Star mines, the Company has ceded US\$1.7 million (30 June 2013: US\$1.8 million) in a fixed deposit. The restricted cash will return to the Group's sole control when the DMR finalises the transfer of the existing rehabilitation obligations of the Group to the new owners of the Sedibeng JV and Star mines. The Group's insurance product, which currently includes the Finsch, Cullinan, Koffiefontein, Kimberley Underground and Helam mines, has secured cash assets of US\$12.1 million (30 June 2013: US\$10.3 million) held in a cell captive. The Group has a commitment to pay insurance premiums over the next year of US\$3.1 million (30 June 2013: US\$3.2 million) to fund the insurance product. The rehabilitation provisions are disclosed in note 23.

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

20. Issued capital**Significant accounting policies relevant to share capital**

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments. The fair value of warrant instruments issued as part of debt funding is determined at inception and credited to the share-based payment reserve with a debt entry recognised against the initial fair value of the debt instrument and subsequently amortised as part of the effective interest rate.

US\$ million	Number of shares	2014	Number of shares	2013
Authorised – ordinary shares of 10 pence each				
As at 1 July 2013 and 30 June 2014	750,000,000	131.4	650,000,000	115.2
Issued and fully paid				
At 1 July	509,601,048	86.3	505,654,430	85.7
Allotments during the year	2,509,000	0.4	3,946,618	0.6
At 30 June	512,110,048	86.7	509,601,048	86.3

Allotments during the Year were in respect of the exercise of 2,100,000 warrants held over ordinary shares by IFC and the exercise of 409,000 share options held by employees.

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

Warrants

Holder	Expiry	Exercise price pence	2014 Number of warrants	2013 Number of warrants
IFC	2 November 2013	95	—	2,100,000
IFC	2 November 2014	100	2,100,000	2,100,000

During the Year warrants over 2,100,000 ordinary shares were exercised by IFC at an exercise price of 95 pence.

In the prior Year, warrants over 2,100,000 ordinary shares were exercised by IFC at an exercise price of 90 pence.

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

21. Interest-bearing loans and borrowings**Significant accounting policies relevant to loans and borrowings**

Refer to note 25 for the Group's policy in respect of financial instruments, which include loans and borrowings.

US\$ million	2014	2013
Current		
Bank loan – secured (i)	2.9	1.4
Bank loan – secured (ii)	23.4	28.8
Bank loan – secured (iii)	7.5	5.3
Bank loan – secured (iv)	—	1.6
	33.8	37.1
Non-current		
Bank loan – secured (i)	22.1	23.6
Bank loan – secured (iii)	67.9	52.8
Bank loan – secured (iv)	35.1	33.5
	125.1	109.9

(i) Bank loans – secured**FirstRand, Absa and IFC – Revolving Credit Facility (“RCF”)**

The facilities comprise an RCF of R300 million (US\$28.2 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 (30 June 2013: US\$ 25 million). The interest rate at 30 June 2014 is 5.7% (30 June 2013: 5.7%).

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

21. Interest-bearing loans and borrowings continued

(ii) Bank loans – secured

FirstRand and Absa – Working Capital Facility (“WCF”)

The facility comprises a R350 million (US\$32.9 million) overdraft facility and a R150 million (US\$14.1 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 2014 is 8.5% (30 June 2013: 8.0%).

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

(iii) Bank loans – secured

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

The ATF comprises a R800 million (US\$75.2 million) facility that was available for the Company’s draw-down up to and including 20 December 2013 and is fully drawn down. 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 facility at 30 June 2014 is 9.8% (30 June 2013: 9.1%).

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 ATF comprises a US\$35 million facility fully drawn down as at Year end (30 June 2013: US\$35 million). 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 facility at 30 June 2014 is 4.2% (30 June 2013: 4.3%).

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

Significant accounting policies relevant to trade and other payables

Refer to note 25 for the Group’s policy in respect of financial instruments, which include trade and other payables, together with note 9 for the Group’s policy on taxation and related key judgements and estimates.

US\$ million	2014	2013
Current		
Trade payables	20.4	23.8
Deferred consideration ¹	—	2.3
Accruals and other payables	49.4	38.6
	69.8	64.7
Taxation payable	0.2	—
	70.0	64.7
Non-current		
Amounts owing to BEE partners ²	64.2	65.3
	64.2	65.3

1. The Group was liable to pay US\$3.2 million at 30 June 2013 (US\$2.3 million after discounting), being contingent deferred consideration from the Helam Mining (Pty) Ltd acquisition, which was payable in the event of cash surplus targets being met by the mine. The expected value is now reduced to US\$nil given the impairment of the mine, as no cash surplus is envisaged.

2. The loans (refer to note 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.

The financial liabilities included in trade and other payables (which exclude taxation) are as follows:

US\$ million	2014	2013
Trade payables	20.4	23.8
Other payables	49.4	40.9
Non-current trade payables owing to BEE partners	64.2	65.3
	134.0	130.0

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

22. Trade and other payables continued

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

US\$ million	2014	2013
Botswana Pula	0.9	0.7
Pounds Sterling	4.8	2.6
South African Rand	115.6	104.0
US Dollar	12.7	22.7
	134.0	130.0

23. Provisions**Significant accounting policies relevant to 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 are made as to the remaining life of existing operations based on the approved current LOM plan and assessments of extensions to the LOM plans to access resources in the Reserves and Resources Statement that are considered sufficiently certain of extraction.

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. In circumstances where the decommissioning asset has been fully amortised, reductions in the provision give rise to other direct income.

Refer to notes 31 and 32 for the Group's policy in respect of pensions and medical aid schemes and related key judgements and estimates.

Significant judgements and estimates relevant to provisions

Significant estimates and assumptions are made in determining the amount attributable to rehabilitation provisions. These deal with uncertainties such as the legal and regulatory framework, timing and future costs. In determining the amount attributable to rehabilitation provisions, management used a discount rate range of 7.8%–8.3% (30 June 2013: 5.6%–7.9%), estimated rehabilitation timing of 11 to 51 years (30 June 2013: 12 to 52 years) and an inflation rate range of 5.8%–6.3% (30 June 2013: 1.8%–5.9%). The Group estimates the cost of rehabilitation with reference to approved environmental plans filed with the local authorities. Reductions in estimates are only recognised when such reductions are approved. Increases in estimates are immediately recognised. The carrying value of rehabilitation provisions at the reporting date is US\$62.3 million (30 June 2013: US\$56.3 million).

23. Provisions continued

US\$ million	Retrenchment	Income tax	Pension and post-retirement medical fund	Rehabilitation	Total
Balance at 1 July 2012	—	2.2	11.8	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	2.2	11.0	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	2.2	11.0	56.3	72.1
Balance at 1 July 2013	2.6	2.2	11.0	56.3	72.1
Increase in rehabilitation liability provision – change in estimate	—	—	—	9.9	9.9
Increase in provisions	—	—	3.1	—	3.1
Utilisation of provisions	(2.6)	—	—	—	(2.6)
Unwinding of present value adjustment of rehabilitation provision	—	—	—	3.8	3.8
Exchange differences	—	(0.1)	(1.0)	(7.7)	(8.8)
Balance at 30 June 2014	—	2.1	13.1	62.3	77.5
Current	—	2.1	—	—	2.1
Non-current	—	—	13.1	62.3	75.4
Balance at 30 June 2014	—	2.1	13.1	62.3	77.5

Employee entitlements and other provisions

The provisions relate to provision for an unfunded post-retirement medical fund, pension fund, retrenchment costs and income tax. The provision for the post-retirement medical fund and pension fund is further disclosed in notes 31 and 32. The provision for taxation is based on estimates made, where appropriate, from historical information and professional advice. The provision for retrenchments was based on estimates and relates to the prior year for Sedibeng JV and Star (refer to note 10).

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:

- » Finsch of US\$21.1 million (30 June 2013: US\$18.4 million) provided over 19 years which reflects management's current estimated decommissioning period including Block 5 and certain Block 6 tonnes;
- » Cullinan of US\$12.5 million (30 June 2013: US\$12.2 million) provided over 51 years which reflects management's current estimated decommissioning period including the C-Cut Phases 1 and 2;
- » Koffiefontein of US\$6.4 million (30 June 2013: US\$6.2 million), provided over 11 years which reflects management's current estimated decommissioning period;
- » Kimberley Underground of US\$8.6 million (30 June 2013: US\$9.0 million) provided over 11 years which reflects management's current estimated decommissioning period;
- » Helam of US\$1.3 million (30 June 2013: US\$3.0 million for Helam, Sedibeng JV and Star) provided over 16 years which reflects management's current estimated decommissioning period; and
- » Williamson of US\$12.4 million (30 June 2013: US\$7.5 million) provided over 19 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 activities.

The movements in the provisions is attributable to unwinding of discount and unrealised foreign exchange on retranslation from functional to presentational currency. Additionally, increases in the rehabilitation provision are due to changes in inflation and discount rates at Williamson and changes to estimated costs at Finsch.

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 2014 continued

24. Deferred taxation**Significant accounting policies relevant to deferred taxation**

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.

Significant judgements and estimates relevant to taxation

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 and available tax losses, as well as the timing of rehabilitation costs and the availability of associated taxable income.

US\$ million	2014	2013
Balance at beginning of the year	58.2	45.1
Income statement charge	40.3	24.6
Foreign currency translation difference	(5.1)	(11.5)
Balance at the end of the year	93.4	58.2
Comprising:		
Deferred tax asset	(3.0)	(5.9)
Deferred tax liability	96.4	64.1
	93.4	58.2

The deferred tax assets and liabilities are offset to determine the amounts stated in the Consolidated Statement of Financial Position when the taxes can legally be offset and will be settled net.

Deferred taxation comprises:

US\$ million	Total	2014 Recognised	2014 Unrecognised
Deferred tax liability:			
– Property, plant and equipment	182.8	182.8	–
	182.8	182.8	–
Deferred tax asset:			
– Capital allowances	(64.2)	(62.0)	(2.2)
– Provisions and accruals	(19.7)	(17.6)	(2.1)
– Foreign exchange allowances	(2.9)	(1.3)	(1.6)
– Tax losses	(38.8)	(8.5)	(30.3)
	(125.6)	(89.4)	(36.2)
Net deferred taxation liability/(asset)	57.2	93.4	(36.2)

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)

24. Deferred taxation continued

Deferred tax assets of US\$3.0 million (30 June 2013: US\$5.9 million) have been recognised in respect of tax losses and other temporary differences to be utilised by future taxable profits at Kimberley Underground and Koffiefontein. The Directors believe it is probable these tax assets will be recovered through future taxable income or the reversal of temporary differences, reflecting increased treatment capacity as the Wesselton plant has now been commissioned and improved operating results at Koffiefontein.

Movements in deferred tax include amounts recognised in the Consolidated Income Statement, together with foreign exchange retranslation. The Consolidated Income Statement charge for the Year comprises movements in deferred tax of US\$40.1 million (30 June 2013: US\$20.0 million) in respect of property, plant and equipment and associated capital allowances, US\$3.3 million credit (30 June 2013: US\$0.4 million credit) in respect of provisions and US\$1.8 million (30 June 2013: US\$3.7 million credit) in respect of tax losses, with the remainder US\$1.7 million (30 June 2013: \$1.3 million) comprised of immaterial items.

25. Financial instruments

Significant accounting policies relevant to financial instruments

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 hedging and 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 2014 a cumulative loss of US\$0.8 million (30 June 2013: US\$0.8 million) was recorded in hedging and other reserves in respect of the available-for-sale financial assets.

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.

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 rate 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.

Hedging instruments

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. On the date the derivative contract is entered into, the Group decides whether to designate the derivative for hedge accounting. During the Year the Group has entered into hedges of forecast transactions (cashflow hedges). The Group formally assesses, at inception and on an ongoing basis, whether the derivatives are highly effective in offsetting changes in the fair value or cashflows of the hedged item. Changes in the fair value of a derivative that is effective in offsetting changes in the cashflow of the hedged item, and that is designated and qualifies as a cashflow hedge, are recognised directly in equity. Changes in fair value of derivatives that do not qualify for hedge accounting, or which were not designated for hedge accounting, are recognised in the Consolidated Income Statement. Amounts recognised in equity are transferred to the income statement in the period during which the hedged forecast impacts net profit or loss. An ineffective element of a cashflow hedge, which has been designated for hedge accounting, is taken to the Consolidated Income Statement.

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.

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

25. Financial instruments continued

The details of the categories of financial instruments of the Group are as follows:

US\$ million	2014	2013
Financial assets:		
Loans and receivables:		
– Non-current trade receivables	89.2	85.4
– Trade receivables	55.4	74.8
– Other receivables (excluding prepayments and VAT)	14.0	0.1
– Cash and cash equivalents – restricted	13.8	12.1
– Cash and cash equivalents – unrestricted	20.2	14.1
Cashflow hedge: derivative financial asset (Level 2 valuation)	1.4	—
Available-for-sale financial assets (Level 1 valuation) (held in other payables)	0.1	0.1
	194.1	186.6
Financial liabilities:		
Held at amortised cost:		
– Non-current amounts owing to BEE partners	64.2	65.3
– Non-current loans and borrowings	125.1	109.9
– Current loans and borrowings	33.8	37.1
– Trade and other payables (includes deferred consideration in prior year)	70.0	64.7
Held for trading: derivative financial liability (Level 2 valuation) (held in other payables)	0.7	2.2
	293.8	279.2

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. No gain or loss (30 June 2013: US\$0.1 million) has been recognised in the Consolidated Statement of Other Comprehensive Income in respect of the revaluation 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 derivative financial assets and liabilities were valued using Level 2 of the financial instrument valuation hierarchy. The valuation is provided by the Group's bankers, which act as the instrument's counterparty, and was prepared using a Black-Scholes model. The inputs include the strike price range, spot price at year end, volatility and discount rate.

No transfers between Level 1 or Level 2 categorisations have occurred or are considered likely.

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

US\$ million	2014	2013
Financial assets:		
Botswana Pula	0.4	0.5
Pounds Sterling	8.2	8.3
South African Rand	152.1	144.9
US Dollar	33.4	32.9
	194.1	186.6
Financial liabilities:		
Botswana Pula	0.8	0.7
Pound Sterling	4.9	2.5
South African Rand	220.2	191.0
US Dollar	67.9	85.0
	293.8	279.2

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.

25. Financial instruments continued

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 material 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\$39.9 million (30 June 2013: US\$71.3 million), net of US\$11.6 million utilised for foreign exchange settlement lines (30 June 2013: US\$3.6 million).

Derivatives

The fair values of derivatives are separately recorded on the Consolidated Statement of Financial Position within 'Derivative financial assets' or 'Trade and other payables'. Derivatives are classified as current or non-current depending on the date of expected settlement of the derivative.

The Group utilises derivative instruments to manage certain market risk exposures. The Group does not use derivative financial instruments for speculative purposes; however, it may choose not to designate certain derivatives as hedges for accounting purposes. Such derivatives are classified as 'non-hedges' and fair value movements are recorded in the Consolidated Income Statement.

The use of derivative instruments is subject to limits and the positions are regularly monitored and reported to the Board.

Cashflow hedges

In certain cases the Group classifies its forward currency contracts, which hedge highly probable forecast transactions, as cashflow hedges. Where this designation is documented, changes in fair value are recognised in equity until the hedged transactions occur, at which time the respective gains or losses are transferred to the Consolidated Income Statement. During the Year, the Group designated 'cap and collar' foreign currency contracts as cashflow hedges. The risk being hedged is the volatility in the South African Rand and US Dollar exchange rates affecting the proceeds in South African Rand of the Group's US Dollar denominated diamond tenders. The contracts mature within the next 12 months and are recorded in profit and loss accordingly. An amount of US\$3.1 million (30 June 2013: US\$nil) has been recorded in other comprehensive income in respect of the intrinsic value of the contracts. The contracts were 100% effective as a hedge. An amount of US\$1.8 million has been included in the Consolidated Income Statement in respect of time value of money that was excluded from the hedge designation under IAS 39. There have been no transfers from equity to profit in the Year.

Held for trading

The Group may choose not to designate certain derivatives as hedges. This may occur where the Group is economically hedged but IAS 39 hedge accounting criteria are not met. Where these derivatives have not been designated as hedges, fair value changes are recognised in the Consolidated Income Statement as re-measurements and are classified as financing or operating depending on the nature of the associated hedged risk.

The fair value of the Group's open derivative positions as at 30 June recorded within 'Derivative financial assets' and 'Trade and other payables' is as follows:

US \$ million	2014		2013	
	Asset	Liability	Asset	Liability
Other derivatives				
Cashflow hedge				
– Forward foreign currency contracts	1.4	—	—	—
Held for trading				
– Forward foreign currency contracts	—	(0.7)	—	(2.2)
Total derivatives	1.4	(0.7)	—	(2.2)

These mark to market valuations are not predictive of the future value of the hedged position, nor of the future impact on the profit of the Group. The valuations represent the fair value of all hedge contracts at Year end, at market prices and at rates available at the time.

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.

25. Financial instruments continued

Cashflow is monitored on a regular basis. Projections reflected in the Group working capital model indicate that the Group will have sufficient liquid resources to meet its obligations as disclosed in note 1.1. The maturity analysis of the actual cash payments due in respect of loans and borrowings is set out in the table below. The maturity analysis of trade and other payables is 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.

		30 June 2014					
US\$ million	Notes	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%–5.5%	20.2	20.2	—	—	—
Cash – restricted	19	0.1%–5.5%	13.8	—	—	—	13.8
Total cash			34.0	20.2	—	—	13.8
Loans and borrowings							
Bank loan – secured	21(i)	5.7%	30.2	0.7	0.7	1.4	27.4
Bank loan – secured	21(ii)	8.5%	23.4	23.4	—	—	—
Bank loan – secured	21(iii)	9.8%	97.5	3.6	3.9	22.5	67.5
Bank loan – secured	21(iv)	4.2%	39.1	0.7	0.8	8.4	29.2
Cashflow of loans and borrowings			190.2	28.4	5.4	32.3	124.1

		30 June 2013					
US\$ million	Notes	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

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 in the table below, reflecting the impact of a 100% basis points increase/decrease in interest rates over the next 12 months, and is shown for illustrative purposes.

		30 June 2014			
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)	8.5%	23.4	0.2	(0.2)
Bank loan – secured	21(iii)	9.8%	75.4	0.8	(0.8)
Bank loan – secured	21(iv)	4.2%	35.1	0.3	(0.3)
			158.9	1.5	(1.5)

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

25. Financial instruments continued

US\$ million	Notes	30 June 2013			
		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)

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 2014 and 30 June 2013 are as follows:

US\$ million	2014	2013
Total debt	293.1	277.0
Cash and cash equivalents	(34.0)	(26.2)
Net debt	259.1	250.8
Total equity attributable to equity holders of the parent company	596.1	571.1
Net debt to equity ratio	0.43:1	0.44:1

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**Significant accounting policies relevant to contingent liabilities**

Contingent liabilities refer to potential obligations arising on the Group as a result of past events. Items are disclosed when considered to be possible obligations and are recognised as provisions or liabilities if they are considered probable.

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**Significant accounting policies relevant to 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.

27. Share-based payments continued

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 conditions 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 immediately recognises the amount that otherwise would have been recognised for services received over the remainder of the vesting period. When in certain circumstances equity-settled awards that have vested are cash settled, the Group records a reduction in the original share-based payment reserve with an adjustment for the difference to cash paid recorded in retained earnings. In the event of cash settlement the Group assesses the extent of any legal or constructive obligation to cash settle the remaining options and awards.

Significant judgements and estimates relevant to share-based payments

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 below.

Company schemes

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\$6.6 million (30 June 2013: US\$3.9 million) comprises US\$4.2 million (30 June 2013: US\$3.3 million) charged to the Consolidated Income Statement and US\$2.4 million (30 June 2013: US\$0.6 million) capitalised within property, plant and equipment.

Share grants to Directors: LTSP, 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 LTSP and the PSP granted during the current and prior year and the assumptions used in the Monte Carlo model are as follows:

LTSP – non-market based subject to performance conditions	2012 (last award)	
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		—

PSP – market and non-market based performance conditions	2014	2013
Fair value (PSP absolute TSR/PSP relative TSR/PSP non-market)	50.0p/78.0p/113.8p	39.0p/60.0p/110.0p
Grant date	20 December 2013	20 December 2012
Share price at grant date	113.8p	109.7p
Expected volatility	42%	51%
Life of award	2.8 years	2.8 years
Expected dividends	—	—
Performance period	3 years	3 years
Correlation	34%	41%
Risk-free interest rate (based on national Government bonds)	0.9%	0.5%

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, 1,175,271 (30 June 2013: 1,198,268) PSP shares were awarded at a fair value price of 113.8 pence (30 June 2013: 109.7 pence). There were no shares awarded under the 2011 LTSP (30 June 2013: nil). 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.

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

27. Share-based payments continued

On 20 December 2013, the Executive Directors of the Company were granted a total of 203,845 deferred awards over ordinary shares in the Company. The deferred share awards were fair valued using the market price of the share awards which approximated the fair value in a Black-Scholes model. The share price at grant date was 113.8 pence. The awards represent 25% of the total bonus in respect of performance for the financial year ended 30 June 2013. The awards vest on 30 June 2015 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 74 to 90 of the Directors' Remuneration Report.

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 LTSP granted to Senior Management during the Year and the assumptions used in the Monte Carlo model are as follows:

LTSP – non-market based subject to performance conditions	2014	2013
Fair value	113.8p	118.1p
Grant date	20 December 2013	25 September 2012
Share price at grant date	113.8p	118.1p
Life of award	1.8 years–2.8 years	3.4 years–4.4 years
Expected dividends	—	—

During the Year, 1,745,000 2011 (30 June 2013: 7,055,000) LTSP shares were awarded and 250,000 were cancelled (30 June 2013: 125,000). 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 84 of the Directors' Remuneration Report.

The interests of Senior Management under the LTSP are as follows:

	2014 Number	2013 Number
Outstanding at beginning of the Year	7,055,000	—
Granted during the Year	1,745,000	7,180,000
Cancelled during the Year	(250,000)	(125,000)
Outstanding at the end of the Year	8,550,000	7,055,000
Exercisable at the end of the Year	—	—

The awards outstanding at 30 June 2014 have no exercise price and a weighted average remaining contractual life of 1.3 years to 2.3 years (30 June 2013: 3.4 years to 4.3 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 share options granted during the Year (30 June 2013: nil). The share-based payment expense has been calculated using the Black-Scholes model. All share options are equity settled.

The terms and conditions of the options in issue, whereby options are equity settled by delivery of shares under the plan terms, 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	1
	31 May 2006	1,000,000	1/3 per annum from grant date	2
	12 March 2009	2,500,000	1/3 per annum from grant date	5
	30 September 2009	1,150,000	1/3 per annum from grant date	6
	17 March 2010	1,150,000	1/3 per annum from grant date	6
Options granted to Senior Management	27 November 2005	33,845	1/3 per annum from grant date	1
	31 May 2006	45,851	1/3 per annum from grant date	2
	31 July 2006	147,804	1/3 per annum from grant date	2
	12 March 2009	1,713,334	1/3 per annum from grant date	5
	30 September 2009	878,334	1/3 per annum from grant date	5
	17 March 2010	1,386,668	1/3 per annum from grant date	6
	25 November 2010	215,000	1/3 per annum from grant date	6

27. Share-based payments continued

	2014		2013	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at beginning of the Year	52.9	15,154,760	49.5	17,079,428
Cancelled during the Year	—	—	58.2	(78,050)
Cash settled	53.1	(2,524,924)	—	—
Lapsed during the Year	—	—	—	—
Exercised during the Year	36.9	(409,000)	42.1	(1,846,618)
Granted during the Year	—	—	—	—
Outstanding at the end of the Year	53.3	12,220,836	52.9	15,154,760
Exercisable at the end of the Year	53.3	12,220,836	52.5	14,993,167

The weighted average market price of the shares in respect of options exercised during the Year was 112.8 pence (30 June 2013: 108.9 pence). The options outstanding at 30 June 2014 have an exercise price in the range of 27.5 pence to 96.0 pence (30 June 2013: 27.5 pence to 96.0 pence) and a weighted average remaining contractual life of four years (30 June 2013: five years).

Employees received cash payments of US\$4.6 million (30 June 2013: US\$43,278) during the Year in respect of 2,524,924 options which were cash settled. The options were fully vested and due to be equity settled under the plan terms. The Group elected to cash settle in this instance. No legal or constructive obligation to cash settle the remaining options or share awards is considered to exist.

Warrants

During the Year 2,100,000 (30 June 2013: 2,100,000) warrants were exercised with an option price of 95 pence (30 June 2013: 90 pence), as set out in the table below.

	2014		2013	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at beginning of the Year	97.5	4,200,000	95.0	6,300,000
Exercised during the Year	95.0	(2,100,000)	90.0	(2,100,000)
Outstanding at the end of the Year	100.0	2,100,000	97.5	4,200,000
Exercisable at the end of the Year	100.0	2,100,000	97.5	4,200,000

The warrants outstanding at 30 June 2014 have an exercise price of 100 pence (30 June 2013: 95 pence to 100 pence) and a remaining contractual life of four months (30 June 2013: one year). All warrants are settled by delivery of shares.

28. Related parties**Subsidiaries, associates and joint ventures**

Details of associates and subsidiaries are disclosed in note 16 and note 30 respectively.

Directors

Details relating to Directors' emoluments are disclosed in note 11 and in the Directors' Remuneration Report on pages 74 to 90. Details relating to Directors' shareholdings in the Company are disclosed in the Directors' Report on page 86. Key management remuneration is disclosed in note 11.

There are no loans to Directors or Senior Management.

During the Year, a subsidiary of the Company paid US\$0.8 million (R8.8 million) (30 June 2013: US\$1.7 million (R14.9 million)) to Zeren (Pty) Ltd ("Zeren") in respect of the development and purchase of specialised plant and equipment. The cumulative amount paid to Zeren as at 30 June 2014 is US\$9.6 million (R99.6 million) (30 June 2013: US\$8.6 million (R85.5 million)). Effective 24 April 2014, the agreement whereby Zeren was developing specialised plant and equipment for the Company was terminated. Mr Dippenaar, Mr Davidson and Mr Abery are all Directors of the Company and were previously also directors and shareholders of Zeren. On 30 April 2014 they disposed of their entire shareholding in Zeren and on 2 May 2014 they resigned as directors of Zeren. There is no longer any related party relationship between Mr Dippenaar, Mr Davidson and Mr Abery and Zeren. Following termination of the relationship with Zeren, management has undertaken a review of the assets acquired; one of the machines developed with Zeren (with a carrying value at 30 June 2014 of US\$0.9 million (R9.8 million)) is in use at the Cullinan mine and the balance of the plant and equipment has been depreciated or fully impaired during the Year.

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\$28.9 million (30 June 2013: US\$25.9 million) and a non-current payable due to Thembinkosi of US\$24.2 million (30 June 2013: US\$24.0 million). Included in net finance expense (note 8), the Company has finance income due from Thembinkosi of US\$2.8 million (30 June 2013: US\$2.5 million) and finance expense payable to Thembinkosi of US\$2.1 million (30 June 2013: US\$2.1 million). These sums arise due to the funding that the Group has provided to Thembinkosi to finance its interests in the Cullinan mine. Mr Abery is a director of Umnotho. Mr Pouroulis and Mr Abery are beneficiaries of a trust that is a shareholder in Umnotho.

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For the year ended 30 June 2014 continued

28. Related parties continued

The Group has a 49.24% interest in Nelesco 651 (Pty) Ltd, which is the holding company of Sedibeng Mining (Pty) Ltd ("Sedibeng"), one of Petra's BEE partners. Sedibeng holds direct interests in the Kimberley Underground and Helam mines, and indirect interests in Finsch, Cullinan and Koffiefontein through its shareholding in Thembinkosi, Senakha Diamonds Investments (Pty) Ltd ("Senakha") and Re Teng Diamonds (Pty) Ltd ("Re Teng Diamonds"). The Group has a non-current receivable due from Sedibeng of US\$19.9 million (30 June 2013: US\$19.0 million) and a non-current payable due to Sedibeng of US\$2.1 million (30 June 2013: US\$4.6 million). Included in net finance expense (note 8), the Company has finance income due from Sedibeng of US\$2.6 million (30 June 2013: US\$1.7 million) and finance expense payable to Sedibeng of US\$0.7 million (30 June 2013: US\$0.7 million). These sums arise due to the funding that the Group has provided to Sedibeng to finance its interests in the 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\$37.9 million (30 June 2013: US\$36.7 million) and a non-current payable due to Senakha of US\$37.9 million (30 June 2013: US\$36.7 million). Included in net finance expense (note 8) the Group has finance income due from Senakha of US\$3.9 million (30 June 2013: US\$4.1 million) and finance expense payable to Senakha of US\$3.9 million (30 June 2013: US\$4.1 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\$0.9 million (30 June 2013: US\$1.2 million).

Shareholders

The principal shareholders of the Company are detailed in Shareholder and Corporate Information on page 153.

29. Significant non-cash transactions

US\$ million	2014	2013
Operating activities		
Depreciation of property, plant and equipment	41.7	42.8
Impairment	13.9	12.6
Increase/(decrease) in provisions	0.5	(0.2)
Other finance expense – pension scheme	1.3	2.4
Other finance expense – unwinding of present value adjustment for rehabilitation costs	3.8	2.6
Other finance expense – post-retirement medical fund	1.4	1.3
Net unrealised foreign exchange (gain)/loss	(3.6)	4.7
Present value adjustment of rehabilitation provision – change in assumptions	—	(1.9)
Loss on disposal of Sedibeng JV and Star	10.1	—
Loss on sale of property, plant and equipment	0.6	—
Provision for retrenchments	—	2.6
Share-based payment provision	4.2	3.3
	73.9	56.4
Investing activities		
Non-cash capital expenditure (capitalisation of borrowing costs, employee costs)	2.8	3.7
Non-cash rehabilitation asset adjustment – change in estimate	9.9	(8.3)
Non-cash interest receivable from BEE loans on investing activity	10.4	9.2
	23.1	4.6
Investing activities		
Non-cash interest payable on BEE loans on investing activity	6.7	6.9
	6.7	6.9

30. Subsidiaries

Significant accounting policies relevant to 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.

At 30 June 2014 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 2014	Direct percentage held 2013 ²³	Nature of business
Autumn Star Investment Holdings (Pty) Ltd ¹	South Africa	Ordinary	—	40%	Mining and exploration
Blue Diamond Mines (Pty) Ltd ²	South Africa	Ordinary	100%	100%	Mining and exploration
Crown Resources (Pty) Ltd	South Africa	Ordinary	100%	100%	Mining and exploration
Cullinan Diamond Mine (Pty) Ltd	South Africa	Ordinary	74%	74%	Mining and exploration
Cullinan Investment Holdings Ltd	British Virgin Islands	Ordinary	100%	100%	Investment holding
Dancarl Diamonds (Pty) Ltd ¹	South Africa	Ordinary	—	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 ¹	South Africa	Ordinary	—	100%	Mining and exploration
Messina Investments (Pty) Ltd ¹	South Africa	Ordinary	—	100%	Investment holding
Petra Diamonds Botswana (Pty) Ltd	Botswana	Ordinary	100%	100%	Exploration
Petra Diamonds Jersey Treasury Ltd	Jersey	Ordinary	100%	100%	Treasury
Petra Diamonds Netherlands Treasury B.V.	Netherlands	Ordinary	100%	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 ¹	Unincorporated JV		—	74.5%	Mining and exploration
Star Diamonds (Pty) Ltd ¹	South Africa	Ordinary	—	74%	Mining and exploration
Tarorite (Pty) Ltd	South Africa	Ordinary	100%	100%	Services provision
Willcroft Company Ltd	Bermuda	Ordinary	100%	100%	Investment holding
Williamson Diamonds Ltd	Tanzania	Ordinary	75%	75%	Mining and exploration

1. During the Year the Group disposed of its holdings in Messina Investments (Pty) Ltd, Autumn Star Investment Holdings (Pty) Ltd, Messina Diamonds (Pty) Ltd, Star Diamonds (Pty) Ltd, Dancarl Diamonds (Pty) Ltd and Sedibeng JV (refer to note 10).

2. 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%, subsequently increased further as detailed in footnote 3.

3. The Group increased its effective interest in Finsch (82.38%), Cullinan (77.03%), Helam (86.80%), Koffiefontein (81.39%) and Kimberley Underground (86.80%), through its investment in Nelesco (refer to note 10).

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

31. Pension scheme

Significant accounting policies relevant to pensions

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 Consolidated 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. Changes in the defined benefit valuation are recorded in the Consolidated Income Statement when they refer to current service costs, past service costs or net interest calculated on the net deficit. All other changes in the defined benefit valuation are recorded within other comprehensive income. 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.

Significant judgements and estimates relevant to pensions

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 2014. 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 below.

The Company operates a defined benefit scheme and defined contribution scheme. The defined benefit scheme was acquired as part of the acquisitions 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, the return on the funds will be nil (30 June 2013: 9.19%), based on the average yield of South African Government long dated bonds of 9.05% (30 June 2013: 8.46%), and that salaries will be increased at 8.11% (30 June 2013: 7.59%), based on current South African consumer price index of 7.11% (30 June 2013: 6.59%). The market value of the assets of the defined benefit scheme at 30 June 2014 is R164.6 million (US\$15.5 million) (30 June 2013: R160.4 million (US\$16.2 million)) and the actuarial valuation of the assets on an ongoing basis represented 93.6% (30 June 2013: 94.4%) of the benefit of R175.7 million (US\$16.5 million) (30 June 2013: R169.9 million (US\$17.2 million)) that had accrued to members, allowing for expected future increases in earnings. The notional pension deficit is R11.1 million (US\$1.0 million) (30 June 2013: R9.5 million (US\$1.0 million)). The notional deficit, arising due to actuarial losses, was not previously recognised given it was within the IAS 19 corridor. The corridor method is no longer applicable under the revised IAS 19. All actuarial gains and losses are included in the Consolidated Statement of Other Comprehensive Income. The comparatives have not been restated as the effect of removing the corridor was immaterial, based on actuarial analysis. The pension fund values are converted using the Year-end foreign exchange rate of R10.63/US\$1 (30 June 2013: R9.88/US\$1).

31. Pension scheme continued

US\$ million	2014	2013
Defined benefit obligations		
Present value of funded obligations	(16.5)	(17.2)
Fair value of plan assets	15.5	16.2
Unrecognised net gain – IAS 19 corridor/Paragraph 58	—	1.0
Recognised deficit for defined benefit obligations	(1.0)	—
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	(0.6)	(0.4)
Contributions by employer	0.6	0.4
Net surplus for defined benefit obligations at 30 June	—	—
Expense recognised in the income statement		
Current service cost	(0.5)	(0.4)
Net interest on deficit	(0.1)	—
	(0.6)	(0.4)
Change in the fair value of the defined benefit assets		
Net surplus for the defined benefit obligation as at 1 July	16.2	17.0
Foreign exchange movement on opening balances	(1.4)	(2.9)
Return on plan assets	1.2	1.2
Benefits paid to members	(1.1)	(1.0)
Contributions by Group	0.6	0.4
Net transfers in	—	1.5
At 30 June	15.5	16.2
Change in the present value of the defined benefit obligations		
At 1 July	(17.2)	(15.7)
Foreign exchange movement on opening balance	1.5	2.8
Benefits paid to members	1.1	1.0
Current service cost	(0.5)	(0.4)
Finance expense	(1.3)	(1.2)
Contributions by members	(0.1)	(0.1)
Actuarial losses	—	(2.1)
Net transfers in	—	(1.5)
At 30 June	(16.5)	(17.2)
Actuarial gains and losses		
Actuarial gains on plan assets	—	—
Actuarial gains/(losses) on plan liabilities	0.2	(2.1)
Analysis of plan assets		
Cash	56.6%	64.5%
Equity	11.0%	12.1%
Bonds	15.4%	14.8%
Property	2.7%	3.5%
Other – offshore	14.3%	5.1%
	100.0%	100.0%

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

31. Pension scheme continued

US\$ million	2014 % per annum	2013 % per annum
Principal actuarial assumptions		
Discount rate	9.05%	8.46%
Expected return on plan assets	n/a	9.19%
Future salary increases	8.11%	7.59%
Inflation	7.11%	6.59%
Future pension increases	5.33%	4.94%

Determination of estimated pension expense for the year ended 30 June 2014 (based on current accounting policy)

Member contributions	0.1	0.1
Company contributions	0.3	0.4
Benefit payments	(1.2)	(1.1)

US\$ million	2014	2013	2012	2011
Defined benefit obligation trends (before Paragraph 58 and IAS 19 corridor used previously)				
Plan assets	15.5	16.2	17.0	19.4
Plan liabilities	(16.5)	(17.2)	(15.7)	(17.6)
(Deficit)/surplus	(1.0)	(1.0)	1.3	1.8

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 2014 date is as follows:

	2014	2013
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.

The valuation is subject to risks. The key sensitivities are changes in discount rates and mortality assumptions. A 0.5% change in the discount rate changes the pension obligation by approximately US\$1.1 million. A two year change in mortality changes the pension obligation by approximately US\$0.5 million.

32. Post-retirement medical fund**Significant accounting policies relevant to medical funds**

The Group's post-retirement medical fund 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.

Significant judgements and estimates relevant to medical funds

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 2014. 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 below.

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 2014. 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 8.50% (30 June 2013: 7.25%), based on the average yield of relevant South African Government long dated bonds of 9.50% (30 June 2013: 8.75%), and that salaries will be increased at 8.11% (30 June 2013: 6.25%). The actuarial accrued liability unfunded status of the post-employment health care liability scheme at 30 June 2014 is R130.1 million (US\$12.1 million) (30 June 2013: R108.2 million (US\$11.0 million)). The post-employment health care liability values are converted using the Year-end foreign exchange rate of R10.63:US\$1 (30 June 2013: R9.88:US\$1).

32. Post-retirement medical fund continued

US\$ million	2014	2013		
Post-retirement medical fund				
Present value of post-employment medical care obligations	12.1			11.0
Unfunded status at 30 June	12.1			11.0
Movements in present value of the post-retirement medical fund obligations recognised in the Consolidated Statement of Financial Position				
Net liability for the post-retirement medical fund obligation as at 1 July	11.0			11.8
Foreign exchange movement on opening balances	(1.0)			(2.1)
Net expense recognised in the income statement	2.1			1.3
Net liability for post-employment medical care obligations at 30 June	12.1			11.0
Expense recognised in the income statement				
Current service cost	0.8			0.3
Finance expense	1.3			1.0
	2.1			1.3
The expense is recognised in the following line items in the income statement:				
Mining and processing costs	0.8			0.3
Finance expense	1.3			1.0
	2.1			1.3
Reconciliation of fair value of scheme liabilities				
At 1 July	11.0			11.8
Foreign exchange movement on opening balances	(1.0)			(2.1)
Net expense recognised in the income statement	2.1			1.3
Liabilities at fair market value as at 30 June	12.1			11.0
		2014		2013
		%		%
		per annum		per annum
Principal actuarial assumptions				
Discount rate	9.50%			8.75%
Health care cost inflation	8.50%			7.25%
Future salary increases	8.11%			6.25%
Net replacement ratio	75.00%			75.00%
Net discount rate	0.92%			1.40%
Normal retirement age (years)	60.0			60.0
Fully accrued age (years)	60.0			60.0
US\$ million	2014	2013		
Determination of estimated post-retirement medical fund expense for the year ended 30 June 2015				
Current service cost	0.9			0.4
Finance expense	0.6			1.0
Benefit payments	(0.2)			(0.1)
US\$ million	2014	2013	2012	2011
Actuarial accrued liability				
Funded status	12.1	11.0	11.8	7.3

Notes to the Annual Financial Statements

For the year ended 30 June 2014 continued

32. Post-retirement medical fund continued**Sensitivity analysis****Health care inflation rate**

The effect of a 1% increase or decrease in the health care inflation rate on the post-retirement medical fund accrued liability is as follows:

US\$ million	30 June 2014	1% increase	1% decrease
Accrued liability	12.1	15.7	12.0
% difference	—	29.7%	(1.8%)

US\$ million	30 June 2013	1% increase	1% decrease
Accrued liability	11.0	13.3	9.2
% 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 2014	Retirement one year earlier	Retirement one year later
Accrued liability	12.1	14.4	13.2
% difference	—	19.0%	(9.0%)

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%)

Five-year Summary of Consolidated Figures

For the year ended 30 June 2014

US\$ million	2014	2013	2012	2011	2010 ⁷
Income statement					
Revenue (gross) ¹	472.6	402.7	316.9	220.6	163.7
Adjusted mining and processing costs ²	(277.4)	(254.8)	(222.6)	(146.9)	(98.9)
Profit from mining activity ³	201.1	143.8	103.3	76.4	67.2
Adjusted EBITDA ⁴	187.7	127.6	90.3	67.1	70.9
Adjusted net profit after tax ⁵	93.7	53.6	39.6	34.1	69.3
Net profit/(loss) after tax – Group	67.5	27.9	(2.1)	59.2	70.2
Statement of financial position					
Current assets	167.5	173.6	151.6	413.6	87.4
Non-current assets	931.4	827.0	839.6	558.0	404.0
Total assets	1,098.9	1,000.6	991.2	971.6	491.4
Borrowings (short and long term)	158.9	147.0	69.0	90.1	64.5
Current liabilities (excluding borrowings)	72.1	69.5	51.2	47.6	32.5
Total equity	631.9	587.4	665.0	699.0	290.9
Movement in cash					
Net cash generated from operating activities	196.1	73.0	77.2	50.9	48.8
Adjusted operating cashflow ⁶	181.2	132.8	84.6	67.8	49.0
Net cash utilised in investing activities	(211.0)	(180.3)	(123.9)	(330.7)	(52.6)
Net cash generated by/(utilised in) financing activities	22.0	94.0	(13.6)	349.8	21.7
Net increase/(decrease) in cash and cash equivalents	7.1	(13.3)	(60.3)	70.0	17.9
Ratios and other key information					
Basic earnings/(loss) per share attributable to the equity holders of the Company – US\$ cents	9.69	6.30	(0.48)	12.83	22.65
Adjusted basic earnings per share from continuing operations attributable to the equity holders of the Company – US\$ cents ⁵	14.82	11.34	7.82	8.41	22.30
Capex	211.2	191.2	137.3	110.9	25.5
Cash at bank (including restricted)	34.0	26.2	47.3	324.9	34.5

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.

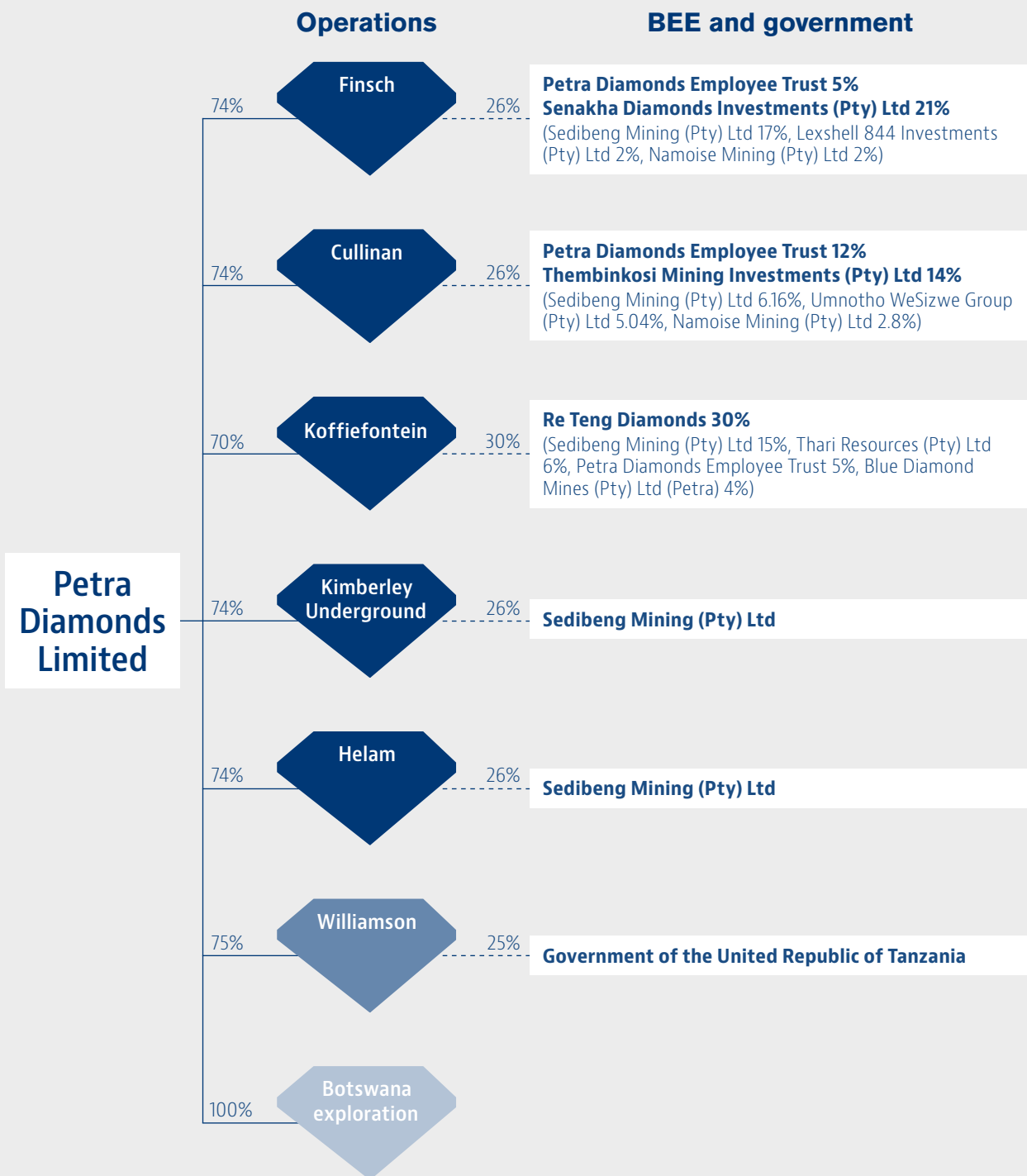
- Revenue (gross) includes revenues for the Sedibeng JV and Star mines for FY2014 and FY2013. Under IFRS, these revenues are classified in the Consolidated Income Statement as part of the loss from discontinued operations on page 96.
- Adjusted mining and processing costs are mining and processing costs stated before depreciation and share-based expense.
- Profit from mining activities is revenue less adjusted mining and processing costs plus other direct income.
- Adjusted EBITDA is stated before share-based expense, impairment charges, net unrealised foreign exchange gains and losses, and loss on discontinued operations.
- Adjusted net profit after tax and adjusted (basic) earnings per share from continuing operations are net profit after tax and earnings per share from continuing operations stated before impairment charges, net unrealised foreign exchange gains and losses, and loss on discontinued operations.
- Adjusted operating cashflow is operating cashflow adjusted for the cash effect of the movement in diamond debtors between each financial year end, excluding unrealised foreign exchange translation movements.
- 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'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.



Note: Petra has an interest in Sedibeng Mining (Pty) Ltd; please refer note 10 in the Financial Statements on page 115.

FY 2014 – Operations Results Tables

Finsch – South Africa

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	US\$m	183.7	160.6	+14%
Diamonds sold	Carats	1,856,939	1,336,418	+39%
Average price per carat	US\$	99	120	-18%
ROM production				
Tonnes treated	Tonnes	2,910,195	2,609,935	+12%
Diamonds produced	Carats	1,109,022	890,360	+25%
Grade ¹	Cpht	38.1	34.1	+12%
Tailings production				
Tonnes treated	Tonnes	2,668,278	2,600,611	+3%
Diamonds produced	Carats	776,138	522,106	+49%
Grade ¹	Cpht	29.1	20.1	+45%
Total production				
Tonnes treated	Tonnes	5,578,473	5,210,546	+7%
Diamonds produced	Carats	1,885,160	1,412,465	+33%
Costs				
On-mine cash cost per tonne treated	ZAR	146	139	+5%
Capex				
Expansion Capex	US\$m	50.7	33.5	+51%
Sustaining Capex	US\$m	12.3	10.6	+16%
Borrowing costs capitalised	US\$m	4.8	4.5	+7%
Total Capex	US\$m	67.8	48.6	+40%

1. The Company is not able to precisely measure the ROM/tailings grade split because ore from both sources is processed through the same plant; the Company therefore back-calculates the grade with reference to resource grades.

Cullinan – South Africa

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	US\$m	162.8	133.0	+22%
Diamonds sold	Carats	881,343	816,611	+8%
Average price per carat	US\$	185 ¹	163 ²	+13%
ROM production				
Tonnes treated	Tonnes	2,546,383	2,595,004	-2%
Diamonds produced	Carats	706,728	795,370	-11%
Grade	Cpht	27.8	30.7	-9%
Tailings production				
Tonnes treated	Tonnes	2,149,571	1,485,889	+45%
Diamonds produced	Carats	116,891	73,605	+59%
Grade	Cpht	5.4	5.0	+8%
Total production				
Tonnes treated	Tonnes	4,695,954	4,080,893	+15%
Diamonds produced	Carats	823,619	868,975	-5%
Costs				
On-mine cash cost per tonne treated	ZAR	154	158	-3%
Capex				
Expansion Capex	US\$m	73.5	64.0	+15%
Sustaining Capex	US\$m	14.7	17.2	-15%
Borrowing costs capitalised	US\$m	4.9	7.8	-37%
Total Capex	US\$m	93.1	89.0	+5%

1. The average value at Cullinan includes the 126.4 carat white diamond that sold for US\$8.5 million in December 2013 and the 29.6 carat blue diamond that sold for US\$25.6 million in February 2014; the average value for FY 2014 excluding these stones was US\$146 per carat.

2. The 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.

FY 2014 – Operations Results Tables

continued

Koffiefontein – South Africa

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	US\$m	26.7	16.6	+61%
Diamonds sold	Carats	49,250	35,168	+40%
Average price per carat	US\$	542	471	+15%
ROM production				
Tonnes treated	Tonnes	245,833	239,161	+3%
Diamonds produced	Carats	17,502	14,356	+22%
Grade	Cpht	7.1	6.0	+18%
Tailings/Ebenhaezer production				
Tonnes treated	Tonnes	431,833	1,242,360	-65%
Diamonds produced	Carats	32,873	20,444	+61%
Grade	Cpht	7.6	1.6	+375%
Total production				
Tonnes treated	Tonnes	677,666	1,481,521	-54%
Diamonds produced	Carats	50,375	34,800	+45%
Costs				
On-mine cash cost per tonne treated	ZAR	293	136	+115%
Capex				
Expansion Capex	US\$m	25.1	10.9	+130%
Sustaining Capex	US\$m	5.6	9.5	-41%
Total Capex	US\$m	30.7	20.4	+50%

Kimberley Underground – South Africa

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	US\$m	38.8	33.4	+16%
Diamonds sold	Carats	127,729	113,383	+13%
Average price per carat	US\$	303	295	+3%
Total production (all ROM)				
Tonnes treated	Tonnes	908,498	804,725	+13%
Diamonds produced	Carats	126,917	115,400	+10%
Grade	Cpht	14.0	14.3	-2%
Costs				
On-mine cash cost per tonne treated	ZAR	301	265	+14%
Capex				
Expansion Capex	US\$m	5.8	17.6	-67%
Sustaining Capex	US\$m	4.3	4.0	+8%
Total Capex	US\$m	10.1	21.6	-53%

Williamson – Tanzania

	Unit	FY 2014	FY 2013	Variance
Sales				
Revenue	US\$m	53.9	41.9	+29%
Diamonds sold	Carats	178,171	165,324	+8%
Average price per carat	US\$	303	254	+19%
ROM production				
Tonnes treated	Tonnes	3,405,524	2,730,133	+25%
Diamonds produced	Carats	178,379	150,342	+19%
Grade	Cpht	5.2	5.5	-5%
Alluvial production				
Tonnes treated	Tonnes	405,166	385,186	+5%
Diamonds produced	Carats	10,086	14,035	-28%
Grade	Cpht	2.5	3.6	-31%
Total production				
Tonnes treated	Tonnes	3,810,690	3,115,319	+22%
Diamonds produced	Carats	188,465	164,376	+15%
Costs				
On-mine cash cost per tonne treated	US\$	12	12	—
Capex				
Expansion Capex	US\$m	2.4	8.4	-71%
Sustaining Capex	US\$m	6.5	3.3	+97%
Total Capex	US\$m	8.9	11.7	-24%

2014 Resource Statement

Petra manages one of the world's largest diamond resources of over 300 Mcts. 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 Resources

As at 30 June 2014, the Group's gross diamond Resources (inclusive of Reserves) decreased 3% to 301.1 Mcts (30 June 2013: 309.6 Mcts).

Apart from depletion by mining activity, the main reasons for an overall decrease in gross diamond Resources were the sale of the Sedibeng and Star fissure operations (1.2 Mcts), the application of a revised resource model at Williamson (which saw the mine's total Resource decrease by 6.3 Mcts due to a lower grade attributed to the K1, K1A and K2/KT facies in the diatreme portion of the orebody – currently not in the LOM business plan), and a 0.8 Mcts decrease in the total Resource at Kimberley Underground (mainly due to a reduced grade on the East Blow section of Dutoitspan, based on new sampling results).

These decreases were countered by a 0.5 Mcts increase at Finsch due to re-modelling of Finsch Block 4 with PCBC software, and a 0.6 Mcts increase at Koffiefontein due to the base of the mine's Resource being taken to 720 metres, based on new sampling results.

Gross Reserves

The Group's gross diamond Reserves increased 1.5% to 55.2 Mcts (30 June 2013: 54.4 Mcts), mainly owing to re-calibration of the Finsch Block 4 PCBC model, and new PCSLC and PCBC modelling of the Finsch Block 5 SLC and Block Cave respectively.

The following table summarises the gross Reserves and Resources status of the combined Petra Group operations as at 30 June 2014.

Group	Gross		
	Tonnes millions	Grade cpht	Contained diamonds Mcts
Category			
Reserves			
Proved	1.0	49.2	0.50
Probable	121.8	44.9	54.74
Subtotal	122.9	45.0	55.24
Resources			
Measured	14.5	7.1	1.03
Indicated	447.5	49.7	222.51
Inferred	1,289.9	6.0	77.61
Subtotal	1,751.9	17.2	301.15

Finsch

Category	Gross		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
Reserves			
Proved	—	—	—
Probable	49.7	56.5	28.04
Subtotal	49.7	56.5	28.04
Resources			
Measured	—	—	—
Indicated	46.3	64.5	29.89
Inferred	38.9	55.1	21.42
Subtotal	85.2	60.2	51.31

1. Resource bottom cut-off: 1.0mm.

2. Reserve bottom cut-off: 1.0mm.

3. Block 4 Resource tonnes and grade are based on block cave depletion modelling and include external waste.

4. Block 5 Resource stated as in situ.

5. Changes in Resource figures due to depletions and re-calibration of the Block 4 PCBC model.

6. The Block 4 PCBC model has been re-calibrated to correct for historical over-depletion and refined to better account for the South West Precursor ore that is now included in the Block 4 Block Cave material due to sidewall collapses in the open pit above Block 4.

7. Block 5 Reserves are based on PCSLC and PCBC modelling of new Sub Level Cave and Block Cave designs.

Cullinan

Category	Gross		
	Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	—	—	—
Probable	58.8	41.4	24.34
Subtotal	58.8	41.4	24.34
Resources			
Measured	—	—	—
Indicated	257.7	70.8	182.44
Inferred	170.9	10.0	17.16
Subtotal	428.7	46.6	199.60

1. Resource bottom cut-off: 1.0mm.

2. Reserve bottom cut off: 1.0mm.

3. B-Cut resource tonnes and grade are based on block cave depletion modelling and include external waste.

4. C-Cut Resource stated as in situ.

5. Reserve carats and grades are factorised as per the following Resource to Reserve liberation factors: "Brown" kimberlite 75.8%, "Grey" kimberlite 71.4% and Hypabbysal kimberlite 71.8%.

6. Changes in Resource figures due to mining depletions on all blocks.

7. Reserves are based on PCBC modelling of the BBIE, AUC-S, AUC-N, BA-West Phase 1 and C-Cut Phase 1, scheduling of the BAW 645L in Mine 2-4D, and pillar retreats in the BA5 and BBIE.

8. BBIE Reserves reduced by 1.6 Mcts due to PCBC re-calibration and depletions.

Koffiefontein

Category	Gross		
	Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	0.3	7.5	0.02
Probable	8.8	8.7	0.76
Subtotal	9.1	8.6	0.78
Resources			
Measured	14.2	3.0	0.43
Indicated	30.0	7.8	2.34
Inferred	110.3	3.5	3.88
Subtotal	154.5	4.3	6.65

1. Resource bottom cut-off (Koffiefontein underground and Ebenhaezer): 0.5mm.

2. Resource bottom cut-off (Eskom tailings): 1.0mm.

3. Reserve bottom cut-off: 1.0mm.

4. Main Pipe 600 to 720 has been moved to Inferred Resource and the base of the Resource has been lowered to 720m, based on new sampling.

5. New Resource model for Ebenhaezer pipe.

6. Underground Reserves based on remnants of old mining blocks, and Mine 2-4D scheduling of the 56-60mL Sublevel Cave and the 52mL de-stress mining block.

7. Ebenhaezer Reserve based on XPAC scheduling of open pit.

2014 Resource Statement

continued

Kimberley Underground

Category	Gross		
	Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	—	—	—
Probable	3.2	17.1	0.54
Subtotal	3.2	17.1	0.54
Resources			
Measured	—	—	—
Indicated	9.3	18.8	1.76
Inferred	56.5	8.2	4.65
Subtotal	65.9	9.7	6.41

1. Resource bottom cut-off (Dutoitspan and Dutoitspan West Extension): 1.0mm.
2. Resource bottom cut-off (all other underground blocks): 0.5mm.
3. Reserve bottom cut-off: 1.5mm.
4. Changes in Reserve and Resource figures due to mining depletions applied to Gemcom column tonne models; Bultfontein grades adjusted for observed waste percentages; East Blow grade reduced to 3.1 cpht in line with recent bulk sample.

Williamson

Category	Gross		
	Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	—	—	—
Probable	—	—	—
Subtotal	—	—	—
Resources			
Measured	—	—	—
Indicated	103.6	4.6	4.77
Inferred	912.5	3.1	28.33
Subtotal	1,016.1	3.3	33.10

1. Resource bottom cut-off: 1.15mm.
2. Changes in Resource figures due to mining depletions and the new Resource model (reduced grade in K1, K1A and K2/KT facies in inferred resource below the current planned LOM pit shell).

Helam

Category	Gross		
	Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	0.7	66.0	0.48
Probable	1.4	76.1	1.05
Subtotal	2.1	72.6	1.53
Resources			
Measured	0.2	263.9	0.60
Indicated	0.5	266.4	1.32
Inferred	0.8	268.8	2.17
Subtotal	1.5	267.3	4.09

1. Other Fissure Mines no longer included, following the sale of Sedibeng and Star, effective 30 April 2014.
2. Resource bottom cut-off: 1.0mm.
3. Reserve bottom cut-off: 1.0mm.
4. Measured Resources are classified as one level below current workings, or where a block is bounded above and below by current workings.
5. Indicated Resources are classified as two levels below measured Resources.
6. Inferred Resources are classified as three levels below Indicated Resources or inaccessible mined out areas, or as extensions along strike from existing Resource blocks where exploration information allows.
7. Measured and Indicated Resources have been converted to Reserves by applying historically derived external dilution and in-stope loss factors to resource tonnages and grades.
8. Changes in Reserve and Resource figures due to mining depletions and opening of new blocks through mine development.

General notes on reporting criteria

1. Resources are reported inclusive of Reserves.
2. Tonnes are reported as millions; contained diamonds are reported per million carats ("Mcts").
3. 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.
4. Resource tonnages and grades are reported exclusive of external waste, unless where otherwise stated.
5. Reserve tonnages and grades are reported inclusive of external waste, mining and geological losses and plant modifying factors; reserve carats will generally be less than resource carats on conversion and this has been taken into account in the applicable statements.
6. Reserves and Resources have been reported in accordance with the South African code for the reporting of mineral reserves and mineral resources (SAMREC 2007).
7. The Petra 2014 annual Resource Statement as shown above is based on information compiled internally within the Group under the guidance and supervision of Jim Davidson, Pr. Sci. Nat. (reg. No.400031/06). Jim Davidson has over 40 years' relevant experience in the diamond industry and is a full-time employee of Petra.
8. All Reserves and Resources have been independently reviewed and verified by John Kilham, Pr. Sci. Nat. (reg. No. 400018/07), a competent person with 34 years' relevant experience in the diamond mining industry, who was appointed as an independent consultant by the Company for this purpose.

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Financial calendar

Accounting period end	30 June
Preliminary results announced	September
Annual Report published	October
Annual General Meeting	November
Interim accounting period end	31 December
Interim results announced	February

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 depository 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 Index.

Dividend policy

No dividend has been declared or paid in FY 2014 or the prior year. The Company is committed to commencing an appropriate dividend payment policy, taking into account the Company's current operations and expansion plans, stated production growth, diamond prices and other relevant factors. Petra previously announced that it expected to commence dividend payments in FY 2016, but the Board is currently considering bringing the commencement of dividend payments forward. Petra will provide further detail on its anticipated dividend policy and commencement thereof in FY 2015.

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 17 October 2014.

	Number of shares	Percentage of issued share capital
Al Rajhi Holdings W.L.L.	66,525,600	12.9%
T. Rowe Price ¹	52,386,511	10.2%
JP Morgan Asset Management Holdings Inc. BlackRock Investment (UK) Limited	39,603,194	7.8%
Prudential plc group of companies ²	37,221,723	7.3%
	31,143,330	6.1%

1. T. Rowe Price holds 51,182,170 shares with voting rights attached to them, being 9.99% 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 at www.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 28 November 2013 ("the 2013 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 £16,986,701.60, being 169,867,016 ordinary shares; and
- equity securities (as defined in the Bye-Laws) in the Company for cash on (a) 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).

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.

Shareholder and Corporate Information

continued

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.

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.

Financial instruments

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

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 Company 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 Company's regulatory announcements and public presentations are made available and there is a dedicated investors section at www.petradiamonds.com/investors.

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.

Shareholder enquiries

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.

The Company also has a frequently asked questions section available on its website at www.petradiamonds.com/investors/shareholder-information/faqs.

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.

Shares in issue

There was a total of 512,110,048 ordinary shares in issue at 30 June 2014.

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 and on the London Stock Exchange website at www.londonstockexchange.com.

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. 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.

Glossary

"AGM"	Annual General Meeting	"FY"	Petra's financial year (1 July to 30 June)
"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	"grade"	the content of diamonds, measured in carats, within a volume or mass of rock
"BEE"	black economic empowerment	"H1" or "H2"	first half, or second half, of the financial year
"Beneficiation"	the refining of a commodity; in the case of diamonds, refers to the cutting and polishing of a rough stone	"HSEQ"	health, safety, environmental and quality
"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"	"iNED"	independent non-executive director
"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	"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)
"calcrete"	hardened deposits of calcium carbonate formed in the near surface environment in arid or semi-arid environments	"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)
"Capex"	capital expenditure	"kimberlite"	a brecciated ultrabasic igneous rock containing phlogopite mica, bronzite pyroxene and ilmenite; kimberlites may or may not contain diamonds
"carat" or "ct"	a measure of weight used for diamonds, equivalent to 0.2 grams	"kimberlite indicator minerals" or "Kim"	minerals that can help locate the presence and establish the diamond-bearing potential of kimberlite
"Cpht"	carats per hundred tonnes	"Kt"	thousand tonnes
"craton"	a part of the Earth's crust which has been relatively stable for a very long period	"LDD"	large diameter drilling
"CSI"	Corporate Social Investment	"LHD"	load haul dumper
"ctpa"	carats per annum	"LOM"	life of mine
"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	"LTI"	lost time injury; a work-related injury resulting in the employee/contractor being unable to attend work on the day following the injury
"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	"LTIFR"	lost time injury frequency rate; the number of LTIs multiplied by 200,000 and divided by the number of hours worked
"diamondiferous"	containing diamonds	"macrodiamond"	diamonds too large to pass through a 0.5mm screen
"drawpoint"	an opening through which ore from a higher level can fall and subsequently be loaded	"Mctpa"	million carats per annum
"DTR4"	DTR rule 4 Periodic Financial Reporting	"Mcts"	million carats
"EBITDA"	earnings before interest, tax, depreciation and amortisation	"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
"effluent"	mine effluent is a regulated discharge from a point source like a treatment plant or dam spillway		
"EPS"	earnings per share		
"ESG"	environmental, social and governance		
"exceptional diamonds"	Petra classifies 'exceptional' diamonds as stones that sell for US\$5 million or more each		
"fissure"	informal term for a narrow, vertical, vein-like kimberlite dyke		

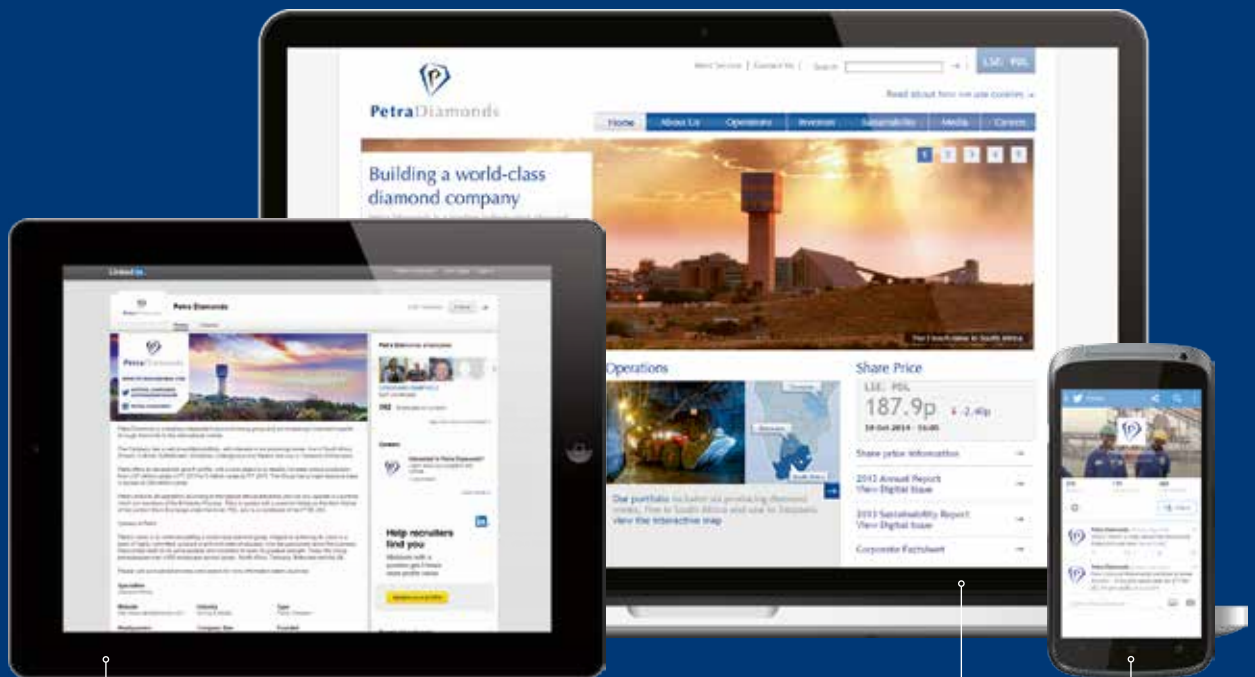
Glossary

continued

"Measured Resource"	and grade continuity and sufficient diamonds have been recovered to allow a confident estimate of average diamond value	"re-crush system"	processes oversized material from the primary crushers, further reducing it in size
"microdiamond"	diamonds small enough to pass through a 0.5mm screen	"ROM"	run-of-mine
"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	"RSA"	Republic of South Africa
"mL"	metre level	"SAMREC"	South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves
"Mt"	million tonnes	"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
"Mtpa"	million tonnes per annum	"SHE"	safety, health and environment
"NDD"	narrow diameter drilling	"SLC"	sub level cave
"NED"	Non-Executive Director	"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
"NGOs"	non-governmental organisations	"stockpile"	a store of unprocessed ore
"NUM"	National Union of Mine Workers in South Africa	"sub level caving"	follows the same basic principles as the block caving mining method; however, work is carried out on intermediate levels and 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
"open pit"	mining in which ore that occurs close to the Earth's surface is extracted from a pit or quarry	"tailings"	material left over after processing ore
"orebody"	a continuous well-defined mass of material of sufficient ore content to make extraction feasible	"tailings dump"	dumps created of waste material from processed ore after the economically recoverable metal or mineral has been extracted
"overburden"	material of little or no value, which overlies rock formations of economic interest	"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
"pa"	per annum	"tpa"	tonnes per annum
"PCBC"	a highly sophisticated software package commonly used by companies involved in block caving for mine planning purposes	"tpm"	tonnes per month
"petrographic"	referring to the detailed description of rocks, usually under the microscope	"trackless equipment"	equipment that does not operate on tracks (rails)
"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	"type II diamonds"	type II diamonds have no measurable nitrogen impurities, meaning they are often of top quality in terms of colour and clarity <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
"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	"underground pipe mines"	Petra's underground kimberlite pipe mines, being Finsch, Cullinan, Koffiefontein and Kimberley Underground
"raiseboring"	a method of developing vertical or inclined excavations by drilling a pilot hole, then reaming the pilot hole to the required dimensions		
"RC"	Reverse circulation (drilling)		
"rehabilitation"	the process of restoring mined land to a condition approximating to a greater or lesser degree its original state		



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