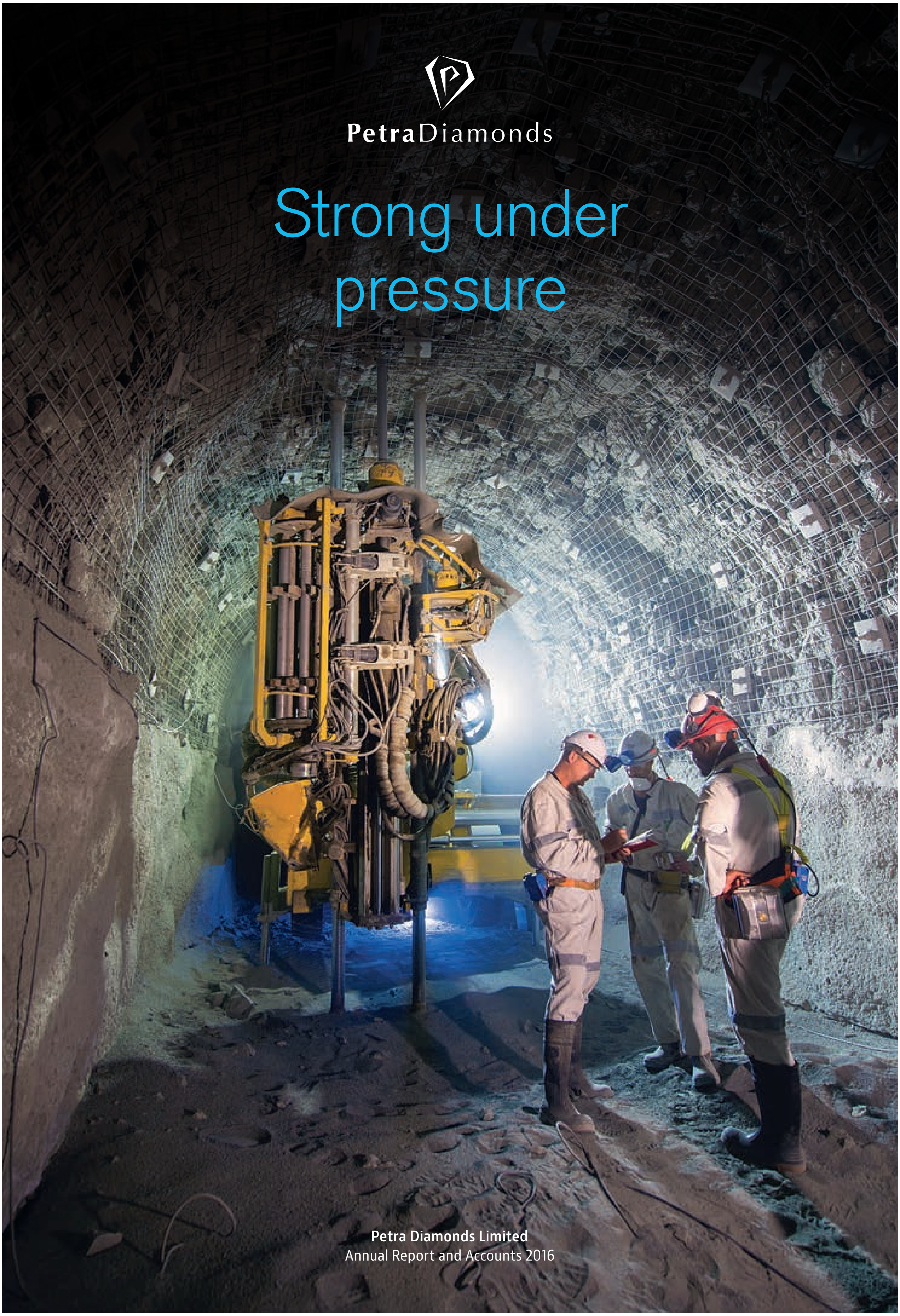


PetraDiamonds

Strong under pressure

Petra Diamonds Limited
Annual Report and Accounts 2016

Cover: Drilling one of the slot rings required to get the first tunnel of the sub level cave going at Finsch

Below: This 32 carat pink diamond is a magnificent example of the high quality pink diamonds for which the Williamson mine is known and sold for US$15 million in FY 2016

OUR MISSION

Petra's mission is to unearth the world's most beautiful product as responsibly and efficiently as possible.

In doing so, we will contribute to the sustainability of our industry and deliver long-term value to each of our stakeholders.

OUR STRATEGY

Increase output
Targeting circa 5.3 million carats by FY 2019

Optimise recoveries
Improving operating margins at each mine

Drive efficiencies
Maintaining a culture of effective cost control

Work responsibly
Committed to responsible development

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

Petra navigated a number of challenges to deliver a strong set of results in FY 2016 (the "Year"), achieving record production levels and continued steady progress with our expansion programmes, which have remained materially on target over the last seven years. FY 2017 is forecast to be the first year that Petra reaps the benefit of this work as we are in line to become free cashflow positive in H2, with our cashflow profile rising strongly thereafter. This progress is due to the tenacity and shared vision of our team, combined with our 'can-do' company culture.

Chief Executive's Statement
Page 10

Why Invest
Page 8

Discover more about Petra online
petradiamonds.com

See our Sustainability Report online
petradiamonds.com/sustainability

Petra is quoted with a premium listing on the Main Market of the London Stock Exchange under the ticker 'PDL', with US$300 million loan notes due in 2020 listed on the Global Exchange Market of the Irish Stock Exchange.

Overview

Strategic Report

The Strategic Report should be read in conjunction with the Corporate Governance Statement.

Corporate Governance

Financial Statements

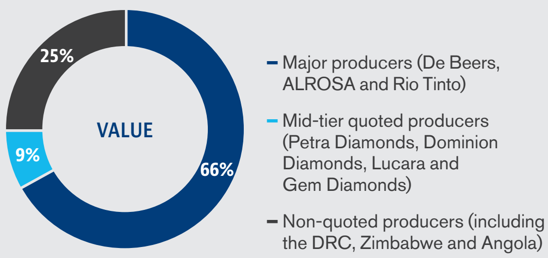
Supplementary Information

At a Glance

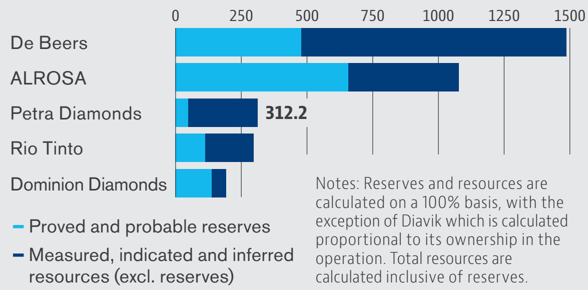
One of the world's largest diamond resources

GROUP RESOURCES Mcts	GROUP RESERVES Mcts	EMPLOYEES WORLDWIDE	CONTRACTORS WORLDWIDE	GROUP LTIFR
312.2 +1%	47.9 -4%	5,005 +13%	5,763 +50%	0.29% 0%

WORLD DIAMOND PRODUCTION[1]



RESERVES AND RESOURCES[2] Mcts



Notes: Reserves and resources are calculated on a 100% basis, with the exception of Diavik which is calculated proportional to its ownership in the operation. Total resources are calculated inclusive of reserves.

2015 world diamond production by volume increased 1.6% to 127.4 Mcts, while production by value decreased 4.1% to US$13.9 billion (Kimberley Process Statistics).

Based on FY 2016 production of 3.7 Mcts and sales of US$430.9 million, Petra accounted for 2.9% of world supply by volume and 3.1% by value.

Petra's world-class resource of 312.2 Mcts ranks third by size. This factor, combined with the significant size of Petra's orebodies, suggests relatively long lives for the Company's mining operations (in particular, Cullinan and Williamson have the potential to be in production for over 50 years).

Our Market Page 18

1. Source: Kimberley Process Statistics, company reports.
2. Source: Barclays Research, company reports; RBC Capital Markets research.

POSITION IN VALUE CHAIN

ORE PROCESSED IN FY 2016 Million tonnes	ROUGH DIAMOND PRODUCTION Mcts	REVENUE US$ million	PROFIT FROM MINING ACTIVITIES[3] US$ million
19.0 +11%	3.7 +16%	430.9 +1%	176.0 +14%
ADJUSTED EBITDA[3] US$ million	**ADJUSTED EBITDA MARGIN[3]**	**ADJUSTED OPERATING CASHFLOW[3] US$ million**	**ADJUSTED NET PROFIT AFTER TAX[3] US$ million**
164.3 +18%	38% +15%	192.0 +36%	63.6 +1%
ADJUSTED EARNINGS PER SHARE US$ cents	**BASIC EARNINGS PER SHARE US$ cents**	**IFRS NET DEBT[3] US$ million**	**BANK FACILITIES AVAILABLE US$ million**
9.76 -3%	10.38 +10%	375.8 +134%	110.0 -57%

3. Refer to page 29 of the Financial Review for definitions of non-GAAP measures.

Focused on Africa

Africa produces 47% of the world's diamonds by volume and 62% by value. 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 and South Africa.

1 Finsch

A major producer with top-quality infrastructure

Ownership	74%[1]
Production	2.2 Mcts
Revenue	US$186.4m
Mine plan	to 2030

2 Cullinan

One of the world's most celebrated diamond mines

Ownership	74%[1]
Production	0.7 Mcts
Revenue	US$83.3m
Mine plan	to 2030

3 Koffiefontein

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

Ownership	70%[1]
Production	0.1 Mcts
Revenue	US$25.7m
Mine plan	to 2025

4 Combined Kimberley Operations

The site of South Africa's early diamond rush

Ownership	75.9%[1]
Production	0.5 Mcts
Revenue	US$57.7m
Mine plan	to 2035

5 Williamson

Tanzania's only important diamond producer

Ownership	75%[1]
Production	0.2 Mcts
Revenue	US$78.9m
Mine plan	to 2033

6 7 Exploration

The search for new economic deposits in Botswana and South Africa

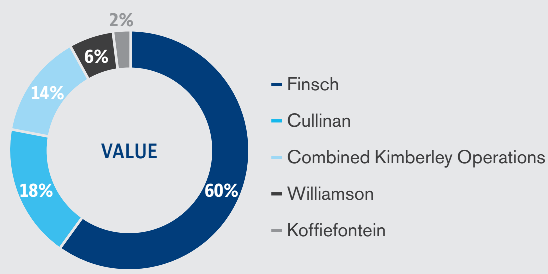
Ownership	100%
Area	4,282 km² licences
Spend	US$2.7 million

Operational Review Pages 30–41

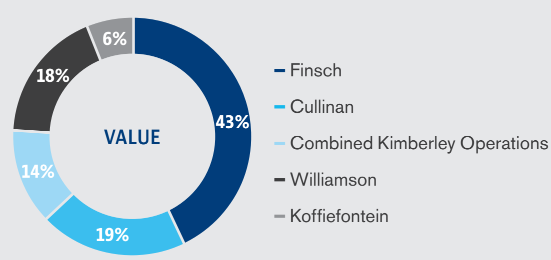
Petra's Partners Page 150

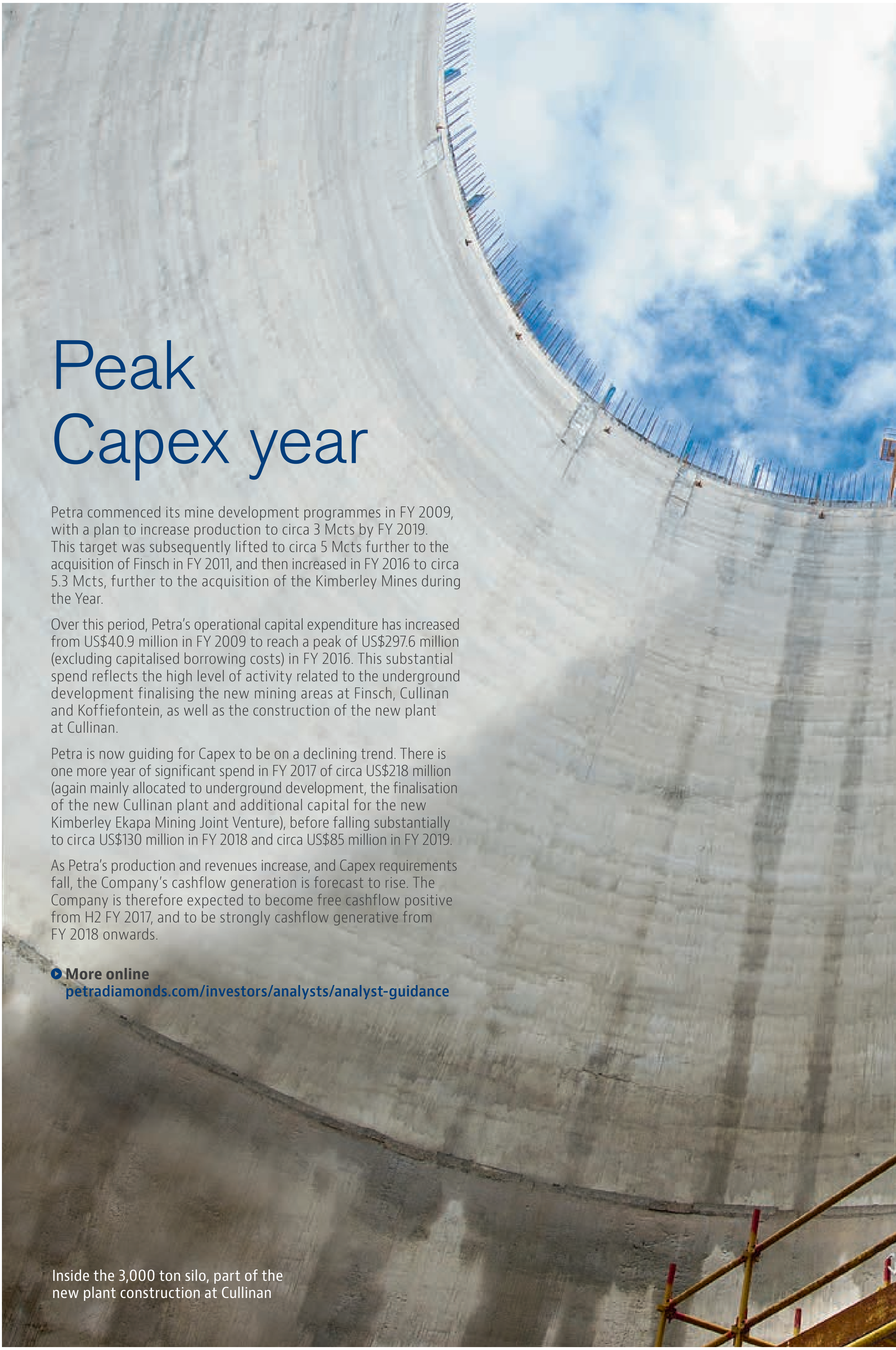
1. Ownership figures as at 30 June 2016. Refer to page 150 for figures as at the date of this Report.

2016 PRODUCTION Per mine



2016 REVENUE Per mine





Peak Capex year

Petra commenced its mine development programmes in FY 2009, with a plan to increase production to circa 3 Mcts by FY 2019. This target was subsequently lifted to circa 5 Mcts further to the acquisition of Finsch in FY 2011, and then increased in FY 2016 to circa 5.3 Mcts, further to the acquisition of the Kimberley Mines during the Year.

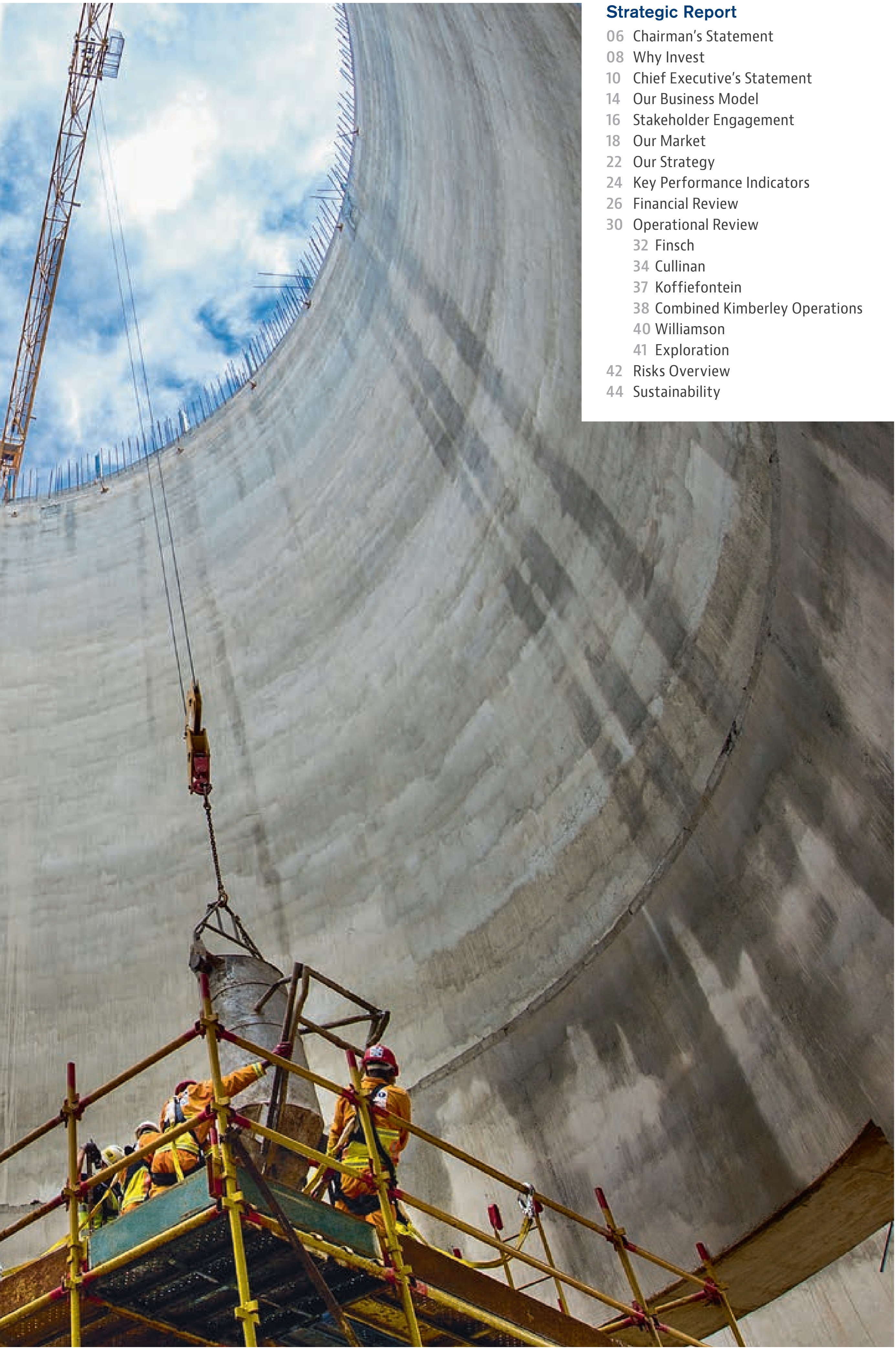
Over this period, Petra's operational capital expenditure has increased from US$40.9 million in FY 2009 to reach a peak of US$297.6 million (excluding capitalised borrowing costs) in FY 2016. This substantial spend reflects the high level of activity related to the underground development finalising the new mining areas at Finsch, Cullinan and Koffiefontein, as well as the construction of the new plant at Cullinan.

Petra is now guiding for Capex to be on a declining trend. There is one more year of significant spend in FY 2017 of circa US$218 million (again mainly allocated to underground development, the finalisation of the new Cullinan plant and additional capital for the new Kimberley Ekapa Mining Joint Venture), before falling substantially to circa US$130 million in FY 2018 and circa US$85 million in FY 2019.

As Petra's production and revenues increase, and Capex requirements fall, the Company's cashflow generation is forecast to rise. The Company is therefore expected to become free cashflow positive from H2 FY 2017, and to be strongly cashflow generative from FY 2018 onwards.

More online
petradiamonds.com/investors/analysts/analyst-guidance

Inside the 3,000 ton silo, part of the new plant construction at Cullinan



Strategic Report

Chairman's Statement

Dear shareholder,

I am delighted to introduce Petra's 2016 Annual Report (the "Report"), which presents a balanced account of our business, its performance over the last year and its future prospects.

Strong under pressure

The theme for this Year's report is "Strong under pressure", a quality of the beautiful product we mine, as well as a quality that we pride ourselves on at Petra. The Company has delivered tremendous growth over the years, despite a number of challenges, not least the impact of the global financial downturn which occurred at the commencement of our expansion programmes in 2009.

Key to our success is our entrepreneurial company culture, which allows Petra to quickly adapt to a changing business environment. One of the challenges for the Board is how to maintain this flexible approach as the business continues to grow and becomes more complex. Recognising and protecting our culture, which has given birth to the Petra story, is therefore a priority and something I touch on later in the Corporate Governance Statement on page 58.

Delivering on our plans

In FY 2016, we continued to face some of the same challenges we experienced the prior year, namely the operational difficulties related to being reliant on old mining areas at our mines in South Africa and a weaker diamond market resulting in negative pressure on rough diamond prices. Petra still recorded strong results for the Year, underpinned by record production of 3.7 Mcts.

It was also encouraging to note that the expansion programmes designed to open up the new mining areas at our underground mines remained on track, and the anticipated increase in ROM grades and product mix at these operations has started to come through in our mine production numbers. This dynamic is expected to continue through FY 2017, and by FY 2018 the vast majority of our underground tonnes will be coming from the new mining areas. These new mining blocks will provide access to undiluted ore, and will deliver a higher volume of diamonds to the plant with every tonne of ore mined, thereby delivering a commensurate increase in revenue per tonne mined. At the same time, a number of new efficiencies will have been realised at these operations, specifically related to ore-handling and processing, which will serve to further enhance operating margins, including the new plant at Cullinan.

Delivering on our expansion plans has not been easy, but we have remained materially on track ever since our first programmes commenced in FY 2009. In fact, we have had the opportunity to upgrade our long-term production target twice over this period; with the Company now forecast to reach circa 5.3 Mcts by FY 2019, further to the acquisition of the Kimberley Mines assets and the combination of our Kimberley operations with those of Ekapa Mining post Year end. This remarkable achievement is due to the ongoing tenacity and passion of our team, which is united by our shared vision to further develop Petra's position as a world-class diamond mining group.

Diamond market

While we achieved 16% higher production during the Year, revenue was only up 1% as the higher volumes (albeit of lower value goods from the Kimberley tailings operations) were offset by rough diamond prices on a like-for-like basis, being down circa 6% in comparison to FY 2015. The factors behind this are set out in more detail on pages 20 to 21, but it was encouraging to note that the market stabilised in Petra's H2 FY 2016, during which we saw pricing recover circa 3%. Fortunately retail demand for diamonds has remained stable and has continued to show positive growth in the major US market. Petra's membership of the Diamond Producers Association means that we are playing an active role to sustain and promote consumer demand over the long term – see pages 18 to 19 for more information.

At the highest end of the market, diamonds continue to come to the fore as a unique hard asset investment. In November 2015, a 12 carat polished blue diamond originally from Cullinan, the Blue Moon of Josephine, sold for a spectacular US$48.5 million, or over US$4 million per carat. This world record price was then surpassed in May 2016 when a 14 carat polished blue diamond named the Oppenheimer Blue, also believed to be from Cullinan, sold for US$57.5 million. The compelling nature of these 'assets' is that they can be worn and enjoyed by their owners, being masterpieces of nature in their own right, as well as offering a vehicle for value appreciation over time due to their incredible rarity and beauty.

Returns to shareholders

The Company has not declared a dividend for FY 2016 as it did not meet the distribution covenant associated with its debt facilities for the 12-month measurement period to 30 June 2016 – see page 29 for further information. Petra remains highly committed to returns to shareholders and the Board will therefore revisit this post H1 FY 2017 with the intention to resume dividends as soon as possible.

Commitment to governance

Without effective corporate governance throughout every level of the Group, Petra would not have a sustainable business. We will therefore continue to place great emphasis on this area and strive for continual improvement, in line with the growing stature of the business. Read more about our governance policies and practices in our annual Corporate Governance Statement on pages 58 to 66.

Board changes

At the end of the Year, David Abery stepped down as Finance Director of the Company in order to pursue other opportunities. On behalf of the Board, I would like to thank David for his outstanding contribution to Petra over the past 13 years, and we wish him every success in his future endeavours. Consideration of the composition of our Board is an ongoing mandate of Petra's Nomination Committee, of which I am the Chair, and more information on our work during the Year can be found on page 82.

Engaging our stakeholders

Petra's successful development over the years has been in part due to the importance we place on our relationships with all our stakeholders, with whom we aim to have consistent, respectful and transparent engagement throughout the Year. This two-way dialogue is important in terms of informing how our impacts are felt or perceived, and is valuable in helping us to continue adapting and optimising our strategy.

I would particularly like to thank our host Governments of South Africa, Tanzania and Botswana, our black economic empowerment ("BEE") partners, our Trade Union partners and our community stakeholders for their continued support and co-operation.

Finally, on behalf of the Board, I would like to thank all of Petra's employees for their unceasing dedication and commitment. As we consider the Petra culture, it is teamwork, integrity and passion for our business that continue to drive the Company forward.

Adonis Pouroulis
Chairman
14 October 2016

Sustainable job creation

Petra is proud to have taken over mines which were potentially facing closure, thereby contributing to the sustainability of the diamond mining industry in both South Africa and Tanzania. This is particularly important in the countries where we operate, which are facing a number of challenges including the impact of lower commodity prices and high levels of unemployment.

Furthermore, Petra places great emphasis on education in local communities and development of our employees to ensure that there is a long-term skills base in place for our operations.

Mine	Number of employees pre takeover	Number of new jobs created	Total number of employees as at 30 June 2016	Initial mine plan
Finsch	ca. 760	ca. 330	ca. 1,090	To 2030
Cullinan	ca. 830	ca. 490	ca. 1,320	To 2030
Koffiefontein (had been closed down)	—	ca. 600	ca. 600	To 2025
Kimberley Underground[1]	—	ca. 730	ca. 730	To 2035
Williamson	ca. 580	ca. 10	ca. 590	To 2033

The expansion plans underway across the assets are currently also providing employment for circa 5,760 contractors in South Africa and Tanzania.

1. As of FY 2017, Petra is providing even more employment via its newly established Kimberley Ekapa Mining Joint Venture.

"Petra is a net generator of employment in Africa. By applying our resources to our assets – particularly management expertise, culture and capital – we have been able to put in place sustainable mine plans for our operations, to the benefit of all stakeholders."

Adonis Pouroulis
Chairman

Why Invest

Petra's key competitive strengths...

Operational track record

PRODUCTION
Mcts
3.7

The Group has extensive experience operating in Africa, where it has built up an industry-leading team, both in terms of the depth of its skill-set and its experience in the management of diamond mining operations.

Our Business Model Page 14

Diversified portfolio

PRODUCING MINES
5

The Group's portfolio consists of five producing diamond mines, as well as extensive tailings retreatment programmes, which provides flexibility ensuring that Petra is not reliant on the performance of any one operation.

Operational Review Pages 30 to 41

Major resource base

RESOURCE BASE
Mcts
312.2

Petra has developed one of the world's largest diamond resources totalling 312 Mcts. The careful management of these resources will ensure sustainable, long-life mining operations for the Group for many years to come.

2016 Resource Statement Page 155

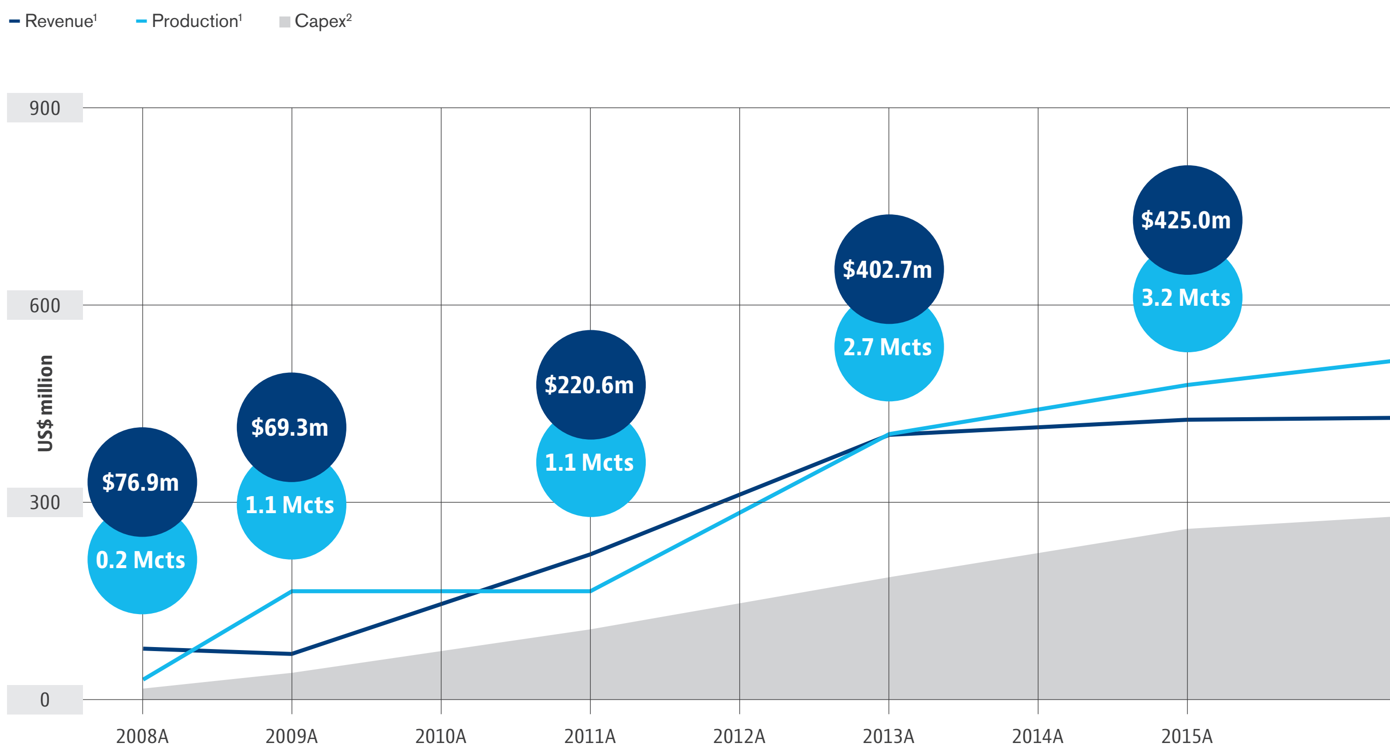
Sustainability

TRAINING AND DEVELOPMENT PROGRAMMES
US$ million
5.8

Our people are our most important asset as they are tasked with carrying out our strategy. Creating a supportive and rewarding environment in which people can develop their full potential benefits both the individual and Petra, and we invest substantially in the ongoing development of our skills base.

Our People Page 48

...leading to an exceptional growth path



Focus on efficiencies

ADJUSTED EBITDA MARGIN
%
38

Generating operational efficiencies has been key to the Group's success. This has been achieved by decentralising operations, simplifying management structures and sharing services across mines, maintaining disciplined on-site and corporate cost control, and designing efficiencies with regards to ore-handling and processing into our expansion programmes.

Our Strategy Page 22

Management culture

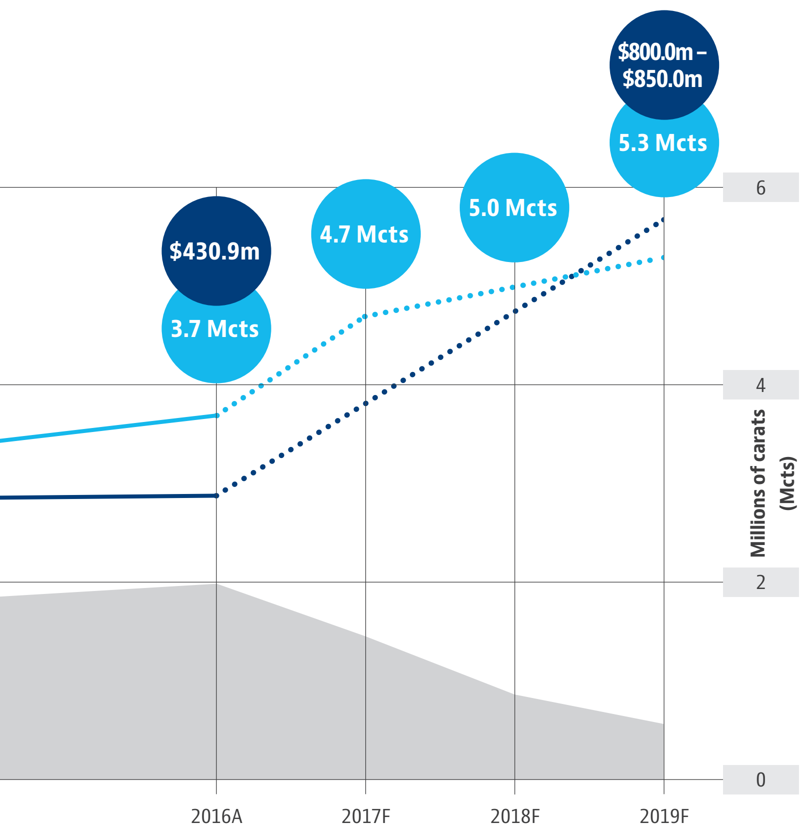
STAFF TURNOVER
%
7

Petra fosters a culture where management is empowered to make decisions suitable to the relevant operations and where innovation and creativity in the workplace are encouraged and rewarded. The ability to apply fresh thinking to our assets and a core objective to keep things simple are also key strengths.

Our People Page 48

Outlook

- Petra is in a robust position with a strong balance sheet, efficient cost base and increasing operating margin profile.
- Expansion plans remain on track to increase attributable production to 4.4–4.6 Mcts in FY 2017 and to circa 5.3 Mcts in FY 2019.
- Petra has made a solid start to FY 2017 in terms of production, with the first tender yielding circa US$94 million (circa 745 Kcts sold) and evidence of a stable diamond market. The operations are also performing according to expectations, with an improved product mix and increase in ROM grades witnessed across all operations (in line with guidance).
- Petra expects to become free cashflow positive during H2 FY 2017 as Capex continues to fall and production continues to ramp up from new undiluted mining area.
- FY 2017 remains a transitional year and Petra's financial results could be impacted by volatility in ROM grades and product mix, as well as volatility in the ZAR:USD exchange rate and rough diamond prices.



Accessing undiluted ore

Since acquiring our underground mines in South Africa, Petra has been mainly operating in mature caves, where the existing block of ore to be mined has been nearly depleted. This has led to waste rock falling into the cave and heavily diluting the material extracted, leading to lower diamond content per tonne mined (known as the 'grade').

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 and transforming the economics of our business.

For more information see petradiamonds.com/our-operations/moving-to-undiluted-ore

1. All forecasts for Capex, revenues and production are management estimates. Diamond prices are calculated using a 4% per annum real price increase post FY 2017.
2. Capex projections for FY 2017, 2018 and 2019 are given in FY 2017 money terms, converted at an exchange rate of ZAR14:US$1.

Chief Executive's Statement

Driving forward

Petra delivered record production results in FY 2016 and remained on track with its expansion programmes.

Review of FY 2016

FY 2016 saw further growth in throughput to 19.0 Mt and production to 3.7 Mcts, representing record production levels for the Group.

The Company's financial results were impacted by the weaker diamond market for the Year, with pricing achieved by Petra being down circa 6% on a like-for-like basis, coupled with realised foreign exchange losses on forward exchange contracts entered into to cover a portion of US Dollar proceeds from the Company's South African tenders. However, the impact of these items was mitigated by our focus on efficiencies and cost control, as well as the significant weakening of the South African Rand (lower US Dollar reported costs when translating the South African operations' ZAR denominated costs at weaker ZAR:USD exchange rates). The Company therefore recorded an adjusted EBITDA margin of 38% (FY 2015: 33%), despite the challenging market conditions.

We are now on track to deliver further growth to 4.4–4.6 Mcts (excluding circa 0.2 Mcts attributable to our joint venture partner at KEM JV) in FY 2017 and are then expected to reach our target of circa 5 Mcts in FY 2018, a year earlier than expected, with production forecast to rise to circa 5.3 Mcts in FY 2019.

Petra will provide analyst guidance post FY 2019 in due course, but, as we have previously noted, our focus will be on maximising overall value, as opposed to maximising volumes. We will achieve this by optimising production and plant processes, suited to the unique characteristics of each mine's orebody, as well as by monitoring market demand and prices. Given our well diversified asset base, along with the quality and size of our orebodies, we will have a lot of flexibility in how we can maximise the value of our production in the future.

Petra remained in a transitionary period in FY 2016, as we contended with the dilution in the old mining areas of our underground mines, while the expansion programmes worked hard to open up the new, undiluted areas. However, by keeping the development work on track, Petra has navigated the most difficult stretch of this journey, and our progress is evident in the improving ROM grade and product mix achieved at both Finsch and Cullinan for the Year. The new SLC at Finsch and the new block cave at Cullinan are both expected to deliver undiluted ore in excess of 1 Mt in FY 2017 and we have therefore provided guidance for higher grades and a better average quality of diamonds at both operations for the Year, though with the caution that we could see some volatility.

An important development during the Year was the acquisition of the Kimberley Mines assets from De Beers in January 2016 in a partnership with Ekapa Mining Pty Ltd ("Ekapa Mining"). Following this, Petra and Ekapa Mining entered into a toll treatment agreement for the rest of FY 2016, prior to the merger of Petra and Ekapa Mining's mining assets in Kimberley in July 2016. Combining these assets will lead to a number of operational synergies, especially with the use of the high volume Central Treatment Plant that was acquired in the

Kimberley Mines transaction. This is expected to allow for a much longer mine life of circa 20 years for both the Kimberley Underground operation and the various tailings programmes, thereby contributing to the sustainability of diamond mining operations in Kimberley, to the benefit of all stakeholders. During and after our initial two-year period whilst development work is undertaken, the joint venture will remain entirely self-funded from its own cashflow and is expected to remain cashflow positive.

Overall, the bigger picture for Petra remains the same in that FY 2016 represented the Company's peak Capex year with total capital spend of US$297.6 million (excluding capitalised borrowing costs). While we have one more year of significant Capex ahead in FY 2017, the guided level of circa US$218 million is already substantially lower than FY 2016, and will then decrease even further to circa US$130 million in FY 2018 and circa US$85 million in FY 2019 (FY 2017 money terms). Petra remains fully financed to the completion of this Capex profile. The Group is expected to become free cashflow positive from the second half of FY 2017, and strongly cashflow generative from FY 2018 onwards.

Diamond market

The diamond market remained under pressure in H1 FY 2016, as it continued to be impacted by excess polished inventory in the pipeline, liquidity issues in the midstream, the strong US Dollar and a slowdown in retail demand from China. However, a number of steps taken by the major diamond producers to address the challenges, including reduced supply from the major diamond producers (via production cuts and decreased sales volumes), reduced rough diamond pricing and increased consumer marketing (both branded and generic diamond marketing), saw a stabilisation in market conditions in H2, with much improved sales volumes of rough diamonds and a slight increase in prices. Further information is provided in Our Market on pages 18 to 21.

Petra is playing its part in helping to improve market conditions and sustain consumer demand via its role as a founding member of the Diamond Producers Association ("DPA"), which was formed in April 2015. I represent Petra on the board of the DPA and therefore take an active involvement in the DPA's strategy. One of the DPA's first priorities is to recommence generic diamond marketing support for the industry. The DPA has worked fast to put in place a new marketing platform based on the iconic premise 'Real is Rare. Real is a Diamond' and commenced its first advertising campaign in October 2016 in the major US market. We are excited about the potential for this campaign to resonate with Millennials and will be carefully monitoring its impact. Read more on page 13.

Dividend

Petra's lender group's distribution covenants were not met for the measurement period to 30 June 2016 and Petra will therefore not declare a dividend for FY 2016 – see page 29.

Petra is highly committed to returns to shareholders and the resumption of dividend payments remains a priority for the Board. Should the current positive production and trading conditions continue, Petra will revisit this with its lender group post H1 FY 2017, with the intention to resume dividends as soon as possible.

The CEO tour of operations

Every year Petra's CEO, Johan Dippenaar, carries out a tour of Petra's operations in order to give a personal update to employees on the strategic direction of the Company.

This provides a forum for two-way communication, with certain employees (generally around 75 randomly selected people per operation, incorporating both employees and representative unions) able to have direct interaction and a frank Q&A session with Johan, while management benefits from gaining a better understanding of mine-specific or wider challenges/opportunities.

In 2016, Johan's presentation highlighted health and safety as Petra's top priority. Although Petra has made huge strides in improving its safety performance over recent years, the aim still remains to achieve zero harm and there is no room for complacency.

The presentation also focused on the importance of teamwork, with every employee having an important part to play in order to deliver successfully on Petra's strategy. The overriding aim is to create sustainability and, key to this, a profitable business. This will in turn generate value for all Petra stakeholders, including those employees who will benefit via distributions from the Itumeleng Petra Diamonds Employee Trust ("IPDET"), which holds a 12% interest in each of Petra's South African operations.

Issues raised by employees included safety, security of IPDET distributions, opportunities surrounding job progression, the Petra home ownership scheme, the activity around the restructuring of the Combined Kimberley Operations, Petra's strategy with regards to local procurement, security concerns around local crime and provision of local community services.

All queries/issues were recorded so that those that were not answered immediately could be followed up if necessary.

"It is important to me to have regular and direct contact with our employees."

Johan Dippenaar
Chief Executive

Chief Executive's Statement continued

Governance

We experienced a change to our Board at the end of the Year, when David Abery stepped down as Finance Director to pursue other opportunities. David had been with Petra for 13 years and I would like to thank him for his outstanding contribution to the Company over this period.

Effective 1 July 2016, we made two internal senior management changes, with the promotion of Jacques Breytenbach to Chief Financial Officer and Koos Visser to Chief Operating Officer. Jacques had held the role of Finance Manager – Operations at the Company since 2006, with responsibility for financial management across the Group's operations, while Koos had held the role of Group Operations Manager at the Company since 2005, with responsibility for the management of all Group operations, including production and the roll-out of the Group's expansion plans. Their new roles will be integral to the daily management of the Company and its operations, as well as to the delivery of our medium- to long-term strategy.

Safety

It is with deep regret that Petra experienced a fatality in July 2015 at the Tailings Treatment Plant at Cullinan, which was equipment related and happened whilst maintenance work was being conducted. Post Year end, Petra also experienced a fatality at the Williamson mine in August 2016, related to work on an overhead power line. On behalf of the Petra Board, I would like to extend our sincere condolences to the family and friends of the deceased.

The above mentioned accidents are not acceptable and Petra is working hard to carry over the findings from the investigations into these incidents, with revised control procedures being put in place and findings being shared with the entire Petra Group.

In other respects, we maintained our LTIFR for the Year at 0.29, which was a good achievement in light of the high level of activity at Petra, with an additional 367,000 shifts worked in relation to the expansion programmes across the Group. I would like to thank our management and staff for the dedication and hard work which made this achievement possible, though would also reiterate that our goal is a zero harm workplace and we will continue to strive for this.

Labour relations

It was encouraging that labour relations in South Africa remained stable for the Year, which we believe is in part due to the high level of focus we place on this area. An important component of our labour relations strategy was realised with the restructure and simplification of the Group and affiliated BEE holdings of our South African operations, effective from 1 July 2016. This has allowed for the IPDET to hold a consistent 12% stake in each of our South African mines, thereby allowing all beneficiaries (comprising South African employees) to directly benefit from the positive outlook for our operations by way of annual distributions to beneficiaries of the Trust based on the South African operations' profitability.

Sustainability

As always, it has been a very active year for the Group across the other key sustainability areas, namely governance, development of our people, environmental management and community engagement.

In terms of the ongoing management of the business, including ESG matters, my personal approach is a case of 'hands-on leadership'. I therefore participated in a day-long materiality assessment workshop in FY 2016 to define our material impacts, as per the requirements for producing a sustainability report in accordance with GRI-G4 for the first time this Year.

As the Chairman of Petra's Health, Safety, Social and Environmental ("HSSE") Committee, I also have direct oversight of our material environmental, social and governance ("ESG") matters and can therefore use my knowledge to assist with fully briefing the Board on performance and developments during Board meetings.

An overview of our sustainability performance and some of the key initiatives for the Year is included on pages 44 to 51. Our annual Sustainability Report, which provides more detail on our sustainable development policies and practices, is also available on our website at www.petradiamonds.com/sustainability.

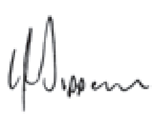
Outlook

Our Capex profile is now on a downward trend given the advanced stage of the expansion programmes, with the new shaft and plant at Cullinan to be completed in H2 FY 2017. This declining trend in capital, coupled with increased production as the Cullinan C-Cut Phase 1 and Finsch Block 5 SLC projects come online, will have a positive impact on our cash generation. Consequently the Company expects to become free cashflow positive during FY 2017, with cashflows expected to rise strongly from FY 2018 onwards.

The economics of our business are therefore forecast to be transformed over the next two years, as the ever increasing contribution from undiluted ore at our operations will lead to an increase in average value per carat, diamond grade and associated operating margins.

Given the positive outlook for Petra as set out in this Report, the Company is committed to resuming dividend payments in the near future.

Petra's continuing success is a direct result of a strong operational team and our positive reciprocal relationships with each of our stakeholders. I would therefore like to extend my thanks to each and every Petra employee for their dedication and also to our valued partners, including our host Governments, joint operation partners, BEE Partners including the IPDET, representative Trade Unions and community stakeholders, whose support enables us to continue on our mission to build a leading independent diamond mining group.



Johan Dippenaar
Chief Executive
14 October 2016

The DPA's first advertising campaign – Wild and Kind

The 'Real is Rare. Real is a diamond.' communication platform is based on extensive research into the US millennial generation (aged 18–34) mindset, and speaks to their desire for authentic emotional connections.

The first campaign wave features millennial couples reflecting on the moments when they decided to commit to each other. Diamonds are seamlessly integrated into the story as an expression of that commitment, but in a fresh, untraditional way.

Recognising that the diamond industry has been lacking category marketing in recent years, the Diamond Producers Association ("DPA") has made reinstating this support a priority.

Following an extensive research period, the DPA launched "Real is Rare. Real is a Diamond", a new iconic marketing platform that aims to make diamonds relevant to the next generation of consumers – the 'Millennials'.

The DPA launched its first advertising campaign in the US in October 2016, with the plan to target consumers ahead of the prime festive selling period. Future campaigns will be planned to target important new markets such as China and India in due course.

Read more about the thinking behind the DPA campaign here: www.jckonline.com/2016/06/13/diamond-futures.

As a founding member of the DPA, Petra is taking an active role in sustaining consumer demand over the long term.

"Our research reveals that Millennials long for genuine, lasting connections and relationships, but these are harder to find in a world of constant flux, seemingly limitless choice and superficial interactions. The idea that diamonds have the gravitas and power to celebrate and mark an authentic connection resonates deeply with them. The opportunity exists for diamonds to represent the rare, precious and real connections that Millennials crave."

Jean-Marc Lieberherr
CEO, DPA

These images are from the DPA's new generic marketing campaign for diamonds, launched October 2016

Our Business Model

Petra is focused on the highest margin segment of the diamond pipeline – the upstream, involving the mining, processing, sorting and sale of rough diamonds.

INPUTS AND THEIR BENEFITS TO PETRA

Responsible leadership
- Sustainable operations
- Uphold the high value placed on diamonds

People and skills
- Company culture
- Productive workforce
- Specialist skills

High quality assets
- Major resources
- Long-term mine lives
- Diverse product range

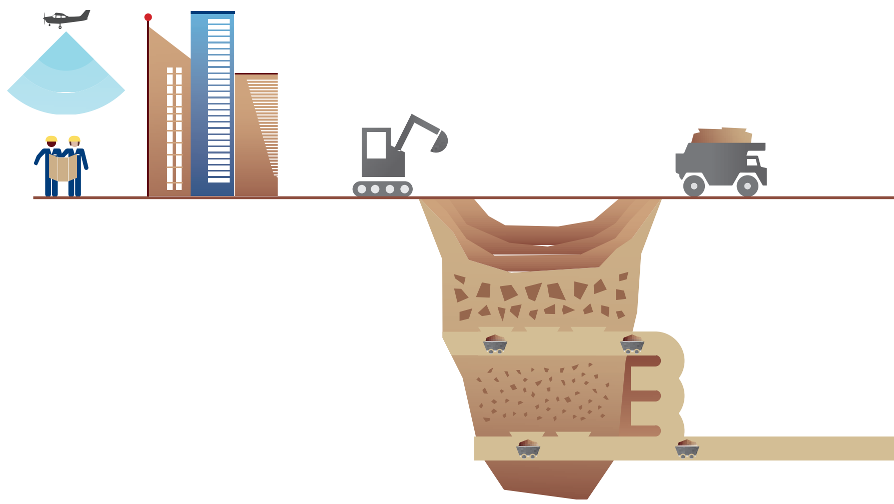
Financial capital
- Robust balance sheet
- Access to diversified sources of capital

Relationships
(including Governments, trade union partners, local communities and BEE Partners)
- Licence to operate

Energy and water
- Sustainable access to energy and water

Technology and equipment
- Extension of mine lives
- Optimisation of operations

WHAT WE DO



Project appraisal
Central to our approach is the identification of the right assets, where we can add value.

HOW WE DIFFERENTIATE
- Petra's technical team has decades of specialist experience in the appraisal and valuation of diamond orebodies.
- Every kimberlite is unique and must be assessed according to its physical size, its grade (the volume of diamonds held), its diamond population (the size and quality ranges of diamonds recovered) and its cost base under Petra management.
- Petra focuses on long-life assets with the potential to generate significant cashflow and structures its operations with the long-term viability of the project in mind.

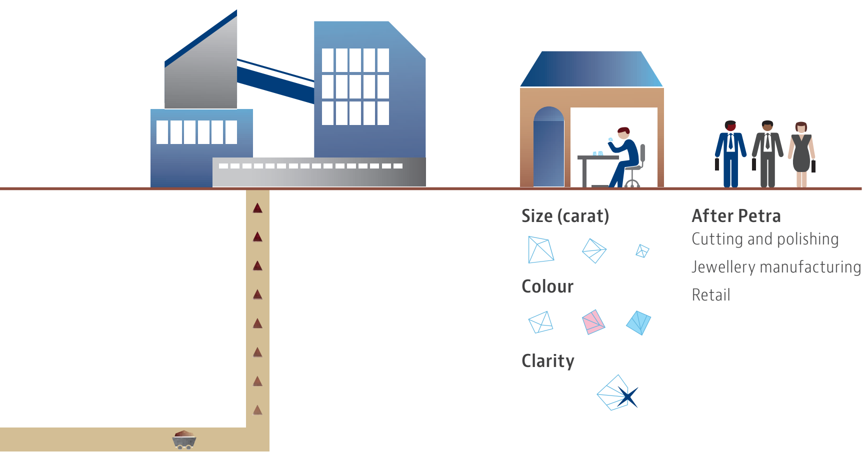
Mining and development
Petra's operations are focused on 'hard rock' kimberlite pipe orebodies.

HOW WE DIFFERENTIATE
- Hard rock orebodies can generally provide for much better predictability and long-term planning than alluvial deposits.
- Petra's operations team has decades of specialist experience in the management, mining and development of diamond orebodies.
- Petra's approach is to make decisions and get going with a development project, but with the flexibility to continually optimise a mine plan as a project progresses.
- Safety is our number one priority and ingrained in everything we do.

STRATEGIC OBJECTIVES TO SUPPORT OUR BUSINESS **Our Strategy** Page 22

Increase output
Targeting circa 5.3 million carats by FY 2019

Optimise recoveries
Improving operating margins at each mine



Processing

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

HOW WE DIFFERENTIATE

- Petra is focused on value production, rather than volume.
- Plant processes are set to optimise revenue generation from each individual mine orebody, by focusing on where the value lies within its diamond population.
- Petra's team embraces innovation and continually stays abreast of the latest diamond processing technologies.
- Security is managed through maintaining automated, 'hands-off' processes.

Sorting and sales

Rough diamonds are sorted into 'lots' and then sold through a competitive tender process.

HOW WE DIFFERENTIATE

- Petra has always run its own diamond sales, having developed marketing and sales expertise in-house, and therefore does not pay any sales commission to a third party.
- Petra utilises the competitive tender process for its sales, thereby ensuring maximum competition for its goods.
- Petra's sales are predominantly held in Johannesburg, which encourages local participation and beneficiation, as well as positioning South Africa as a key diamond hub globally.

STAKEHOLDER VALUE CREATION

Employees

- Focus on safety
- Sustainable employment
- Culture of empowerment
- Skills development
- Itumeleng Petra Diamonds Employee Trust
- Employee wellbeing initiatives

Customers

- Quality and consistent product offering
- Confirmed provenance and heritage

Shareholders

- Growth profile
- Future returns to shareholders

Local stakeholders

- Socio-economic upliftment
- Taxes and royalty payments
- Community health initiatives

Environment

- Efficient and responsible use of natural resources
- Promoting environmental awareness

Suppliers

- Benefits to local businesses and suppliers
- Policy of local procurement where possible

Drive efficiencies

Maintaining a culture of effective cost control

Work responsibly

Committed to responsible development

Stakeholder Engagement

By responsibly developing its assets, Petra intends to unlock long-term value for each of its stakeholders.

Employees/contractors

WHY THEY ARE IMPORTANT

- Our people are our most important asset as they are integral to the success of our business
- Without a skilled, productive and healthy workforce, Petra would be unable to implement its strategy

HOW WE ENGAGE

- Workplace meetings and internal committees
- Employee briefs and publications
- Notice boards and electronic channels
- Annual CEO tour of operations
- Various mine forums and union representation on other committees

HOW WE DELIVER VALUE

- Salaries, wages and other benefits: US$125.9 million
- Training and development expenditure: US$5.8 million

Customers

WHY THEY ARE IMPORTANT

- Our customers buy rough diamonds mined at our operations and are therefore the primary source of revenue for the Group
- Longstanding relationships with customers ensuring an ethical supply chain for our product

HOW WE ENGAGE

- Continuous communication with our client base
- Open door policy and high level of business transparency
- Full certification of product
- Site visits to operations

HOW WE DELIVER VALUE

- Conflict-free production: 100%
- Material governance issues: 0
- Million carats sold: 3.4

Shareholders

WHY THEY ARE IMPORTANT

- Shareholders are the owners of the Petra business and each one is important to us
- Without equity support, Petra would not have been able to access financing over the years in order to develop the Company

HOW WE ENGAGE

- Regular briefings via public announcements, webcasts, meetings, site visits and social media
- Annual and sustainability reporting
- Dedicated investor relations department

HOW WE DELIVER VALUE

- Production growth since FY 2009: +236%
- Production growth planned to FY 2019: +43%
- Total shareholder return since FY 2009: +181%

Williamson: Children's fun day

On 16 June 2016 Williamson celebrated The Day of the African Child by organising a day full of games, music, joy and laughter for children of all ages in and around Mwadui. Activities included children's party games, dancing, a bouncy castle and face painting. The objective of the day? To ensure that the children had as much fun as possible in a caring and safe environment.

Finsch: Local enterprise development

The Kagetelopele Small Business Hub is situated in Danielskuil near Finsch and was opened by the mine to help equip local entrepreneurs with the necessary skills and financial assistance to grow their businesses. The aim is to render local businesses capable of partaking in the mainstream economy, with important implications for the economic landscape of South Africa as a whole.

Local communities

WHY THEY ARE IMPORTANT
- The support of our local communities is an important component of our licence to operate
- A positive role in the community will ensure a sustainable future for Petra and contribute to a favourable Company culture

HOW WE ENGAGE
- Public participation processes and meetings
- Community newsletters and local media
- Partnerships on socio-economic projects

HOW WE DELIVER VALUE
- Percentage of new South African employees recruited from host provinces in FY 2016: 100%
- Social spend: US$1.7 million
- Ecological reserves established adjacent to our mines: 7,600+ ha

Host Governments/Regulators

WHY THEY ARE IMPORTANT
- Support from Governments and regulators is required for our licence to operate
- Petra ensures it complies with all relevant legislation in each of the countries in which it operates

HOW WE ENGAGE
- Continuous consultation
- Scheduled meetings
- Membership of South African Chamber of Mines
- Regulatory site visits and audits

HOW WE DELIVER VALUE
- Taxes and royalties: US$49.6 million
- Life of mine plans ranging from 9 years to 20 years
- Estimated number of dependents on our direct employees: 50,000+ (using the accepted x10 multiplier effect for South Africa and Tanzania)

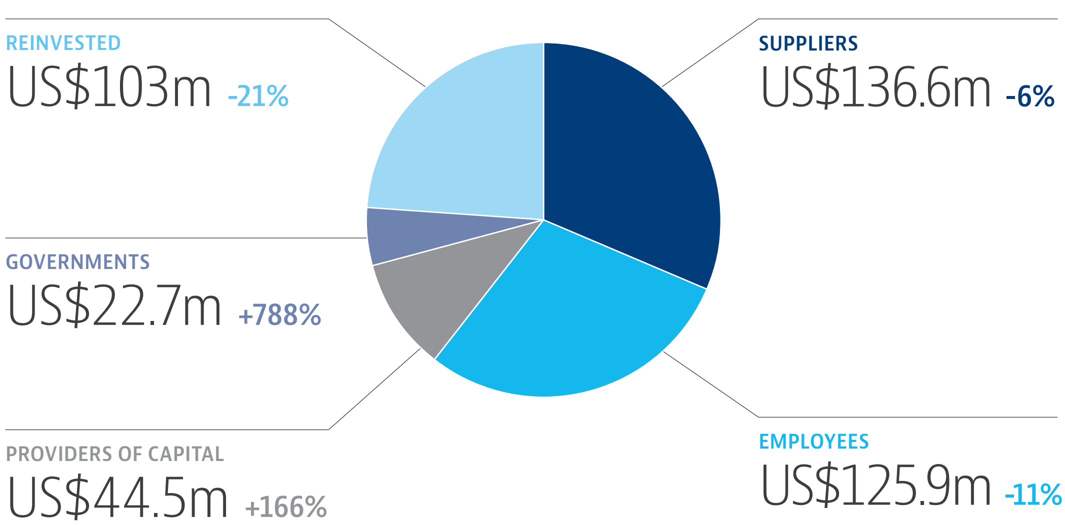
Suppliers

WHY THEY ARE IMPORTANT
- Suppliers provide the goods and services necessary to keep our operations and expansion programmes running
- Dealing with suppliers who share our values is important to Petra in order to ensure the ethical provenance of our diamonds

HOW WE ENGAGE
- Supplier induction process
- Supplier days
- Local supplier development events
- Continuous liaison
- Open door policy

HOW WE DELIVER VALUE
- South Africa supplier expenditure: US$375 million
- HDSA and BBBEE suppliers: 57%
- Tanzania supplier expenditure: US$64 million

Total economic contribution

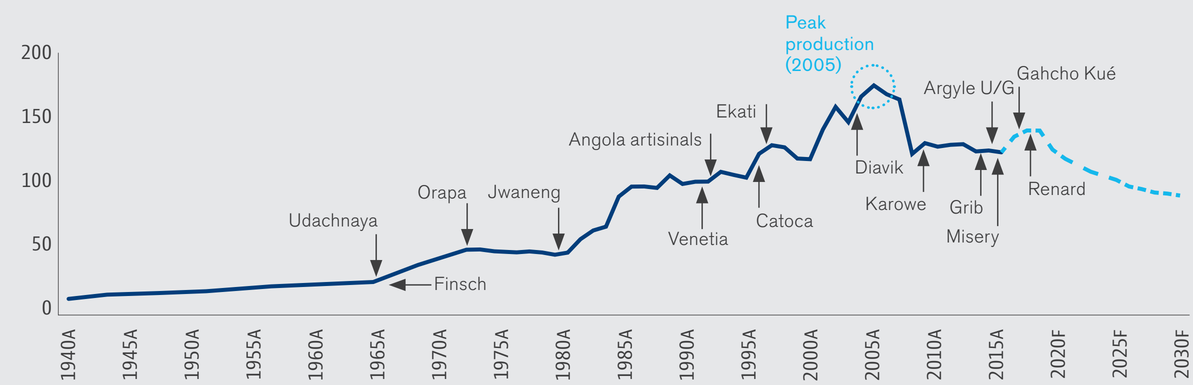


Our Market

Supply

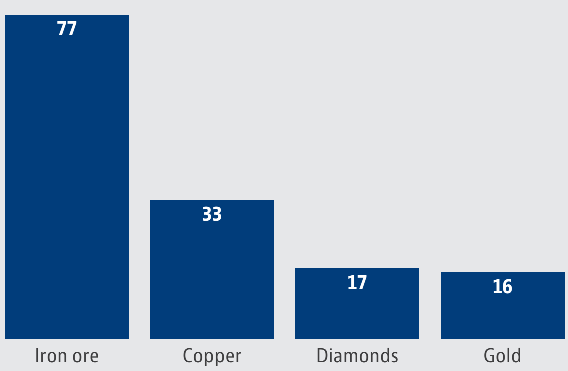
While some new production is coming on stream in the next few years, diamond supply is generally on a declining trend and is expected to have already reached peak production in 2005.

GLOBAL DIAMOND SUPPLY: HISTORICAL AND FORECAST ROUGH PRODUCTION Mcts per annum



Source: Kimberley Process Statistics/RBC Capital Markets.

SHORT MINE LIFE BASED ON EXISTING GLOBAL DIAMOND RESERVES Years of mine production



Source: Macquarie research, USGS, Bain Diamond Report, December 2014.

Supply constraints

- Global rough diamond supply by volume rose 1.6% to 127 Mcts in 2015, with a circa 4 Mct increase in production from both Australia (due to the ramp-up of underground operations at Argyle) and Russia (due to increased output from ALROSA), offset by significant declines from Zimbabwe (lack of sustainable mining), Botswana (strategic production curtailments by De Beers) and Canada (mothballing of the Snap Lake mine).
- The world's largest diamond mines are maturing and past their peak production levels.
- A number of mines are coming on stream in late 2016 – namely Gahcho Kué and Renard in Canada and Liqhobong in Lesotho.
- The above are not 'new' projects: Gahcho Kué was first discovered in 1997, Renard in 2001 and Liqhobong in the 1950s.
- The success rate in diamond exploration is estimated to be <1% – no significant finds this century, plus exploration expenditure cut worldwide.
- Supply forecast to increase by a CAGR of 4.5%–5.5% from 2015–2019, before declining by 3.5%–4.5% from 2019–2030 (Bain & Company).

Our strategy

While Petra is increasing production, our overall contribution to world supply (<5%) is too small to materially impact global diamond market conditions.

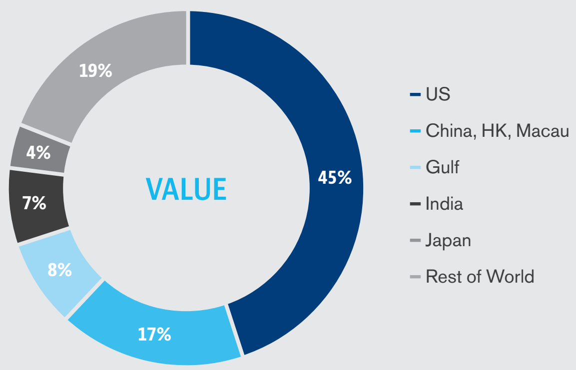
Given the poor success rates, Petra does not commit material funds to exploration and has grown by acquiring producing assets.

Market performance
Page 20

Demand

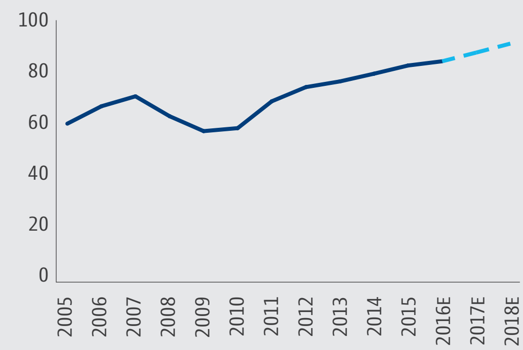
There is a positive long-term outlook for the industry due to the ever growing numbers of middle classes in emerging markets, as well as continued growth in the major US market.

SHARE OF WORLD POLISHED DIAMOND CONSUMPTION IN VALUE US$ polished wholesale price



Source: De Beers Diamond Insight – April 2016.

GLOBAL DIAMOND JEWELLERY MARKET WORTH US$85BN Retail value of the global diamond jewellery market, US$bn, December YE



Source: Bain & Company. BofA Merrill Lynch Global Research estimates.

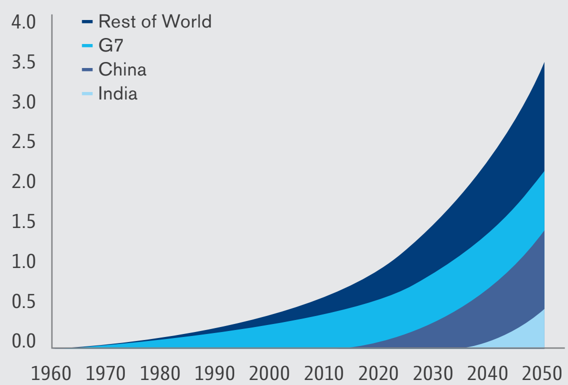
Key demand drivers

- Continued economic recovery in the major US market, which grew 5% in 2015, increasing its market share from 42% to 45%.
- Continued urbanisation, growing middle classes and rising wealth in emerging markets.
- Brides in developing countries such as China and India increasingly desire diamonds in their bridal jewellery, as well as traditional gold.
- Chinese demand grew 3% in local currency, with the strong retail declines in Hong Kong/Macau offset by a steady market in mainland China.
- Mass luxury (i.e. affordable jewellery items priced from US$200 to US$2,000+) expected to drive the market.
- Trend to use diamonds across a wide range of luxury goods, from watches and accessories to pens and digital devices.
- Bank of America Merrill Lynch estimates the global diamond jewellery market increased 4% to US$85 billion in 2015.

Our strategy

Petra's mines supply the full range of diamonds, a large proportion of which are suitable for the mass luxury market.

MIDDLE CLASS IS GROWING RAPIDLY Global population (bn) with income over US$30,000



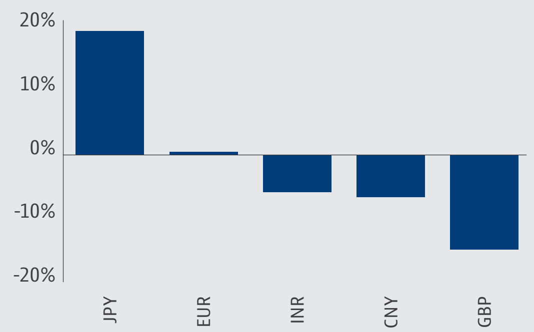
Source: Goldman Sachs Global Investment Research/IMF.

Our Market continued

Market performance in FY 2016

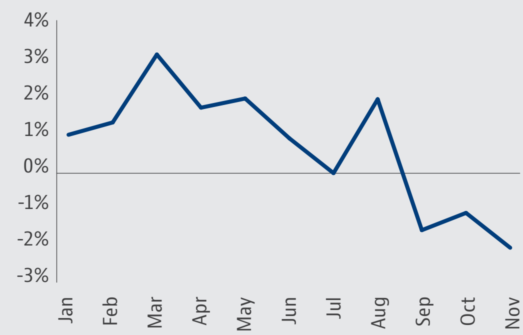
The rough diamond market continued to experience challenging conditions in FY 2016, with pricing achieved by Petra down circa 6% for the Year in comparison to FY 2015.

CURRENCY PERFORMANCE RELATIVE TO US$
From 1 July 2015 to 30 June 2016



Source: Bloomberg.

ROUGH DIAMOND PRICING TYPICALLY STRONGEST IN MARCH
Average month-on-month change in rough diamond price since 2004 to present (%)



Source: Bloomberg.

H1 FY 2016 (July to December 2015)

The market continued to be impacted by:

- excess polished inventory in the pipeline, due to slower than expected retail demand from China and other emerging markets;
- ongoing liquidity issues in the midstream, relating to the availability of financing, the transition to modern banking standards and profitability challenges relating to poor margin operations;
- the uncertain macroeconomic outlook affecting consumer confidence; and
- the strong US Dollar, which impacts demand in emerging markets, as well as spend by wealthy tourists in the US.

Petra subsequently experienced like-for-like rough diamond pricing down circa 9% in H1, as compared to levels at the end of June 2015.

A number of steps were taken by the major diamond producers to address the market challenges above, namely:

- reduced supply (via production cuts and decreased sales volumes);
- reduced rough diamond pricing; and
- increased consumer marketing (both branded and generic diamond marketing).

H2 FY 2016 (January to June 2016)

Further to the decisive action of the Majors, as well as a solid Christmas sales season in the US, the market stabilised in early 2016. Good sales demand from the midstream of the diamond pipeline (the cutting and polishing/manufacturing segment) therefore led to improved sales volumes of rough diamonds.

Like-for-like pricing achieved by Petra subsequently recovered circa 3% during H2.

Outlook

Given that the first half of the calendar year is the seasonally stronger time for the rough diamond market (as demonstrated by the Bloomberg chart above), Petra remains cautious with regards to the market outlook for the remainder of the calendar year.

However, market conditions were stable at Petra's first tender of FY 2017, which yielded circa US$94 million (circa 745 Kcts sold) (including diamonds from the Combined Kimberley Operations sold at a 75.9% attributable basis), with prices on a like-for-like basis generally on par with H2 FY 2016. Two more tenders will be held during H1 FY 2017, and a further four in H2.

Petra rough diamond pricing

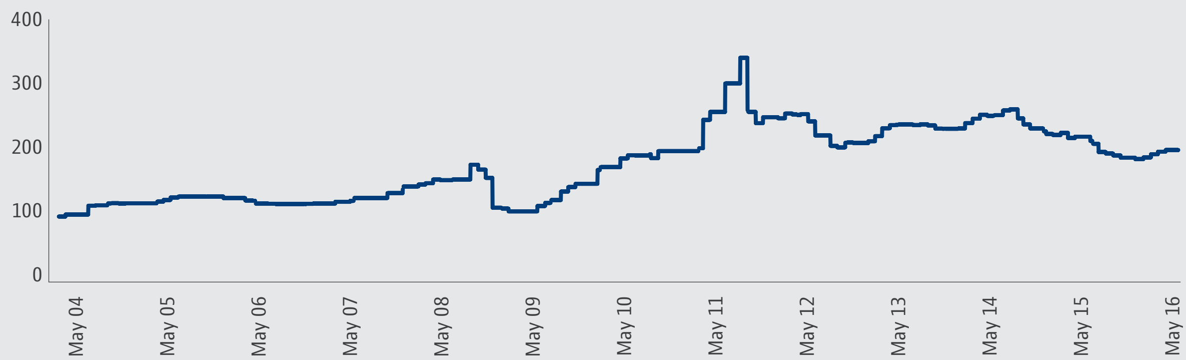
Given Petra's cautious outlook for the diamond market, the Company is using flat pricing on a like-for-like basis in its models for FY 2017.

However, the continued shift from the old, diluted mining areas to the new, undiluted mining areas, as well as the higher contribution of ROM carats versus tailings at the Company's underground mines in South Africa, is expected to see an improved product mix at Finsch, Cullinan and Koffiefontein, leading to a higher average value per carat. Hence, Petra's price guidance reflects the impact of an improved product mix, with no expectations of an improved market.

Petra provides forward price guidance to assist analysts with modelling the Company, given the considerable variability between the average values of ROM and tailings carats across Petra's operations. It should be noted that price variability is often witnessed from tender to tender due to specific parcel make-up and uncertain market conditions could result in deviations from the guided prices.

However, there were encouraging signs of a market recovery in H2 FY 2016. Market conditions in FY 2017 are likely to depend on continued supply control from the major producers to the midstream and stable retail demand, particularly in the US, the largest global market.

BLOOMBERG ROUGH DIAMOND INDEX



Source: Bloomberg.

1. The Bloomberg composite rough diamond index increased from 100 to 201 for the period Jan 2004 to Jun 2016. This translates into a CAGR of 5.8% (nominal terms).
2. Excluding the average US CPI of circa 2.5% over the same period, this translates into a circa 3.3% real price escalation.

Mine	Guidance US$/ct[1] FY 2017	Actual US$/ct[2] FY 2016	Actual US$/ct[2] FY 2015
Finsch	100–105	89	90
Cullinan	105–115	126[3]	174[3]
Koffiefontein	520–550	462	386
Kimberley Ekapa Mining	125–130	132[4]	302[4]
Williamson	220–230	384[5]	298

1. Guidance is based on expected weighted average prices for FY 2017, incorporating all sales (ROM and tailings), but not including Exceptional Diamonds (stones above US$5 million in value).
2. All sales (ROM and tailings) including Exceptional Diamonds were used to calculate the above average values.
3. Excluding Exceptional Diamonds, the average value per carat for FY 2016 was US$109 and for FY 2015 was US$119.
4. The average value per carat for FY 2015 reflects ROM sales from Kimberley Underground only, whereas the average value per carat for FY 2016 reflects the dilutionary impact of combining tailings and ROM sales from H2 FY 2016 onwards.
5. Excluding Exceptional Diamonds, the average value per carat for FY 2016 was US$238.

Exceptional Diamonds

Exceptional Diamonds contributed circa US$36.3 million for the Year (FY 2015: US$38.7 million), further to the sale of two pink diamonds from Williamson, an exceptional 121 carat white diamond from Cullinan and Petra's 15% share in the sales proceeds (after expenses) of the 24.18 carat Cullinan Dream.

Since Year end, Petra has sold a further exceptional 138 carat white diamond from Cullinan for US$5.7 million.


23 carat Williamson pink sold for US$10 million in December 2015


32 carat Williamson pink sold for US$15 million in March 2016


Petra's 15% share in the sale of the 24.18 carat Cullinan Dream in June 2016 was US$5 million


121 carat Cullinan white sold for US$6 million in June 2016

Our Strategy

Increase output

Targeting circa 5.3 Mcts by FY 2019

HOW WE ACHIEVE THIS

- Ensure we have the right people and skills in place
- Achieve annual production targets, with a long-term objective to reach circa 5.3 Mcts in FY 2019 organically
- Manage ROM grade volatility at the underground mines until expansion programmes access deeper, 'undiluted' ore
- Improve financial performance in line with increased production and higher margins, ensuring opportunities for returns to shareholders
- Evaluate further growth opportunities – both organic and through merger and acquisition activity

PROGRESS IN FY 2016

- Petra grew production 16% to reach a record level of 3.7 Mcts
- Grade and product mix volatility continued at Finsch, Cullinan and Koffiefontein, but the overall trend was one of improvement, in line with the new mining areas contributing first production
- The expansion programmes remained on track

FOCUS FOR FY 2017

- Production guidance of 4.4–4.6 Mcts (excluding circa 0.2 Mcts attributable to our joint venture partner at Kimberley Ekapa Mining)
- Continued ramp-up of the new mining areas at Finsch, Cullinan and Koffiefontein
- Full integration of the new Kimberley Ekapa Mining joint venture

KPIs

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

RISKS

- Mining and production
- Financing
- Retention of key personnel
- ROM grade volatility
- Expansion and project delivery
- Safety
- Country and political
- Labour relations
- Licence to operate
- Rough diamond prices
- Currency
- Access to energy

REMUNERATION

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

Optimise recoveries

Improving operating margins at each mine

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
- Maintain robust balance sheet and financial discipline
- Prioritise 'value' over 'volume' production via optimal plant settings
- Empower operational management and employees
- Approach Capex in a phased way to achieve lower capital intensity

PROGRESS IN FY 2016

- Capital spend was in accordance with the roll-out of the expansion programmes
- Acquisition of the Kimberley Mines assets including the high volume Central Treatment Plant, which is expected to enhance margins at Petra's Kimberley operations
- Petra's lender group agreed to revise the covenant measurements related to the Company's debt facilities, thereby increasing Petra's balance sheet flexibility

FOCUS FOR FY 2017

- Capex of circa US$218 million will be applied, mainly to Finsch, Cullinan and Kimberley Ekapa Mining
- Completion of the new plant at Cullinan in H2, which is expected to significantly enhance recoveries from the mine
- Continued focus on optimisation of ore-handling and recovery processes across the operations

KPIs

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

RISKS

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

REMUNERATION

- Profit and costs performance measures
- TSR performance measures

Drive efficiencies

Maintaining a culture of effective cost control

HOW WE ACHIEVE THIS

- Decentralise operations, simplify management structures and share services across mines
- Maintain disciplined cost control on-mine and an efficient central overhead structure
- Drive efficiencies, particularly in terms of the usage of energy, water and labour
- Upgrade and simplify ore-handling systems
- Use new technology where appropriate to drive improvements

PROGRESS IN FY 2016

- Operating costs and central overhead remained well controlled
- Decrease in both the Group's water and energy usage per tonne for the Year
- Plant modifications to improve efficiencies and reduce operating costs

FOCUS FOR FY 2017

- Strategic sourcing initiatives to combat inflationary pressures
- Continued focus on improving our energy and water usage per tonne
- Completion of the new ore-handling system at Cullinan, including the new shaft

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
- Access to energy

REMUNERATION

- Profit and cost performance measures
- TSR performance measures

Work responsibly

Committed to responsible development

HOW WE ACHIEVE THIS

- Strive for a zero harm workplace
- Foster a dynamic company culture in which employees are encouraged to fulfil their true potential
- Develop strong relationships with our stakeholders to support our licence to operate
- Protect and enhance our environment
- Uphold the high value placed on diamonds
- Strive to go beyond compliance by meeting and/or exceeding best practice

PROGRESS IN FY 2016

- We very regrettably recorded one fatality, however, our safety record remained stable at 0.29 LTIFR
- No major environmental or social incidents recorded for the Year
- Process to determine Petra's key sustainability material issues involving an internal and external stakeholder engagement programme

FOCUS FOR FY 2017

- Continue to strive for zero harm in the workplace
- Continue to enhance our stakeholder engagement processes
- Continue to focus on employee communication and development

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
- Licence to operate
- Labour relations

REMUNERATION

- HSSE performance measures
- TSR performance measures

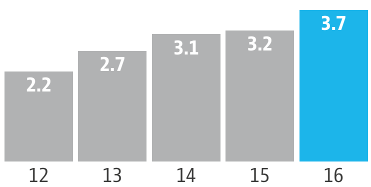
Key Performance Indicators

Petra uses various financial and non-financial performance measures, which are linked to our strategic objectives, to help evaluate the ongoing performance of the business. The following measures are considered by management to be some of the most important in evaluating the overall performance of the Group year on year.

ROUGH DIAMOND PRODUCTION

Mcts

3.7 +16%



STRATEGY

PERFORMANCE AND TARGETS

Production increased 16% during the Year to 3.7 Mcts, above Company guidance of 3.6–3.65 Mcts, due to increased contribution of undiluted ore and new production from the Combined Kimberley Operations. Attributable production is forecast to increase to 4.4–4.6 Mcts in FY 2017 and to circa 5.3 Mcts in FY 2019.

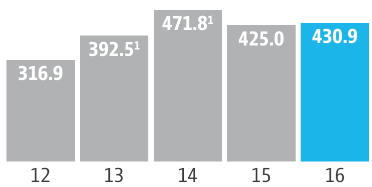
RISK MANAGEMENT

Realistic operational targets, based on detailed mine production planning, with production performance monitored closely.

REVENUE

US$ million

430.9 +1%



STRATEGY

PERFORMANCE AND TARGETS

Revenue increased 1%, mainly due to an increase in volumes sold, most notably tailings carats sold from the Combined Kimberley Operations, partially offset by softer diamond prices in FY 2016. Revenue is expected to increase in FY 2017 in line with the guided increase in production and the expected improved product mix as the contribution from ROM carats increases.

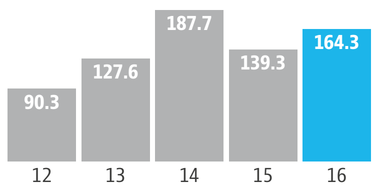
RISK MANAGEMENT

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

ADJUSTED EBITDA[2]

US$ million

164.3 +18%



STRATEGY

PERFORMANCE AND TARGETS

The Company's adjusted EBITDA increased 18%, mainly due to the benefit of the weakening ZAR:USD exchange rate and the effect on USD reported costs. This represents an adjusted EBITDA margin of 38%, which Petra expects to rise to +40% in FY 2017 and to +50% by FY 2019.

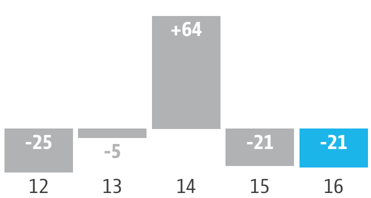
RISK MANAGEMENT

Rigorous operational and financial discipline involving a comprehensive, Board-approved annual budgeting process and monthly monitoring.

TOTAL SHAREHOLDER RETURN ("TSR")

Percentage change

-21 0%



STRATEGY

PERFORMANCE AND TARGETS

Total shareholder return decreased 21%, mainly due to the depreciation of the share price during the Year. Factors affecting the share price included concerns regarding the macro-economic environment for diamonds and the potential impact of lower diamond pricing on Petra's balance sheet and ability to meet its debt covenant obligations.

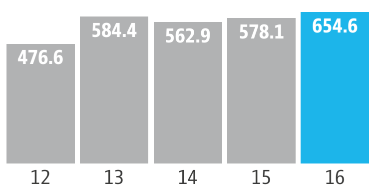
RISK MANAGEMENT

Petra places great importance on open and transparent communication with the market to ensure that its strategy, current performance and future prospects are well understood.

CARBON EMISSIONS[1]

Thousand tCO_2-e

654.6 +13%



STRATEGY

PERFORMANCE AND TARGETS

The total carbon emitted (scope 1 and 2) by the Group and its Kimberley joint venture partner increased by 13%, in line with a 12% increase in gross electricity consumption related to the many development projects underway, as well as the new production from the Combined Kimberley Operations. Petra is targeting a 1% reduction in tCO_2-e/ct per annum over five years (2015 to 2020, with FY 2013 being the base year) and this target was achieved.

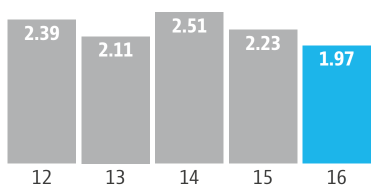
RISK MANAGEMENT

The Group endeavours to continually reduce its reliance on fossil fuel energy sources and to minimise its overall energy usage wherever possible.

WATER USAGE[1]

m^3/t

1.97 -12%



STRATEGY

PERFORMANCE AND TARGETS

Petra's water usage per tonne improved during the Year, reflecting the ongoing drive towards a reduction in water consumption on a per tonne basis, with a medium-term objective of $1.55m^3/t$ to be achieved by 2020.

RISK MANAGEMENT

The Group endeavours to continually improve, develop and implement water efficiency measures to reduce the consumption per tonne processed.

1. Comparative numbers have been restated to reflect consumption per tonne fed to the various plants based on gross tonnes treated, comprising ROM and tailings tonnes, as well as development waste tonnes treated (where appropriate), while specifically excluding recirculating tonnes.

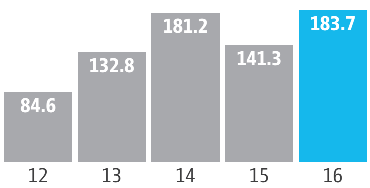
STRATEGIC OBJECTIVES

Output | Recoveries | Efficiencies | Responsibility

ADJUSTED OPERATING CASHFLOW[2]

US$ million

192.0 **+36%**



STRATEGY

PERFORMANCE AND TARGETS

Adjusted operating cashflow rose 36%, due to the increase in profits from mining activities and improved working capital position at Year end. Petra will continue to focus on controlling operating costs and driving efficiencies across its operations in FY 2017.

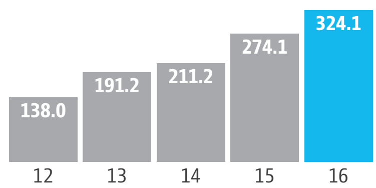
RISK MANAGEMENT

Strong financial and operational management, disciplined cashflow forecasting and strong banking and equity relationships assist in managing liquidity.

CAPEX

US$ million

324.1 **+18%**



STRATEGY

PERFORMANCE AND TARGETS

Capex was 10% lower than guidance due to the weakening of the ZAR:USD exchange rate, partially offset by inflationary pressures, acceleration of spend at Cullinan and Finsch, and additional waste stripping at Williamson. FY 2017 operational Capex will fall significantly to circa US$218 million[3].

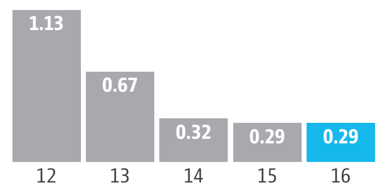
RISK MANAGEMENT

The Group's annual budgeting process includes detailed Capex requirements per operation and is Board approved. Capex is monitored and cashflow continually reviewed.

SAFETY

Group LTIFR

0.29 **0%**



STRATEGY

PERFORMANCE AND TARGETS

Group LTIFR for the Year remained stable at 0.29, a solid achievement in the context of the high level of construction activities underway and for underground operations, but below our ongoing target to achieve a minimum 10% improvement in LTIFR annually. Petra's overriding aim is to achieve a zero harm workplace.

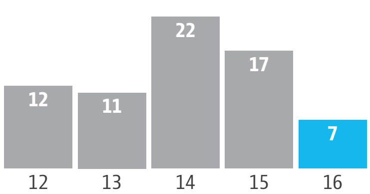
RISK MANAGEMENT

In addition to appropriate risk management processes, Petra has strategies, systems and training in place to promote a safe working environment.

STAFF TURNOVER

%

7 **-59%**



STRATEGY

PERFORMANCE AND TARGETS

Excluding the impact of retrenchments in FY 2015, staff turnover improved from 9% to 7% due to stability and organic growth in the portfolio of operations. Petra endeavours to maintain turnover rates consistent with industry norms.

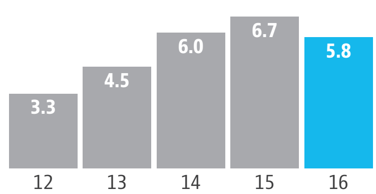
RISK MANAGEMENT

The Group's employment policies and remuneration strategy are designed to attract, incentivise and retain individuals of the right calibre, as well as retain key management for the longer term.

TRAINING SPEND

US$ million

5.8 **-13%**



STRATEGY

PERFORMANCE AND TARGETS

Training spend in South Africa increased 4% in ZAR terms, but overall Group spend decreased 13% in USD terms due to the weaker ZAR exchange rate in FY 2016. Petra endeavours for training spend to consistently exceed 5.5% of operations payroll per annum and FY 2016's spend represented 7% of payroll.

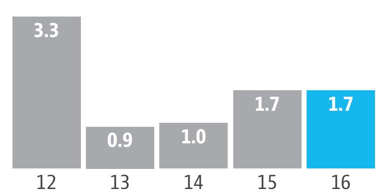
RISK MANAGEMENT

Petra maintains compliance with the regulatory framework and supports a number of different training and development programmes.

SOCIAL SPEND

US$ million

1.7 **0%**



STRATEGY

PERFORMANCE AND TARGETS

Social spend remained flat in USD terms and represented 2.5% of NPAT. However in ZAR terms the Company's South African spend rose 19% due to the timing and scheduling of Social and Labour Plan expenditure in South Africa, as well as and improved planning and implementation of projects, further to positive stakeholder engagement. Petra targets base case spend of 1% of NPAT.

RISK MANAGEMENT

Petra maintains compliance with the regulatory framework, as well as continual liaison and co-operation with social and institutional stakeholders.

2. Refer to page 29 of the Financial Review for definition of non-GAAP measures.

3. Excluding capitalised borrowing costs, in comparable FY 2017 money terms, converted at an exchange rate of ZAR14:US$1.

Financial Review

A robust position

Having successfully completed our peak Capex year, Petra remains fully funded to completion of its expansion programmes.

Revenue

Group revenue for FY 2016 increased 1% to US$430.9 million (FY 2015: US$425.0 million) due to an increase in volumes sold, most notably tailings carats sold from the Kimberley Mines joint operation and tolling agreement, partially offset by softer diamond prices in FY 2016.

Exceptional Diamonds contributed US$36.3 million for the Year (FY 2015: US$38.7 million), further to the sale of two pink diamonds from Williamson for US$25.1 million, with the remaining US$11.2 million being US$6.0 million from the sale of an exceptional 121 carat white stone from Cullinan and US$5.2 million from Petra's 15% share in the sales proceeds (after expenses) of the 24.18 carat Cullinan Dream in June 2016.

Petra sold both of the pink diamonds mentioned above into polishing partnerships:

- the 23 carat pink was sold for US$10.1 million and Petra has retained a 20% interest in the sales proceeds (net of expenses) of the polished stone; and
- the 32 carat pink was sold for US$15.0 million and Petra will receive 10% of the value uplift of the polished stone.

The polished stones from both pink diamonds are expected to be sold in FY 2017 and only then will the proceeds from Petra's share in the retained interest held be recognised as revenue.

Mining and processing costs

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

Operating costs in FY 2016 remained in line with expectations, despite ongoing inflationary pressures. Group on-mine US$ cash costs decreased by 3% due to:

- an increase in tonnes treated versus FY 2015 (including the impact of additional tonnes treated and fixed costs incurred at the Combined Kimberley Operations) (11% increase);
- inflationary increases, including the impact of electricity and labour costs (7% increase); and
- offset by the positive effect of translating the South African operations' ZAR denominated costs at the weaker ZAR:USD exchange rate (17% decrease).

Unit costs on a mine-by-mine basis are covered in the Operational Review on page 30.

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% at 30 June 2016), but 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 2016 ZAR14.51:US$1 versus FY 2015 ZAR11.45:US$1) negated the increased costs in USD reported terms.

Profit from mining activities

The Company's profit from mining activities (before depreciation and share-based payments) increased 14% to US$176.0 million (FY 2015: US$154.5 million), mainly due to the benefit of the weakening ZAR:USD exchange rate and the effect on USD reported costs.

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) was up 36% to US$192.0 million

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[3] US$m	Total mining and processing costs (IFRS) US$m
FY 2016	**246.4**	**5.4**	**(14.1)**	**20.0**	**257.7**	**51.0**	**1.6**	**310.3**
FY 2015	253.4	4.7	(6.0)	20.6	272.7	37.5	3.7	313.9

1. Includes all direct cash operating expenditure at operational level, i.e. labour, consumables, utilities and on-mine overheads.
2. Certain technical, support and marketing activities are conducted on a centralised basis.
3. Excludes exploration and corporate/administration.

Q&A with Jacques Breytenbach

What is your history with Petra Diamonds?

Like many of my colleagues in our Senior Management team, I have been with Petra for a considerable amount of time, with this being my tenth year at the Company. Prior to my appointment as CFO, my role was Finance Manager – Operations, with responsibility for the financial management of our operations, sales and marketing, and the capital expansion programmes. I will now be leading the broader financial management of the business, including corporate and reporting functions, which is a challenge I relish.

What are your key priorities for FY 2017?

Monitoring and maintaining Petra's robust financial position is of paramount importance as we navigate this last stretch of our heavy capital spend. This will involve regular supervision of our capital expenditure, cashflow and resultant use of our debt facilities, bearing in mind the ongoing impact of the ZAR:USD exchange rate and diamond prices. I will also continue to evaluate the optimal capital structure of the business to ensure this is appropriate as Petra continues to grow and as the Company becomes free cashflow positive from H2 this year, with reinstating returns to shareholders a major priority.

Developing relationships is also important – both with the relevant financial market participants in London, as well as with our banking partners and capital providers in South Africa. While I have had ad hoc contact in the past, I had the opportunity to meet with many shareholders and analysts on our prelims results roadshow in September 2016 and will actively participate in various interactions with stakeholders going forward.

What are your aspirations for the Company?

Like my fellow colleagues, we are all excited for what the next few years will bring as all our hard work over the last decade will start to pay off. Longer-term, I hope to play my part in building a sustainable future for Petra as a world-class diamond producer; we certainly have the right assets in place to do so.

(FY 2015: US$141.3 million), due to the increase in profits from mining activities and improved working capital position at Year end.

Operating cashflow was US$177.3 million (FY 2015: US$132.4 million) but management considers the adjusted figure to provide 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$63.4 million (30 June 2015: US$57.6 million) – refer to the "Cash and Diamond Debtors" section on page 28.

Exploration

Exploration expenditure (before depreciation) decreased to US$2.7 million (FY 2015: US$5.7 million) due to reduced exploration activities.

Corporate overhead – general and administration

Corporate overhead (before depreciation and share-based payments) decreased 6% to US$8.9 million for the Year (FY 2015: US$9.5 million). Given that the Group's corporate overhead is predominantly denominated in ZAR, with some expenditure in GBP, the impact of the weaker Rand and Pound for the Year benefited overhead costs. Excluding this impact, overhead costs still remained tightly controlled.

Adjusted EBITDA

Adjusted EBITDA rose 18% to US$164.3 million (FY 2015: US$139.3 million), reflecting an adjusted EBITDA margin of 38% (FY 2015: 33%), which is a solid achievement given that Petra is still in the process of transitioning from older mining areas to the mining of undiluted ore.

Depreciation

Depreciation for the Year increased to US$51.8 million (FY 2015: US$38.3 million), mainly due to initial portions of new production areas being commissioned (increase of US$5.3 million), the accelerated depreciation associated with the old treatment plants at Cullinan and Kimberley Underground (US$14.0 million) and the addition of the Kimberley Mines joint operation (US$0.5 million), partially offset by the weakening in the ZAR:USD foreign exchange rate (US$6.7 million).

Net financial expense

Net financial expense of US$33.0 million (FY 2015: US$9.4 million) comprises:

- unrealised foreign exchange gain of US$3.2 million (FY 2015: US$3.2 million loss) representing the net effect of foreign currency retranslation of cross-border loans considered to be repayable in the foreseeable future at the Year end closing rate; and
- net realised finance expense of US$36.2 million (FY 2015: US$6.2 million) comprising:
  - interest received of US$3.8 million (FY 2015: US$8.5 million); offset by realised foreign exchange losses on the settlement forward exchange contracts of US$20.7 million (FY 2015: US$1.3 million gain);
  - interest payable on the BEE partner loans and the post-retirement pension and medical aid scheme charges of US$12.5 million (FY 2015: US$10.8 million);
  - interest payable on the Group's bank debt and working capital facilities of US$2.6 million (FY 2015: US$2.0 million) (stated after the capitalisation of interest of US$26.5 million (FY 2015: US$14.7 million)) associated with the funding of expansion projects/assets under development; and
  - a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US$4.2 million (FY 2015: US$3.2 million).

Financial Review continued

Tax charge

The tax charge of US$8.6 million (FY 2015: US$25.4 million) comprised deferred tax of US$10.5 million (FY 2015: US$26.3 million) and an income tax credit of US$1.9 million (FY 2015: US$0.9 million) arising due to the utilisation of certain capital allowances, predominantly at Finsch and Cullinan, during the Year and the release of prior period income tax provisions. The effective tax rate of 11% is lower than FY 2015 mainly due to taxable profits in Tanzania offset by tax losses and timing differences not recognised across the Group as deferred tax assets.

Adjusted net profit after tax

An adjusted net profit after tax of US$63.6 million was recorded for the Year (FY 2015: US$62.8 million), adjusted for net unrealised foreign exchange gains and losses. These adjusted profit figures are considered to be more appropriate in comparing results year on year.

Group profit

The Group's net profit after tax increased 12% to US$66.8 million (FY 2015: US$59.6 million).

Earnings per share

A basic earnings per share from operations of 10.38 US$ cents was recorded (FY 2015: 9.46 US$ cents). Adjusted basic earnings per share from operations (stated before net unrealised foreign exchange gains and losses) of 9.76 US$ cents was recorded (FY 2015: 10.09 US$ cents).

Cash and diamond debtors

As at 30 June 2016, Petra had cash at bank of US$48.7 million (30 June 2015: US$166.6 million). Of these cash balances, US$36.7 million was held as unrestricted cash (30 June 2015: US$153.5 million), US$11.1 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) (30 June 2015: US$11.6 million) and US$0.9 million was held by Petra's bankers as security for other environmental rehabilitation bonds lodged with the Department of Mineral Resources in South Africa (30 June 2015: US$1.5 million).

Diamond debtors (relating to the June 2016 tenders and settled shortly after Year end) at 30 June 2016 were US$63.4 million (30 June 2015: US$57.6 million).

Loans and borrowings

The Group had gross loans and borrowings at Year end of US$433.5 million (30 June 2015: US$338.3 million), comprised of the loan notes plus accrued interest of US$302.0 million (30 June 2015: US$303.3 million) and bank loans and borrowings of US$131.5 million (30 June 2015: US$35.0 million).

At 30 June 2016, the Group had debt facilities undrawn and available to the Group of US$110.0 million (30 June 2015: US$255.1 million).

BEE loans receivable and payable

BEE loans receivable of US$28.8 million (FY 2015: US$29.6 million) relate to the acquisition and financing of the Koffiefontein and Kimberley Underground mines by Petra on behalf of its BEE Partners, post the refinancing of the BEE Partners' loans at Cullinan and Finsch.

The BEE loans payable of US$86.2 million, including the portion held in liabilities directly associated with non-current assets held for sale (FY 2015: US$94.0 million), relate to the initial acquisition loan funding advanced by the Group's BEE Partners to the operations to acquire their investments in the Cullinan, Finsch, Koffiefontein and Kimberley Underground mines. The repayment of these loans by the mines to the BEE Partners will be from future free cashflows generated by the mining operations.

Other liabilities

Other than trade and other payables of US$134.6 million, including the portion held in liabilities directly associated with non-current assets held for sale (comprising US$74.5 million trade creditors, US$20.4 million employee-related accruals and US$39.7 million other payables) (FY 2015: US$79.3 million), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, post-retirement employee-related provisions and deferred tax.

Capex

Total Group Capex for the Year was US$324.1 million (FY 2015: US$274.1 million), in line with the roll-out of the Group's expansion programmes. The total Capex figure comprised operational Capex of US$322.3 million (FY 2015: US$266.9 million) and corporate/exploration Capex of US$1.8 million (FY 2015: US$7.2 million) and included capitalised borrowing costs.

Capex reconciliation

	Unit	FY 2016	FY 2015
Finsch	US$m	**73.8**	88.0
Cullinan	US$m	**179.4**	121.5
Koffiefontein	US$m	**27.5**	26.8
Combined Kimberley Operations	US$m	**16.8**	13.9
Williamson	US$m	**24.4**	16.2
Helam	US$m	**0.1**	0.3
Subtotal – Capex incurred by operations	US$m	**322.0**	266.7
Petra internal projects division – Capex under construction/invoiced to operations[1]	US$m	**0.3**	0.2
Corporate/exploration	US$m	**1.8**	7.2
Total Group Capex[2]	US$m	**324.1**	274.1

1. Petra operates an internal projects/construction division and although this division's spend is reported in the Group's total Capex, it is policy not to account for it on a specific mine's Capex until the work completed is invoiced to the relevant operation.

2. Capex for the Year includes US$26.5 million (FY 2015: US$14.7 million) of capitalised borrowing costs.

Covenants relating to Petra's Senior Secured Lender Debt Facilities

	Maintenance covenants[1]				Distribution covenants
	12 months to 30 Jun 2016	12 months to 31 Dec 2016	12 months to 30 Jun 2017	12 months to 31 Dec 2017 and thereafter	All periods
Net debt[2] to adjusted EBITDA	≤3.1x (revised from ≤2.5x)	≤2.8x (revised from ≤2.5x)	≤2.5x	≤2.5x	≤2.0x
Adjusted EBITDA to certain net finance charges	≥3.7x (revised from ≥4.0x)	≥3.85x (revised from ≥4.0x)	≥4.0x	≥4.0x	≥6.0x
Net debt[2] to certain book equity items	≤0.6x (revised from ≤0.75x)	≤0.6x (revised from ≤0.5x)	≤0.6x (revised from ≤0.5x)	≤0.5x	≤0.3x

1. Fees to the lender group relating to the above changes in covenants and facilities were US$0.9 million.
2. Net debt is consolidated debt per published results, plus the guarantee for the BEE Partners loan facilities of ZAR1,303 million as at 30 June 2016 (30 June 2015: ZAR1,163 million).

FY 2016 operational Capex of US$322.3 million (FY 2015: US$266.9 million) comprised US$275.2 million on expansion Capex (FY 2015: US$212.0 million), US$20.6 million on sustaining Capex (FY 2015: US$40.2 million) and US$26.5 million on capitalised borrowing costs with regards to the expansion Capex (FY 2015: US$14.7 million).

Banking facilities and covenant measurements

Effective 20 June 2016, the Company agreed revisions to the bank debt maintenance covenant measurements related to its senior debt facilities for the next three measurement periods, being 30 June 2016, 31 December 2016 and 30 June 2017. The covenants are set out in the table above.

In addition to maintenance covenants, there are distribution covenants related to the Company's senior debt facilities, as also set out above. For the 12-month measurement to 30 June 2016, Petra did not meet the distribution covenants. For this reason, Petra is not permitted by its lender group to declare a dividend for FY 2016. However, the Company is highly committed to resuming returns to shareholders and will therefore revisit this with its lender group post H1 FY 2017.

Post Year end, the Company agreed a revision to the profile of its senior lender ZAR facilities, effective 1 July 2016, with revolving facilities being ZAR1,250 million (30 June 2016: ZAR1,500 million), amortising facilities being ZAR900 million (30 June 2016: ZAR665 million) and working capital facilities being ZAR700 million (30 June 2016: ZAR500 million); overall ZAR facilities became, effective 1 July 2016, ZAR2,850 million (30 June 2016: ZAR2,665 million). The interest and repayment terms remained unchanged.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in diamond prices, exchange rates and expected production from the Group's mines, including total carats and mix. The Group's forecasts show that Petra has sufficient banking facilities to meet its working capital and capital development requirements and maintains headroom against its financial covenants.

Petra leverage ratios as at 30 June 2016

		30 June 2016	30 June 2015
IFRS net debt[1]	US$m	**375.8**	160.5
Consolidated net debt (for bank debt covenant measurement)[2]	US$m	**464.6**	256.1
Gearing[3]	%	**69**	26
Adjusted EBITDA[4]	US$m	**164.3**	139.3
EBITDA margin[5]	%	**38**	33
Consolidated net debt: EBITDA[6]	x	**2.8**	1.8
EBITDA: net interest cover[7]	x	**4.3**	7.3
Adjusted operating cashflow[8]	US$m	**192.0**	141.3

1. IFRS net debt is the US$ loan notes (less transaction costs) and bank loans and borrowings net of cash at bank.
2. Consolidated net debt is calculated as IFRS net debt plus the guarantee for the BEE Partners loan facilities (refer to covenants table above).
3. Gearing is calculated as IFRS net debt divided by total equity.
4. Adjusted EBITDA, stated before depreciation, share-based expense, net finance expense, tax expense, impairment charges, net unrealised foreign exchange gains and losses and loss on discontinued operations.
5. EBITDA margin is adjusted EBITDA divided by revenue.
6. Consolidated net debt: EBITDA is consolidated net debt divided by adjusted EBITDA.
7. EBITDA: net interest cover is EBITDA divided by net finance costs (including capitalised interest and excluding exchange gains or losses and unwinding of present value adjustment for rehabilitation costs).
8. 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.

Jacques Breytenbach
Chief Financial Officer
14 October 2016

Operational Review

Delivering to plan

Petra is making great strides toward the opening up of new blocks of undiluted ore

Petra has made great strides toward the opening up of new blocks of undiluted ore at its various mines. This has been a long-term investment by Petra which has taken much time and effort from all concerned and is now beginning to bear fruit. In executing our expansion programmes, many problems were faced and overcome, including the effort to ensure that our ROM grades do not get compromised too much, especially with the ever increasing volumes of barren waste rock dilution. However, this was but one of the many hurdles that had to be scaled.

I am therefore proud to report that Petra recorded production growth and record tonnage throughput levels in FY 2016, stayed on track with each of its development programmes, commenced initial production in the new mining areas at Finsch, Cullinan and Koffiefontein, stripped waste at Williamson and made great progress with the construction of the new plant at Cullinan and autogenous milling modifications at Williamson. Above all else, we also increased our carat production.

FY 2016 diamond production increased 16% to 3.7 Mcts, beating Petra's market guidance of 3.6–3.65 Mcts, due to a higher contribution of undiluted ROM ore from the new mining areas at our underground mines, as well as additional production from our operations in Kimberley, following the acquisition of the Kimberley Mines on 18 January 2016 and the subsequent integration of the Kimberley assets of both Petra and Ekapa Mining from 1 July 2016.

Accessing undiluted ore

Petra first commenced its expansion programmes at Cullinan and Koffiefontein seven years ago, with the objective to extend the lives of our underground mines by opening up access to new mining levels within the respective orebodies, thereby providing entirely new blocks of production.

As we have progressed upon this path, we have had to overcome the ever increasing dilution at the old mining areas of our assets, where the majority of the ore had been extracted and partially replaced by the ever present waste rock. This dilution has been negatively impacting the ROM grades recovered at our South African mines (i.e. the volume of diamonds recovered) as well as the product mix, given that the material left in a mature cave is of a much finer quality, leading to smaller, lower value diamonds. In addition, the waste rock intrusion has a severe wear impact on our machinery (given the much harder nature of waste rock in comparison to softer kimberlite).

The pressure has therefore been on to keep up the pace of our development work in order to make sure we would continue to open up the new blocks on time, thereby mitigating the downward pressure on both ROM grades and product mix. It has been a remarkable achievement from our teams that our expansion programmes have remained materially according to schedule and budget throughout this time frame.

The transition from the old mining blocks to the new mining blocks commenced in FY 2016 at Finsch, Cullinan and Koffiefontein and this process is now building up with most of the required infrastructure in place. In FY 2017 these new areas are expected to deliver increasing amounts of undiluted ore to our production profile on a monthly basis, which contains a higher grade and a better quality of diamonds. I am pleased to say that this evolution is firmly in place, with the production achieved so far in Q1 FY 2017 confirming the continued improving trend in both ROM grades and product mix.

It is this shift from diluted to undiluted ore that is expected to be the main contributor to Petra's adjusted EBITDA margin increasing from 38% in FY 2016 to over 50% by FY 2019, thereby transforming the economics of the Company. However, this improvement in margins will also be assisted by our ongoing focus on driving efficiencies at our mines, particularly in the areas of ore-handling and processing.

2016 resource statement

Petra manages one of the world's largest diamond resources of over 300 Mcts. This major resource suggests that the potential mine lives of our assets could be considerably longer than the current mine plans in place at each operation, or could support significantly higher production rates.

As at 30 June 2016, the Group's gross diamond resources (inclusive of reserves) increased 1% to 312.2 Mcts (30 June 2015: 308.6 Mcts) and the Group's gross diamond reserves decreased 4% to 47.9 Mcts (30 June 2015: 49.8 Mcts). Our full 2016 Resource Statement is available on pages 155 to 158.

Jim Davidson
Technical Director
14 October 2016

FY 2016 production – combined operations

	Unit	FY 2016[1]	FY 2015	Variance
Sales				
Diamonds sold	Carats	**3,448,084**	3,168,650	+9%
Revenue	US$m	**430.9**	425.0	+1%
Production				
ROM tonnes	Mt	**11.3**	11.1	+2%
Tailings and other[2] tonnes	Mt	**7.7**	6.0	+28%
Total tonnes treated	Mt	**19.0**	17.1	+11%
ROM diamonds	Carats	**2,582,135**	2,276,168	+13%
Tailings and other[2] diamonds	Carats	**1,119,270**	910,307	+23%
Total diamonds	Carats	**3,701,405**	3,186,475	+16%
Capex				
Expansion	US$m	**275.2**	212.0	+30%
Sustaining	US$m	**20.6**	40.2	-51%
Borrowing costs capitalised	US$m	**26.5**	14.7	+80%
Total	US$m	**322.3**	266.9	+21%

Detailed mine-by-mine results tables Pages 152 to 154

1. FY 2016 production, sales and Capex stated on an attributable basis, including 75.9% of the Combined Kimberley Operations from 18 January 2016 to 30 June 2016.
2. 'Other' includes mining of the Ebenhaezer satellite kimberlite pipe at Koffiefontein and alluvial diamond mining at Williamson.

A busy year for the Helam Projects division

Helam Projects plays an important role at Petra, as it has developed the in-house expertise to carry out a wide range of design, engineering and construction work for the Company. The benefits of having such an internal division is that it enables Petra to maintain quality control and a strategic focus on the work at hand, as well as generally allowing for a low overhead structure when compared to the quotations routinely received from independent contractors.

The culture of Helam Projects is proud and passionate, backed up by an entrepreneurial and innovative spirit. The team applies experience and fresh thinking to each project challenge, thereby delivering innovative solutions with measurable value.

FY 2016 was a very busy year for the team, with a number of important projects carried out for the Group. In particular, there are various significant plant modifications underway, in line with Petra's strategic objective to optimise recoveries at its mines.

At Williamson, the team fabricated and installed the crusher and classification circuit required for the plant, as well as the installation of two autogenous mills and associated infrastructure. These modifications, which are expected to come on stream during Q2 FY 2017, are designed to match the quality of the ore at Williamson and are expected to increase the grade from 5 cpht to 6.5–7 cpht by FY 2018.

A number of other projects were carried out during the Year, including for Finsch (the installation of a containerised Bourevestnik and Flowsort Plant as a separate recovery circuit within the Bulk Sample Plant), Cullinan (the fabrication of various steel structures and equipment for the Dump Treatment Plant), Koffiefontein (the fabrication of various steel structures for the underground development) and the newly established Kimberley Ekapa Mining joint venture (the relocation of various plant elements for the future plant modifications.)

Operational Review continued

REVENUE CONTRIBUTION	CARAT CONTRIBUTION	REVENUE US$ million	PRODUCTION Mcts	AVERAGE PRICE PER CARAT US$
43%	60%	186.4 +1%	2.2 +7%	89 -1%

Finsch is currently the largest contributor to the Group by value and volume but its dominance will be balanced by Cullinan in the years to come.

Output

Production increased 7% due to an increase in tonnes from underground and higher ROM grades.

Recoveries

The average value per carat remained stable despite the weaker market due to an improved ROM product mix.

Efficiencies

Finsch co-operates with PPC Lime Acres to use excess water in the diamond recovery process, thereby reducing consumption from the local water system.

Responsibility

Three local schools benefited from the My Maths Buddy teaching programme, in line with Petra's strategy to improve grassroots maths and science education in its communities.

Performance in FY 2016

Production increased 7% to 2,214,064 carats (FY 2015: 2,065,875 carats), mainly due to an increase in ROM tonnes and ROM grades, partially offset by a reduction in tailings tonnes and grades.

Despite the increase in production, revenue remained essentially flat at US$186.4 million (FY 2015: US$185.4 million) due to the weaker diamond market experienced during the Year.

Costs

The on-mine cash cost of ZAR183/t (FY 2015: ZAR164/t) was largely in line with management's expectations, although it represented a year-on-year increase of circa 12%, mainly due to the higher levels of ROM tonnes treated.

Development plan

Petra's development plan at Finsch is due to increase higher value ROM production from 1.6 Mcts in FY 2016 to circa 2 Mcts per annum by FY 2018, by which point there is no longer planned to be any tailings production included in the mine's output. Petra's initial mine plan has a life to 2030, but resources in Block 6 and the adjacent Precursor kimberlite, which sits next to the main body of the Finsch kimberlite pipe, are expected to considerably prolong the actual life of mine ("LOM"). The mine has a significant gross resource of 49.1 Mcts.

Mining is currently transitioning from the block cave on the 630 metre level ("mL") to a sub level cave ("SLC") over four levels from 700mL to 780mL. The new Block 5 cave will then be installed at 900 mL from FY 2023/FY 2024.

Production from the first level of the SLC commenced in FY 2016 and is due to deliver in excess of 1 Mt in FY 2017, which is expected to see the ROM grade rise to 53–55 cpht for FY 2017. Total ROM throughput of 3.6 Mt is planned in FY 2017, which is expected to rise to 3.8 Mtpa for FY 2018 and FY 2019. As the mine's underground production profile gradually changes from mostly diluted to mostly undiluted ore, the ROM grade is expected to increase to steady state 55–58 cpht from FY 2018. Finsch's steady state ROM production will be at 3.5 Mtpa from FY 2020 onwards.

Treatment of the Pre 79 Tailings is planned at 1.3 Mt at a grade of circa 17 cpht for FY 2017 and is expected to come to an end during Q4 2017.

Capex

Capex of US$73.8 million was circa US$8 million above guidance mainly due to the bringing forward of spend, scheduled for FY 2017, related to underground development.

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

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

Finsch interns day

As part of our core focus on education and training, Petra arranges for internships at each of its operations.

Finsch hosts an operational visit for its interns quarterly. In June 2016, the interns had to prepare and give presentations on a number of technical aspects of the mine, before carrying out a mine tour and a Q&A session and receiving insights from Finsch's Mine Managers and Training Managers on various useful topics related to progressing their careers.

Operational Review continued

Cullinan

REVENUE CONTRIBUTION	CARAT CONTRIBUTION	REVENUE US$ million	PRODUCTION Mcts	AVERAGE PRICE PER CARAT US$
19%	18%	83.3 -32%	0.7 -7%	126 -28%

Cullinan's new C-Cut block cave commenced production in FY 2016 and will continue ramping up in FY 2017, delivering 1 Mt of undiluted ore.

Output

Production decreased 7% due to the decision taken to reduce ROM throughput during FY 2016 to focus on grade control.

Recoveries

Excluding Exceptional Diamonds, Cullinan's average value was down 9%, mainly reflecting the weaker market in FY 2016.

Efficiencies

The construction of the new plant at Cullinan progressed well and is expected to be fully operational by the end of FY 2017.

Responsibility

Cullinan replaced electrical geysers with heat pumps at its change houses, resulting in a circa 40–50% electricity saving in these areas.

Performance in FY 2016

Production at Cullinan decreased 7% to 680,813 carats (FY 2015: 729,496 carats) due to the decision taken to reduce ROM throughput during FY 2016 to focus on grade control.

The mitigating measures to manage the ROM grade at Cullinan as the mine transitions from the old mining areas to the new block cave yielded results in FY 2016, with a continued improvement in the ROM grade to 30.3 cpht achieved for H2 FY 2016 versus 25.7 cpht for H1 FY 2016.

Cullinan's revenue was down 32% to US$83.3 million for the Year (FY 2015: US$122.2 million) due to lower production and sales volumes, as well as the lower average value per carat. One Exceptional Diamond was recovered during the Year, being a 121 carat white stone which sold for US$6 million. The remarkable 24 carat Cullinan Dream, cut from a 122 carat blue stone recovered in June 2014, was also sold during the Year and Petra received US$5.2 million from its 15% share in the sales proceeds (after expenses).

Excluding Exceptional Diamonds and Petra's share in the Cullinan Dream, the average of US$109 per carat versus last year's US$119 mainly reflects the impact of weaker market conditions.

Costs

On-mine cash costs at Cullinan increased 67% to ZAR257/t (FY 2015: ZAR154/t) mainly due to the planned reduction in ROM tonnes treated as well as lower volumes of lower cost tailings tonnes treated during the Year.

Development plan

Cullinan contains a world-class diamond resource of 194.2 Mcts (including 17.3 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 circa 2.0 Mcts ROM and circa 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 131 Mcts in total) and will also involve a large tailings operation. Petra's current mine plan has a life to 2030, but the major residual resources at the mine indicate that the actual LOM could be in excess of 50 years.

The C-Cut Phase 1 project is progressing well and in line with expectations, with initial production having commenced towards the end of FY 2016. The C-Cut Phase 1 Block Cave production ramp up will continue during FY 2017 and is expected to contribute circa 1 Mt of FY 2017's planned ROM throughput of 2.8 Mt. The remainder of ROM tonnes will consist of pillar and reclamation mining of 1 Mt (providing access to largely undiluted areas) and old, diluted mining areas of 0.8 Mt. This increase in tonnage throughput of undiluted ore is expected to increase the ROM grade to 33–35 cpht in H1 FY 2017 and 42–44 cpht in H2 FY 2017, resulting in a planned average ROM grade of circa 39 cpht in FY 2017.

An additional US$16 million in Capex for FY 2017 has been earmarked for enlarging the C-Cut footprint, extending towards the eastern side of the orebody. This will enable the decommissioning of the older mining areas in the B-Cut during FY 2018 (two years earlier than previously planned), allowing for production to be focused on just two areas (as opposed to the current five areas). Cost savings associated with this simplified mining operation will enable the Company to counter ongoing inflationary pressures.

ROM grade is expected to increase further to circa 47 cpht by FY 2018 and to circa 50 cpht by FY 2019, when Cullinan's C-Cut Phase 1 Block Cave is in full production (yielding undiluted ore) and the new Cullinan Plant is in operation (providing improved diamond liberation). The plant configuration has been altered to utilise slotted screens resulting in an effective bottom cut of 1.1–1.2 mm (up from the previous 1.0 mm). This change has resulted in lower ROM grades being guided for FY 2018 and FY 2019 due to a reduction in the planned recovery of finer diamonds, while maintaining the average value per tonne at levels commensurate with previous guidance.

During FY 2017, circa 0.4 Mt of higher grade recovery tailings will be treated at a grade of circa 25 cpht. From FY 2018 onwards, tailings treatment is planned at circa 2.4 Mtpa at a grade of 7–8 cpht.

Capex

Capex of US$179.4 million was circa US$16 million above guidance mainly due to the acceleration of spend, scheduled for FY 2017, related to the new plant.

New Cullinan plant

The construction of the new Cullinan plant is progressing well and in line with expectations. The commissioning of the new plant is planned to commence during Q3 FY 2017 and is expected to be complete and fully operational during Q4 FY 2017.

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

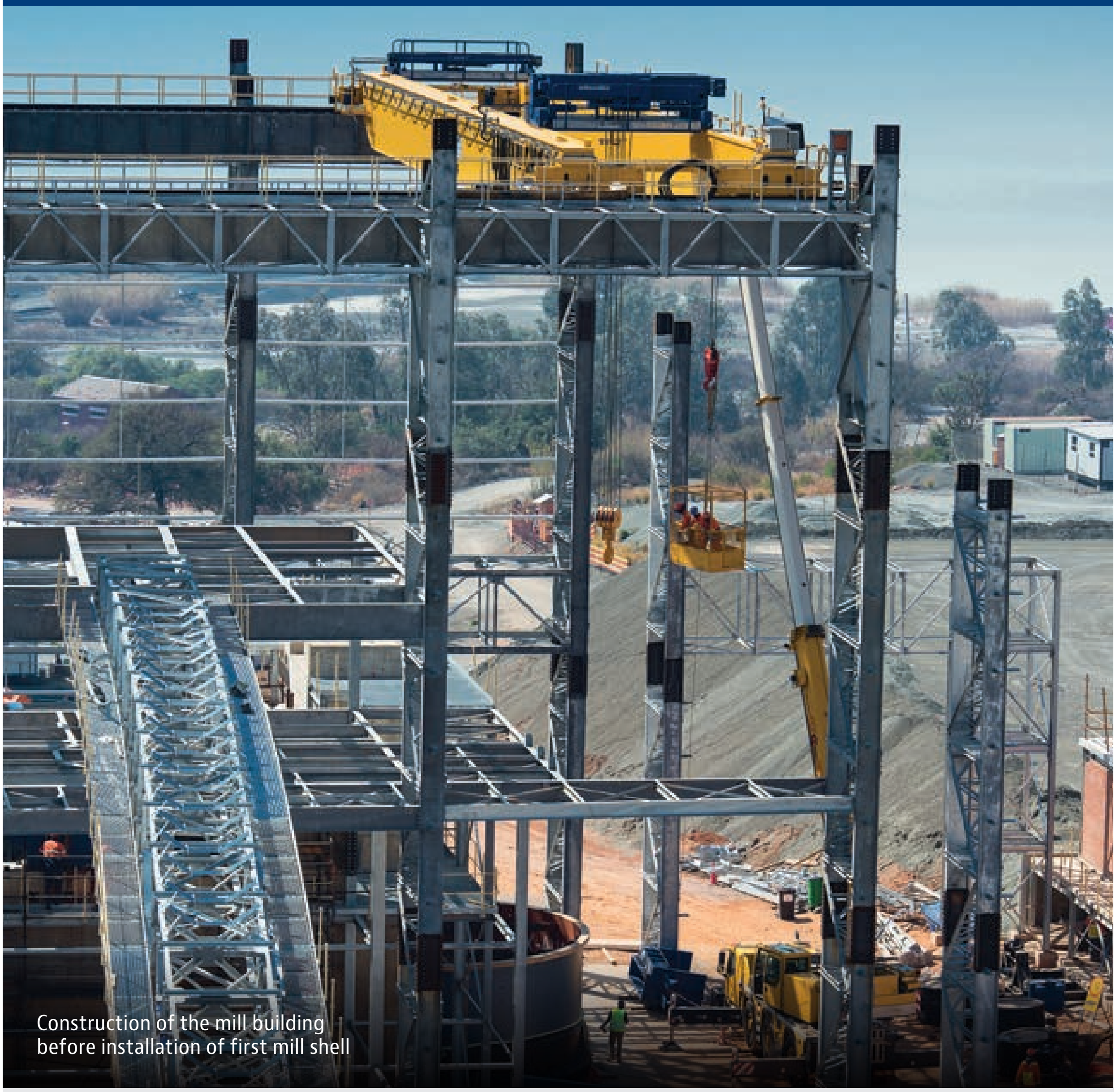
Encouraging grassroots learning in our communities

Following an in-depth needs assessment, Cullinan planned and recently completed a transformation of the Refilwe Early Learning Centre.

The work included a total renovation and decoration of the building and furniture, the equipment for a fully working kitchen and donation of required educational material, thereby ensuring a conducive learning environment for some of Refilwe's youngest learners.

Operational Review continued

The Cullinan plant makes excellent progress



Construction of the mill building before installation of first mill shell

The construction of a new plant at Cullinan is considered to be of major importance to the future sustainability of the operation. The key benefits offered by the new plant include increased diamond liberation and a gentler process to minimise breakage of larger stones, a saving of circa ZAR20-25 per tonne in processing costs, much more efficient use of energy, water and labour, and strong standalone economics, with a payback of circa three years and an IRR of 25% based on management's estimates and assumptions.

Excellent progress was made with regards to the construction of the new plant in FY 2016, with 81% of the project completed by the end of the Year and commissioning due in FY 2017. The project team, which consists of 690 people, also achieved our key safety milestone of one million hours lost time injury free post Year end in September 2016.

The civil works, including the two silos, are nearing completion, using a total of 22,042m^3 of concrete. In addition, 2,835 tons of structural steel have been erected to date, which represents 74% of the original design, while 54% of all process equipment has been installed, with the remaining equipment required already delivered to site.

The construction of the mill plant remains on schedule with the first mill shell already installed and the second mill shell to be installed shortly, while the Jaw Crusher and the High Pressure Grinding Roll Plants are both close to completion. The first 20MVA 88kv transformer was also installed, while the next two will arrive shortly. All electrical switchgear was delivered and placed within the substations, with final placements and the installation of cables progressing to schedule.

Finally, the x-ray machines, which are the highly efficient and hands-off method used for the final recovery of rough diamonds, are due to be completed on schedule.

Koffiefontein

REVENUE CONTRIBUTION	CARAT CONTRIBUTION	REVENUE US$ million	PRODUCTION Mcts	AVERAGE PRICE PER CARAT US$
6%	2%	25.7 +44%	0.06 +37%	462 +20%

Koffiefontein is a lower volume but very high value producer and is ramping up production at its new sub level cave.

Output
Production increased 37% as the SLC project commenced ramping up.

Recoveries
The average value per carat increased 20% further to a higher proportion of ROM versus tailings carats sold.

Efficiencies
Water efficiency measures reduced the mine's dependence on raw water from the local Kalkfontein dam.

Responsibility
Three local schools benefited from the My Maths Buddy teaching programme, in line with Petra's strategy to improve grassroots maths and science education in its communities.

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

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

Performance in FY 2016
Diamond production increased 37% to 62,190 carats (FY 2015: 45,384 carats), due to an increase in ROM tonnes treated as the SLC project commenced ramping up to its planned throughput of 1.1 Mtpa.

As the SLC was in the process of ramping up during Q4 FY 2016, the majority of production was sourced from the diluted 52 mL, resulting in grade underperformance. Grades are expected to increase to circa 8 cpht in FY 2017 and then on to steady state 8–9 cpht from FY 2018 onwards.

Revenue increased 44% to US$25.7 million (FY 2015: US$17.8 million) for the Year due to the higher proportion of ROM versus tailings carats sold, which command a higher average value per carat.

Costs
The marked increase in higher value, higher cost, underground production resulted in a 5% increase in the unit cash cost per total tonne treated to ZAR317/t (FY 2015: ZAR303/t). Unforeseen breakdowns and associated maintenance costs contributed to the increase in unit cost.

Development plan
Petra's expansion plan at Koffiefontein will increase production from 55,500 ctpa in FY 2016 to circa 95,000 ctpa by FY 2017 (underground only). Petra's current mine plan has a life to 2025, but the residual resources at the mine indicate that the actual LOM could be in excess of 20 years.

As at Finsch, the SLC mining method is being used at Koffiefontein, before putting in place a new block cave. The SLC will be mined over three levels from 560 mL to 600 mL. Production has now commenced on the 560 mL of the SLC.

The SLC will continue ramping up during FY 2017, with ROM throughput planned at 1.1 Mtpa at an average grade of circa 8 cpht for FY 2017.

Capex
Capex of US$27.5 million was circa US$6 million above guidance, mainly spent on the SLC capital programme.

Operational Review continued

Combined Kimberley Operations

REVENUE CONTRIBUTION	CARAT CONTRIBUTION	REVENUE US$ million	PRODUCTION Mcts	AVERAGE PRICE PER CARAT US$
13%	14%	57.7 n/a	0.5 n/a	132 n/a

The Combined Kimberley Operations incorporate Kimberley Underground and numerous tailings retreatment programmes.

Output

Kimberley Underground contributed 0.09 Mcts and the tailings programmes contributed 0.4 Mcts.

Recoveries

The lower average value for the Year reflects the high contribution of tailings carats.

Efficiencies

Petra plans to include a crushing circuit in the high volume Central Treatment Plant in order to treat ROM material.

Responsibility

Petra has effectively doubled its mine plan at Kimberley to circa 20 years, thereby contributing to the sustainability of the region's diamond mining industry.

Performance in FY 2016

In January 2016, Petra and its consortium partner Ekapa Mining completed the acquisition of the Kimberley Mines assets from De Beers in a jointly controlled operation. For the period 18 January 2016 to 30 June 2016 the parties further agreed to jointly operate their respective operations in Kimberley, being the Kimberley Underground mine, numerous tailings retreatment programmes around Kimberley and the Central Treatment Plant ("CTP") – referred to in this Report as the "Combined Kimberley Operations". This joint operation utilised a toll treatment arrangement, with a resultant attributable interest to Petra of 75.9% in the production from the Combined Kimberley Operations.

Petra's results for FY 2016 reflect Petra's 100% interest in Kimberley Underground until 17 January 2016 and Petra's attributable interest of 75.9% in the Combined Kimberley Operations from 18 January 2016 to 30 June 2016. The Combined Kimberley Operations resulted in Petra's attributable production increasing to 531,469 carats and revenue rising to US$57.7 million for the Year.

Post Year end, Petra and Ekapa Mining concluded a formal combination of their respective operations in Kimberley (effective 1 July 2016) into what is now known as the Kimberley Ekapa Mining Joint Venture ("KEM JV"). Petra has a 75.9% interest in the KEM JV but, due to the joint control provisions in the relevant agreements, its interest in Kimberley Underground will change from a subsidiary to a joint venture. Accordingly, the Consolidated Statement of Financial Position at 30 June 2016 recognises 24.1% of Kimberley Underground's assets and liabilities (being the share attributable to Ekapa) as being held for sale in anticipation of the establishment of the joint venture, and from 1 July 2016 Petra will account for its 75.9% interest in the assets, liabilities, revenues and costs of KEM JV.

Costs

The on-mine cash cost decreased to ZAR140/t (FY 2015: ZAR264/t), due to the higher volume and proportion of lower cost tailings tonnes treated during the Year, following the acquisition of Kimberley Mines.

Development plan (stated in 100% terms; Petra to record at 75.9%)

The combined operations will yield synergies leading to cost savings in overheads, processing and hauling costs, and will allow for a mine plan to 2035 (previously Petra's Kimberley Underground operation only had a mine plan to 2026).

FY 2017 underground production is planned at circa 1.2 Mt ROM at a grade of circa 16 cpht. The aforementioned synergies will allow for increased longer-term production levels at Kimberley Underground, with ROM tonnages planned to reach steady state of circa 1.6 Mtpa from FY 2019 onwards. Petra has therefore assigned additional Capex of US$25 million in FY 2017 to underground development and shaft upgrades in order to achieve these higher production levels. This Capex will be self-funded by KEM JV's free cashflow.

FY 2017 tailings treatment is planned at circa 8.6 Mt at an average grade of 9–10 cpht, with 5.5 Mt to be processed through the CTP and 3.1 Mt through existing tailings treatment facilities contributed by KEM JV.

Petra and its joint venture partner will spend circa US$5 million on enhancements to the CTP plant in FY 2017 in order to increase throughput from circa 6 Mtpa to 8.5–9.0 Mtpa, as well as introducing a crushing circuit in order to treat ROM material. The existing plants at Kimberley Underground, Joint Shaft Plant and Wesselton Plant, which are together capable of processing circa 1.1 Mt, are currently being decommissioned, with the plan for all Kimberley Underground ore to be processed through the CTP from Q2 FY 2017 onwards.

The KEM JV business plan envisages a combined steady state throughput of circa 8.5–9 Mtpa (circa 1.6 Mtpa ROM and 7.2 Mtpa tailings) from FY 2019 onwards.

Capex

Capex of US$16.8 million was circa US$7 million above guidance, mainly due to the initial capital spent on projects relating to the Combined Kimberley Operations.

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

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

Petra supports the NOCCI Business Expo

Petra participates annually in the Northern Cape's Chamber of Commerce (NOCCI) Business Expo in Kimberley. At the 2016 event, Petra partnered with the Department of Education in South Africa to include senior learners from local schools in the Expo, thereby helping to expose these students to a wide range of career opportunities.

The Expo also provided Petra with the opportunity to educate and engage with the local community about the newly combined Kimberley operations, the plans for the future, and how these will be of benefit to the local region.

As well as taking stalls inside for Company use, Petra also sponsored three outside stalls which were made available for use by the Ikageng Workshop for People with Physical Disabilities (an initiative supported by Petra), Hunger and Thirst (an NGO that focuses on coaching and inspiring children), and a painted woodcut artist who is supported by the Enterprise Development Resource Centre.

Operational Review continued

Williamson

REVENUE CONTRIBUTION	CARAT CONTRIBUTION	REVENUE US$ million	PRODUCTION Mcts	AVERAGE PRICE PER CARAT US$
18%	6%	78.9 +27%	0.2 +5%	384 +29%

Williamson made an excellent contribution to Group revenue in FY 2016, particularly due to the sale of two exceptional pink diamonds.

Output
Production increased 5% due to higher ROM and alluvial grades and throughput.

Recoveries
Williamson achieved a high average value per carat, buoyed by the sale of two exceptional pink diamonds.

Efficiencies
Important plant modifications included the installation of the new crusher and classification circuit, as well as two AG mills and association infrastructure.

Responsibility
Williamson donated over 1,000 desks to Kishapu District Council to assist with Tanzania's drive to provide adequate desks to all students.

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

More detail online
petradiamonds.com/our-operations/operating-mines/williamson

Performance in FY 2016
Williamson performed well for the Year, with production increasing 5% in FY 2016 to 212,869 carats (FY 2015: 202,265 carats), mainly due to an increase in both the ROM and alluvial grades achieved.

Revenue increased 27% to US$78.9 million (FY 2015: US$62.1 million) due to the higher average price per carat of US$384 in FY 2016 (FY 2015: US$298). This higher average was mainly assisted by the recovery and sale of two exceptional pink diamonds in FY 2016, which together generated revenue of US$25.1 million.

Costs
The on-mine cash cost of US$11/t (FY 2015: US$12/t) was in line with expectations.

Development plan
Petra's expansion plan at Williamson will see tonnage throughput ramp up to circa 5 Mtpa from FY 2018, which at a grade of circa 7 cpht is expected to deliver circa 350,000 ctpa. Petra's current mine plan for Williamson has a life extending to 2033, but given that the Mwadui kimberlite hosts a major resource of 40.4 Mcts, there is potential to extend the LOM considerably.

ROM throughput is planned at 4.6 Mt at a grade of circa 6 cpht during FY 2017, in line with previous guidance, as the enhancements being made to the plant (introduction of an additional crusher circuit and two autogenous mills) are expected to come into effect during FY 2017.

Throughput is expected to increase to circa 5 Mtpa by FY 2018 at a grade of circa 7 cpht, resulting in a 7–10% increase in revenue per tonne compared to the FY 2017 guided level of 6 cpht.

Capex
Capex of US$24.4 million for the Year (FY 2015: US$16.2 million) exceeded guidance of circa US$20 million, mainly due to additional waste stripping costs incurred.

Exploration

The bulk sample plant at KX36 in Botswana, which was constructed, transported, installed and commissioned by Petra's Helam Projects team

Petra continues to search for new economic kimberlites in Botswana and South Africa.

FY 2016 saw a shift to a more focused, strategic exploration approach. This was reflected in the Company's exploration spend (excluding depreciation) decreasing from US$5.6 million in FY 2015 to US$2.7 million in FY 2016 and a budgeted spend of circa US$1 million for FY 2017.

Botswana

In Botswana, Petra's focus remains the evaluation of the KX36 deposit. Further to the work carried out in H1 FY 2016, the KX36 Resource is now classified at an Indicated level of confidence to a depth of 320 metres and an Inferred level of confidence to a depth of 516 metres below surface. The grade and density estimates were used to calculate the FY 2016 resource figures.

The Indicated Resource Estimate is 6.3 Mcts contained in 17.9 Mt at an average of 35 cpht, while the Inferred Resource Estimate is 2.4 Mct contained in 6.8 Mt at an average grade of 36 cpht. This gives a total of 8.7 Mct contained in 24.7 Mt, at an average grade of 35 cpht.

The size frequency distribution models are significantly finer compared to results for FY 2015 due to an increase in recoveries of diamonds smaller than 7 DTC sieve size further to an improved crushing circuit in the sample plant.

Having gathered all the relative information on KX36, desktop compilation and interpretation of the data is being undertaken so as to produce a pre-feasibility report for this kimberlite.

Petra also holds four contiguous prospecting licences that constitute the Orapa South West Project Area, where it is following up a number of prospective anomalies.

South Africa

In South Africa, Petra's focus is the investigation of the Reivilo kimberlite, which is situated approximately 110 kilometres north-east of the Finsch mine.

Ground follow-up of the low level aeromagnetic survey revealed three separate bodies, the largest of which has a geophysically estimated size of 3.1 hectares, and two smaller bodies with geophysically estimated sizes of 1.7 and 0.9 hectares, with a resultant aggregate size of 5.7 hectares. Geological mapping revealed three sub-cropping bodies with partial calcrete cover, from which soil samples were taken of the two larger bodies. All three kimberlites occur within a cluster defined by a 250 metre radius, with subsequent laboratory samples suggesting these are probably Group II kimberlites.

Electron micro-probe results of the indicator mineral grains from the abovementioned samples revealed an abundance of diamond stability field G10 garnets, as well as an abundance of diamond stability field high sodium eclogitic paragenesis garnets. In addition to the above, the peridotitic paragenesis garnets indicate temperatures of formation well within that required for the formation of diamond. Thus these initial kimberlitic indicator minerals results are highly encouraging.

A drilling programme is now planned for FY 2017 in order to obtain primary kimberlite material for micro diamond testing, so as to establish diamond total content for use in grade estimation on total content curves, as well as petrographic studies. The drilling programme will be designed to more accurately determine the size of the bodies as well as the depth of weathering.

Risks Overview

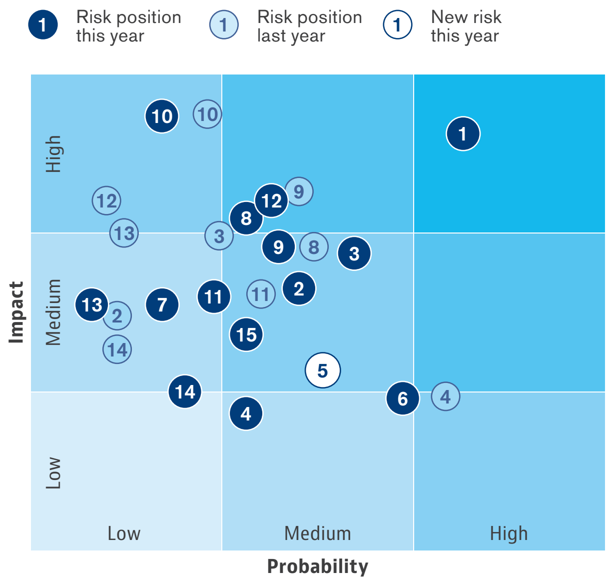
Principal risks and uncertainties

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 strategy and objectives 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 of the specialist worlds of diamond mining and exploration, health and safety, finance, corporate governance and risk management, as well as in-depth knowledge of the local operating conditions in South Africa, Tanzania and Botswana and the regulatory environments of all of the countries in which Petra operates or has a corporate presence.

Petra is continually strengthening its risk management processes. In FY 2016, the Company's operational management and Internal Audit teams met to review and debate the Group's principal risks, thereby ensuring that Group risks identified were also in line with the risks listed on the Group's internal risk registers. The only new material Group risk to be identified was 'access to water', further to the extreme drought conditions experienced in South Africa in FY 2016 and acknowledging the future effect that climate change may have on Petra's countries of operation. Post Year end, the tabulation of the principal risks, as listed to the right, was reviewed by the Audit Committee and subsequently approved by the Board. The Group's geographically diversified portfolio has a positive impact on managing the principal, operational, strategic and HSSE risks

Given the long-term nature of the mining business, particularly taking into account the long life of Petra's assets, the majority of the Group's previously identified 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.



1. Diamond price
2. Currency
3. Country and political
4. Access to energy
5. Access to water
6. Synthetic diamonds
7. Safety
8. Mining and production
9. ROM grade and product mix volatility
10. Expansion and project delivery
11. Labour relations
12. Financing
13. Cost control and capital discipline
14. Retention of key personnel
15. Licence to operate

Risk management framework

Top-down
Define risk appetite; identify, assess and mitigate risk at corporate level

Board
Overall responsibility for the effectiveness of the Group's risk management and internal control and financial control systems

Executive Committee and top-level Senior Management
Manages risks on a day-to-day basis
Monitors and manages risk management processes and internal controls

Audit Committee
Supports the Board in considering risk management and internal controls
Reviews the effectiveness of risk management and internal control systems
Via Internal Audit, actively considers the Group's internal control systems

Internal Audit
Supports the Audit Committee in reviewing the effectiveness of risk management, internal control systems and internal financial controls

Remuneration Committee
Ensures that the Company's remuneration strategy and structure supports the consideration and management of risks and is aligned to the Company's overall strategy

HSSE Committee
Provides assurance to the Board that appropriate systems are in place to identify and manage health, safety, social and environmental risks

Senior and Middle Management
Accountable to the Executive Committee and the Board for the design, implementation and operation of risk management processes and systems
Consistent application of the Company's internal systems and internal financial controls
Risk awareness and safety culture ingrained throughout the business

Bottom-up
Identify, monitor, report and mitigate risk at operational level

Principal risks

The risks listed below were identified as the Group's principal external, operational, strategic and HSSE risks (in no order of priority). A detailed review of the Group's principal risks and risk management for the Year can be found on pages 74 to 81.

Risk	Risk appetite	Risk rating	Nature of risk	Change in FY 2016
External risks				
Diamond price	High	High	Long-term	No change – further to the correction in diamond prices in FY 2015 and early FY 2016, the market has stabilised and is now on a relatively firm footing.
Currency	High	Medium	Long-term	Higher – an uncertain macro-economic climate and the potential downgrade of South Africa's investment rating contributed to significant ZAR:USD volatility.
Country and political	High	Medium	Long-term	Higher – high profile political activity in South Africa has further increased regulatory uncertainty.
Access to energy	Medium	Medium	Long-term	Lower – the power constraints previously experienced in South Africa improved in FY 2016.
Access to water	Medium	Medium	Long-term	New risk – South Africa experienced the worst drought in 30 years in FY 2016. Prolonged drought conditions may have an adverse impact on Petra's operations.
Synthetic diamonds	High	Low	Long-term	No change – synthetic diamond production techniques continue to advance, but natural diamonds are expected to remain the premium product.
Operational risks				
Safety	Low	Medium	Long-term	No change – our safety performance generally remained stable in FY 2016; however, Petra unfortunately experienced a fatal accident at Cullinan during the Year.
Mining and production	Medium	Medium	Long-term	No change – it remained a challenging year operationally due to the heavy reliance on the mature/diluted mining blocks at Finsch and Cullinan.
ROM grade and product mix volatility	Medium	Medium	Short-term	Lower – volatility continued but Petra realised improvements in the ROM grade and product mix at Finsch and Cullinan.
Expansion and project delivery	Medium	Medium	Medium-term	Lower – Petra's expansion plans remain materially on schedule and are at an increasingly advanced stage of delivery.
Labour relations	Medium	Medium	Short to medium-term	No change – Petra continued to experience stable labour relations during the Year.
Strategic risks				
Financing	Medium	Medium	Medium-term	Higher – A waiver to Petra's debt facility covenants was required during the Year. However, Petra agreed revisions to its covenants in June 2016 and the Company remains fully financed to completion of its expansion programmes.
Cost control and capital discipline	Medium	Medium	Long-term	Lower – Operating costs and corporate overheads remained well controlled. Petra has a higher level of certainty in terms of remaining Capex due to advanced nature of expansion programmes.
Retention of key personnel	Medium	Medium	Long-term	No change – Petra's approach to retention has proven successful throughout the duration of the expansion programmes.
Licence to operate	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

Sustainability is at the heart of Petra

Our mission is to unearth the world's most beautiful product as responsibly and efficiently as possible. In doing so, we will contribute to the sustainability of our industry and deliver long-term value to each of our stakeholders.

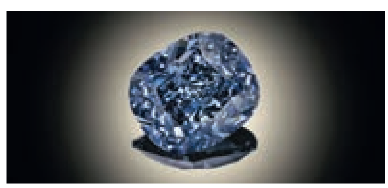
Defining our Material Issues
Page 46

Health and Safety
Page 47

Our People
Page 48

Protecting the Environment
Page 49

Enhancing our Communities
Page 50



Ethics
Page 51

Our strategy is to invest our resources in our mines, including the capital required to extend their lives, and the expertise required to optimise the assets, with the aim of growing their operating margins over time and developing each mine according to strict ethical guidelines and standards. More information can be accessed in Petra's annual Sustainability Report at www.petradiamonds.com.

Managing Sustainability

Mining is inherently a long-term business and it is essential to put in place the right actions today which will benefit the future of a project, rather than focusing on short-term outcomes. This is an approach that Petra follows across all aspects of the business, from our operational planning to how we structure our environmental and social management, in alignment with the mine plan and potential mine life of each asset.

Sustainability objectives exist across our operations and specific indicators are used to monitor and assess performance against targets on a mine by mine basis, as well as at Group level. A robust system of reporting on these indicators is in place, with information flowing from the Health, Safety and Environmental Committees at mine level to the Group HSE Operational Steering Committee and then to the Board, via the HSSE Committee.

Our approach to managing HSSE matters is reinforced through the Group HSSE Management Framework and mine level policies and strategies, as well as internationally recognised standards such as OHSAS 18001 (health and safety), ISO 14001 (environment) and ISO 31000 (risk).

Sustainability continued

Defining our Material Issues

Petra defines a material issue as an issue that could significantly impact the delivery of the Company's strategy and future performance.

While communication with our stakeholders and engagement about matters important to them is an ongoing part of our daily business, in FY 2016 Petra carried out a formal stakeholder engagement process to confirm the Group's material sustainability issues.

This process involved canvassing both internal (the Petra Board, Senior Management and employees) and external (top ten shareholders, mining analysts, contractors, suppliers, local communities) stakeholders. An independent consultancy was engaged in order to ensure an impartial and transparent process, as well as to encourage honest and frank feedback.

The following were identified as Petra's top material sustainability issues in FY 2016:

- Occupational Health and Safety
- Consumer Perceptions of Mined Diamonds
- Labour Relations
- Political Risk
- Corporate Governance
- Legal Compliance
- Environmental Management
- Stakeholder Engagement & Community Development
- Employee Retention & Development
- Diversity

Inclusion in the FTSE4Good Index

In January 2016, Petra was confirmed as a constituent of the FTSE4Good Index for the first time.

The FTSE4Good Index is designed to identify and then compare companies demonstrating strong ESG practices and it is useful to investors as a benchmark index to track the performance of responsible investment portfolios.

This achievement is testament to the great emphasis that Petra places on continual improvement of its ESG management and performance, as well as our commitment to transparency and appropriate levels of disclosure.

FTSE4Good

Health and Safety

Achievements:

- All underground mines maintained OHSAS 18001 certification
- Group LTIFR has improved by 43% since FY 2013 and remained stable in FY 2016
- Standardisation of processes across the Group has resulted in improved occupational health reporting, enabling earlier identification of potential exposures to hazards
- Post-Year end Finsch mine achieved 3 million fatality free shifts on 29 July 2016

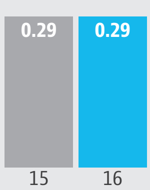
Challenges:

- Significant increase in man hours worked, equating to an additional 3.3 million risk work hours during FY 2016, due to a marked increase in activities related to the current stages of the expansion projects
- Workforce safety maturity – varying levels of safety awareness occasionally lead to non-adherence to safety controls, policies and procedures

Performance KPIs:

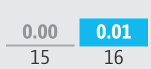
LOST TIME INJURY FREQUENCY RATE

0.29



FATAL INJURY FREQUENCY RATE

0.01



The health and safety of all Petra people, including employees, contractor and stakeholders, is our top priority and we are relentlessly striving for a zero harm workplace.

While Petra's mining method and operations are inherently safe, accidents can happen. For this reason, Petra aims to have a deeply-ingrained safety culture, backed up by effective systems and processes, with managers through all levels of the business leading by example.

A risk-based management approach is followed throughout the Group, which entails continual hazard identification, risk assessment and instilling awareness into the workplace culture. Our significant top safety risks relate to moving or mobile machinery, fall of ground, supported and suspended loads, isolation/lock-out, uncontrolled detonation of explosives and electrocution.

The root causes of accidents remain breaches in safety rules, inadequate risk assessment, sub-standard front line supervision and non-conformance with safe work procedures. The remedial process is focused on retraining, improving first line supervision and enforcement of existing controls. The essence of leading from the front is essential to influence activities and to change behaviour.

In addition to minimising health and safety risks related to the workplace, we also want to support our people to lead healthy lifestyles, given the immeasurable benefits that employee wellbeing brings to both company and the individual. The main lifestyle diseases impacting our workforce are hypertension, diabetes and obesity, HIV/AIDS and tuberculosis. Petra therefore has wellness campaigns, testing and treatment initiatives in place to combat each of these issues.

Petra maintained its LTIFR of 0.29 in FY 2016, which is a good achievement in light of the high level of activity surrounding the many expansion projects currently underway, as well as in comparison to industry norms, particularly for underground operations.

However, it is with deep regret that Petra experienced a fatality in July 2015 at the Tailings Treatment Plant at Cullinan, which was equipment related and happened whilst maintenance work was being conducted. Post Year end, Petra also experienced a fatality at Williamson in August 2016, related to work on an overhead power line. One fatality is one too many and the Company is highly focused on applying the lessons learned from these incidents to ensure that such accidents can be prevented in the future.

Sustainability continued

Our People

Achievements:

- Extensive education, training and development programmes continued
- Materially stable labour relations throughout the Year
- Restructuring of our Group and BEE holding structures in South Africa to allow for the IPDET to hold a consistent 12% interest in each operation, effective 1 July 2016
- Management development programmes embedded in our education and development pipeline

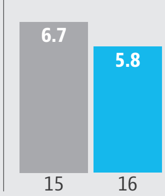
Challenges:

- Labour relations, relating to concerns around the restructuring of Petra's Kimberley operations further to the Kimberley Mines acquisition
- The employment of women in the mining industry continues to pose inherent challenges
- The challenges facing education in South Africa mean that a small portion of our workforce is not literate

Performance KPIs:

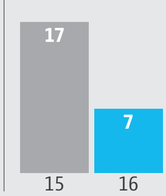
TRAINING SPEND
US$ million

5.8



STAFF TURNOVER
%

7



We recognise our people as our greatest asset. To deliver on our ambitious growth plans, we require a skilled and engaged workforce, pulling together as a team to achieve our shared vision. Petra therefore has a wide range of personal development programmes in place in order to develop our people.

Our 'can-do' company culture, whereby employees are empowered and accountable for their actions, also plays a key part in staff retention.

Acknowledging how vital our people are to the Company's future success, we place great emphasis on training and personal development, in order to assist employees to achieve their full potential. During the Year our South African training expenditure rose 4% in ZAR terms, but overall Group decreased 13% in US$ terms due to the weaker ZAR exchange rate. Our programmes include, amongst others, Adult Basic Education and Training ("ABET"), in-house safety and technical training, portable skills training, a range of management development programmes focused on developing leaders within the business, and bursaries and internships to advance the next generation of talent.

The number of permanent employees increased from 4,667 in FY 2015 to 5,005 in FY 2016, mainly due to the Kimberley Mines transaction. Excluding the exceptional impact of retrenchments related to putting the Helam fissure mine on care and maintenance in FY 2015 (which saw overall Group staff turnover at 17% last year), it was encouraging that our staff turnover rate improved from 9% to 7% in FY 2016.

With regards to labour relations, Petra is in a better position than some other South African mining companies due to the fact that its mines are highly mechanised and therefore less labour intensive. However we maintain a high level of focus on this area and place great emphasis on proactive employee and union communications.

The finalisation of the restructuring of Group and BEE holding structures post Year end is considered a positive for Petra's labour relations strategy, as it has allowed for the IPDET to hold a consistent 12% interest in each of our South African operations. Beneficiaries of the IPDET received their second annual distribution in FY 2016 and the outlook for future distributions is enhanced by the new IPDET holding structures. Petra maintained materially stable labour relations throughout FY 2016.

Protecting the Environment

Achievements:

- Water and energy consumption per tonne treated improved by 11% and 2% respectively compared to FY 2015
- Carbon emissions improved further to 0.17 tCO_2-e per carat
- Petra continued to focus on energy saving initiatives across all the operations
- Petra shortlisted by CDP for 'Best year on year change in performance' for FTSE 350 companies

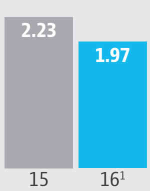
Challenges:

- South Africa experienced the worst drought in 30 years, which exposed communities around Koffiefontein and Kimberley to water restrictions
- Carbon Tax implementation for South Africa scheduled for 2017

Performance KPIs:

WATER USAGE
m^3/t

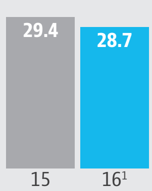
1.97



Total water usage in FY 2016: 40,179,468m^3 (FY 2015: 39,442,203m^3)

ENERGY USAGE
kWh/t

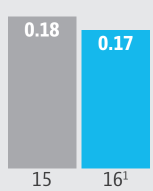
28.7



Total energy usage in FY 2016: 585,142,068 (FY 2015: 520,177,092)

CARBON EMISSIONS
tCO_2-e/ct

0.17



Total carbon emissions in FY 2016: 654,589 tCO_2-e (FY 2015: 578,073 tCO_2-e)

1. All numbers stated gross, including those attributable to our joint venture partner at the Combined Kimberley Operations.

We conduct our operations in an environmentally sustainable manner by using resources responsibly, protecting and restoring the environments where we operate and mitigating the impacts of our operations.

Petra is committed to meeting, or where possible exceeding, international best practice in environmental management. This applies throughout the lifecycle of a project, from exploration and development, through to mining and eventually closure.

The main environmental risks to our operations continue to be unsustainable energy consumption and the impact of climate change, in particular affecting the availability of water. In order to manage these risks and our environmental impacts, we monitor our performance in the following areas: resource consumption, energy consumption, carbon emissions, waste management, biodiversity and land management and rehabilitation and closure procedures.

In FY 2016, the Petra Group and its joint venture partners consumed 12% more energy and our carbon emissions rose by an equivalent amount, further to the many development projects underway, as well as the new production from the enlarged Kimberley operations. However, this is considered a good achievement bearing in mind gross tonnage throughput increased 15%, while our gross carat production increased 21% (including production attributable to our joint venture partners). This result can be attributed to the many energy savings initiatives that are underway at our operations. The Company is also targeting a declining energy trend in the years to come due to the energy efficiency priorities that have been designed into our expansion programmes.

We recognise the growing importance of climate change, both to our Company and to our stakeholders and our carbon reduction strategy is focused on the following goals: increase economic viability through energy efficiency, improve the security of energy supply by decreasing dependence on non-renewable energy, invest in the development of biophysical carbon sequestration strategies and improve stakeholder awareness and education in order to promote environmental sustainability. Further information on Petra's climate change strategy and GHG emissions reporting is released annually in the Company's Sustainability Report, available at www.petradiamonds.com/sustainability.

Sustainability continued

Enhancing our Communities

Achievements:

- Continued optimisation of our stakeholder engagement processes
- Formalisation of the Petra Foundation to contribute to the social upliftment of our communities
- The establishment of Enterprise Development Resource Centres at all our South African operations

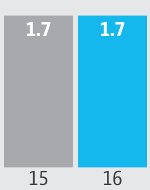
Challenges:

- Implementation of consistent stakeholder engagement across the Group
- Managing community expectations, particularly with regards to service delivery
- Delays in finalising some of our SLPs in South Africa impacts the commencement of certain local economic development projects

Performance KPIs:

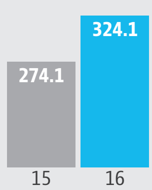
SOCIAL SPEND
US$ million

1.7



CAPITAL INVESTMENT
US$ million

324.1



Maintaining supportive relationships and playing a positive role in our local communities is vital to the sustainable success of our operations. Our mines are typically located in remote areas where there are limited employment opportunities and as such are vitally important to the current and future prosperity of their local communities.

Given the importance we attach to our local host communities, developing and maintaining positive relationships with them remains a priority for Petra. In line with our mission, which is to unlock value for all our stakeholders, our involvement in community development aims to contribute to alleviating the most critical needs in our local communities and to create life-changing opportunities for community members.

Our approach to corporate social investment is developmental in nature, hence we believe in long-term investment in projects which will have a lasting positive impact and which will address the socio-economic needs of the communities in which we operate. This is particularly evident in our focus on skills development in order to build the scarce skills capacity required to grow the economy and create mass employment.

Our mines believe in building an educational pipeline by assisting local schools with support in maths and science and the provision of scholarships. Further opportunities are provided through the bursary scheme, the graduate development programme, the provision of practical experience through our experiential training programme and the recently launched Young Graduate Work Experience Programme, which aims to give unemployed local graduates valuable work experience for one year.

In addition to the formally committed expenditure, as set out in our Social and Labour Plans ("SLPs") in South Africa, Petra designates further discretionary social expenditure to enhance our communities. Our total social spend in FY 2016 remained flat at circa US$1.7 million however in ZAR terms the South African spend rose 19% to ZAR19.6 million due to the timing and scheduling of SLP expenditure in South Africa, as well as and improved planning and implementation of projects.

Petra's aim is to go 'beyond compliance' in order to more fully address the needs of its local communities. The Petra Foundation was therefore established to coordinate and integrate our discretionary social expenditure, in addition to our mandatory requirements. The Petra Foundation received its registration as a non-profit organisation during the latter half of FY 2016.

Ethics

Business Ethics

We are 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.

It is therefore our duty to ensure that every aspect of our business is run in keeping with the high value placed upon our product. As such, we monitor and manage each step in the diamond production process to the highest ethical standards and in accordance with our Values: from exploration and mining, through to processing, sorting and finally marketing and sale.

We will only operate in countries which are members of the Kimberley Process and will never sell diamonds mined from unknown sources, thereby providing assurance that 100% of our production is certified as 'conflict-free'.

We are aware that the positive reputation Petra has developed is an asset which plays an important role in the ongoing success of the Company. Our commitment to ethical behaviour is clearly set out in the Group's Code of Ethical Conduct and the Group Anti-Bribery Policy, which can be found on our website at: https://www.petradiamonds.com/about-us/corporate-governance/business-ethics/.

Protecting Human Rights

Petra is fully committed to upholding the human rights of all of its stakeholders, and as such has a policy of fair dealing and integrity in place in terms of the conduct of its business. The Company therefore complies with and supports the UN Universal Declaration of Human Rights as well as all legislation pertaining to human rights in the countries where it operates.

While human rights is not considered to be a material risk to Petra's business, given that our operations are located in stable, constitutional democracies and given the robust internal systems we have in place, it was felt appropriate to put in place a Petra Group policy publicly stating our commitment to upholding human rights. The new Human Rights Policy was approved in September 2016 and subsequently published on our website at: www.petradiamonds.com/sustainability/human-rights.

Petra has aligned its principles with the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. This means we have zero tolerance for child labour, forced labour or discrimination, and we respect the right of our workers to form unions. We are pleased to report that there is no risk of child labour or forced labour taking place at any of Petra's operations, due to our rigorous recruitment and pre-employment vetting process.

We also do not consider there to be a risk of slavery or human trafficking with regards to our operations or supply chain, due to our due diligence processes with regards to our supply chain management. Petra will publish an annual statement to this effect, in accordance with the requirements of the UK's Modern Slavery Act, by calendar year end.

Encouraging Diversity

Petra recognises the benefits of a diverse workforce and actively encourages women at all levels of the business. We therefore strive to advance workplace equality through preferential recruitment and the development of women in our workforce. In FY 2016, the total percentage of women employed by the Group increased slightly from 17% to 18%.

However Petra recognises there is much more to be done and therefore has a number of initiatives which focus on developing women within the Group. The Company's Leadership Development Programme has since its inception focused on the advancement of women and 28% of the candidates currently on the programme are female. Furthermore, 43% of the Company's interns are women, while 57% of the Company's scholarship positions are filled by girls from local schools.

Further to the establishment of a Group Women in Mining ("WIM") Committee in FY 2015, during FY 2016 mine-level WIM Committees were established at each operation. The WIM Committees are tasked with reviewing Company policies and procedures, with the goal of attracting and retaining female representation in the Group, as well as providing input and recommendations to management on issues relating to women. During the Year, a WIM policy standard was implemented, as well as a new training module covering topics specific to WIM.

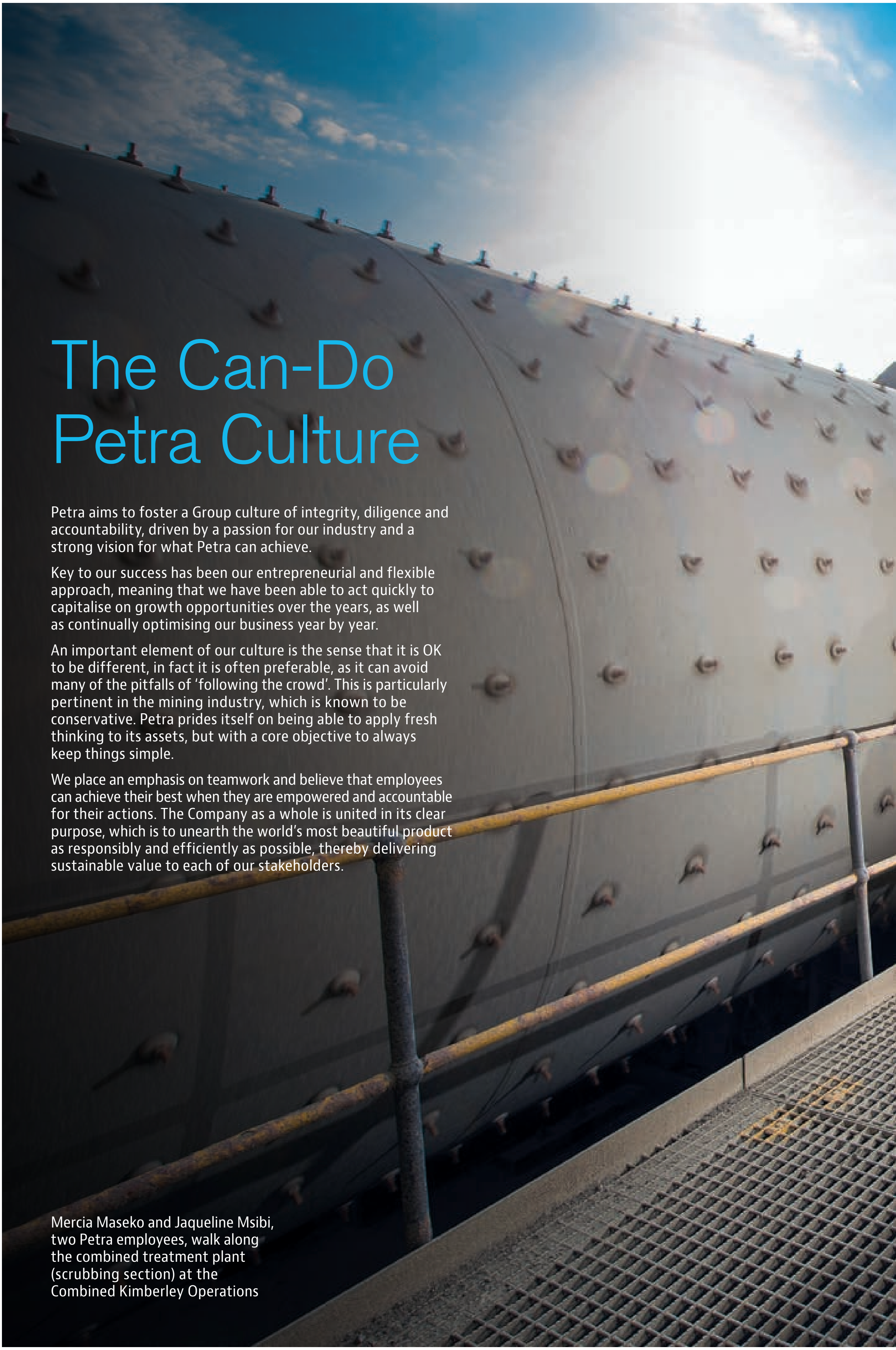
The Can-Do Petra Culture

Petra aims to foster a Group culture of integrity, diligence and accountability, driven by a passion for our industry and a strong vision for what Petra can achieve.

Key to our success has been our entrepreneurial and flexible approach, meaning that we have been able to act quickly to capitalise on growth opportunities over the years, as well as continually optimising our business year by year.

An important element of our culture is the sense that it is OK to be different, in fact it is often preferable, as it can avoid many of the pitfalls of 'following the crowd'. This is particularly pertinent in the mining industry, which is known to be conservative. Petra prides itself on being able to apply fresh thinking to its assets, but with a core objective to always keep things simple.

We place an emphasis on teamwork and believe that employees can achieve their best when they are empowered and accountable for their actions. The Company as a whole is united in its clear purpose, which is to unearth the world's most beautiful product as responsibly and efficiently as possible, thereby delivering sustainable value to each of our stakeholders.



Mercia Maseko and Jaqueline Msibi, two Petra employees, walk along the combined treatment plant (scrubbing section) at the Combined Kimberley Operations

Corporate Governance

Chairman's Introduction to Governance

Dear shareholder,

It is my pleasure to introduce Petra's 2016 Governance Statement, which sets out how governance is structured and applied within the Group, starting from the highest governing body.

Effective corporate governance is the backbone of Petra and enables each part of the business to operate efficiently, successfully and sustainably. Our strategy is to continue to ensure the highest governance standards appropriate to the Group, commensurate with Petra's ever increasing size and stature. This requires an approach of continual improvement, in line with best practice, as well as evolving corporate governance regulations in our relevant jurisdictions.

FY 2016 continued to see further progression and I have highlighted key achievements below.

Corporate culture

There has rightly been considerable focus on the importance of corporate culture this year, culminating in the publication of the UK's Financial Reporting Council's ("FRC") study 'corporate culture and the role of boards'. We see Petra's culture as one of the Company's key competitive strengths and protecting and nurturing it is important, particularly in light of how fast Petra has grown and is forecast to continue to grow.

As Chairman, my goal is to help set the culture for the Group and our Board is responsible for leading from the top, in terms of the behaviour and attitude that is expected of our employees. The emphasis is therefore on acting with integrity and accountability at all times, working as a team and taking decisions with their long-term impact in mind. Petra has, since inception, been a company where independent, entrepreneurial thinking is encouraged and rewarded. The ability to be flexible and to make decisions appropriate to the situation is a large factor in Petra's growth story. There is an ethos of integrity, courage, creativity and community which is the life blood of our organisation. We have decided to look at culture in more detail as one of our Board objectives in FY 2017.

Board of Directors

Audit Committee	Remuneration Committee	Nomination Committee	HSSE Committee
The Audit Committee is responsible for overseeing the Group's financial reporting, internal and external audit, internal control and risk management systems, and compliance, whistleblowing and fraud policies	The Remuneration Committee is responsible for advising the Board on the remuneration of Executive Directors and setting an overall policy for remunerating the Group's employees	The Nomination Committee leads the process for Board appointments and re-election and succession of the Directors and the Chairman	The HSSE Committee, whilst not a formally constituted Board Committee, is chaired by Mr Dippenaar. It is responsible for the health, safety, social and environmental policy and compliance within the Group
Gordon Hamilton Chairman	**Gordon Hamilton** Chairman	**Adonis Pouroulis** Chairman	**Johan Dippenaar** Chairman
Tony Lowrie	**Tony Lowrie**	**Gordon Hamilton**	**Members of Senior Management**
Pat Bartlett	**Pat Bartlett**	**Tony Lowrie**	
Octavia Matloa		**Pat Bartlett**	

Board strategy and performance

The Board made good progress with its objectives for FY 2016, as set out on page 61. The annual Board evaluation procedure was an internal review this year, with an externally facilitated review planned for FY 2017. This year's review provided the forum for constructive feedback on the Board's culture, performance and process, with certain areas for improvement highlighted. Read more on page 61.

Board composition

Further to the departure of David Abery at the end of FY 2016, Petra's Board now consists of two Executive Directors, four Independent Non-Executive Directors and me, as Non-Executive Chairman. The make-up of our Board is reviewed on a regular basis to ensure that the appropriate combination of experience and expertise is available. While we believe the current skills, experience and diversity of our Board is appropriate, the Nomination Committee will continue to evaluate its composition, with a particular focus on diversity.

Two important Senior Management appointments were made, effective 1 July 2016, being the promotion of Jacques Breytenbach to Chief Financial Officer and Koos Visser to Chief Operating Officer. These two pivotal roles will sit directly below the Executive Directors and will be integral to the day-to-day running of the Company.

In line with our Succession Policy, we see early and diligent succession planning as a crucial strategy to minimise disruption upon the changeover of Board or Senior Management roles. However, in recognition of the fact that a planned change is not always possible, our Succession Policy was updated post Year end to include contingency measures, should there ever be the need for a sudden or unexpected change in either the Board or Senior Management. These measures include keeping a running list of both internal and external candidates who could be considered appropriate matches for the Board and key Senior Management job specifications in place.

Market Abuse Regulations

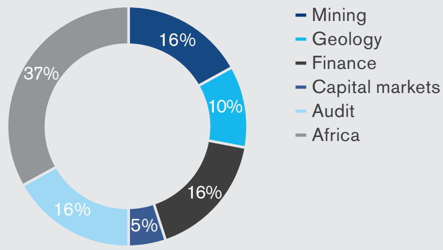
Staying abreast of regulatory developments is of vital importance to Petra. Post Year end, the EU's new Market Abuse Regulations came into effect on 3 July 2016. These regulations are in line with the way in which public companies should already have been treating the consideration of 'inside information'. Petra has made some amendments to its approach, including the formation of a Disclosure Committee consisting of Senior Managers in the finance, legal and secretarial departments. This committee is formally tasked with the documentation and evaluation of disclosure by the Group.

Feedback

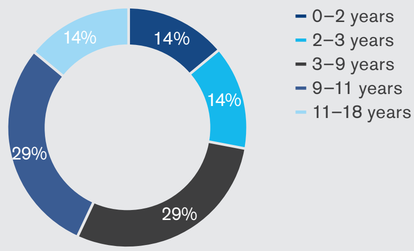
Finally, input from our stakeholders is valued by Petra. Should any shareholders like to speak to me or the Senior Independent Director about any aspects of this Report, please do not hesitate to get in contact via our corporate communications team based in London (see page 159 for contact details).

Adonis Pouroulis
Chairman
14 October 2016

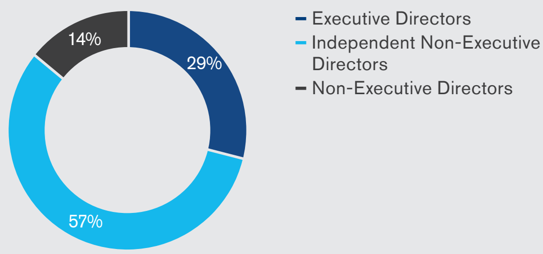
Directors' experience/backgrounds



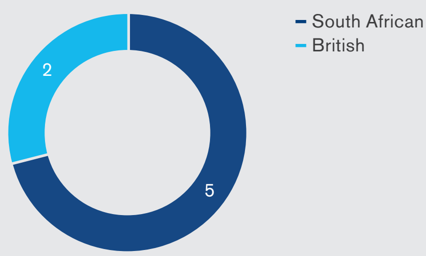
Tenure of Directors



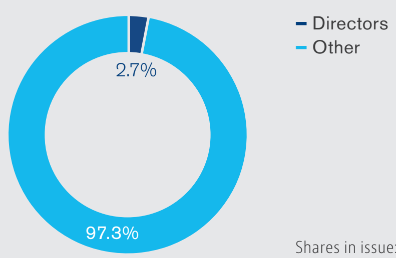
Board composition



Directors' nationality



Number of shares held



Shares in issue: 524,172,967.

Board of Directors

Adonis Pouroulis (46)
Non-Executive Chairman

APPOINTMENT DATE

March 1997

ROLE

Mr Pouroulis leads the Board of Directors, ensures good corporate governance and the effective working of the Board. He serves as Chairman of the Nomination Committee.

QUALIFICATIONS

Mining Engineer – University of Witwatersrand, South Africa.

EXPERIENCE

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

EXTERNAL APPOINTMENTS (QUOTED/LISTED COMPANIES)

Non-Executive Director of Chariot Oil & Gas plc.

BOARD MEETINGS ATTENDED

5 of 5

INTEREST IN THE COMPANY AS AT 30 JUNE 2016[1]

9,564,650 shares (30 June 2015: 9,564,650 shares).

Johan Dippenaar (59)
Chief Executive Officer

APPOINTMENT DATE

June 2005

ROLE

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 Team and chairs the HSSE Committee.

QUALIFICATIONS

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

EXPERIENCE

Since 1990 Mr Dippenaar has been involved in the leadership and management of diamond mining companies. Prior to his appointment as CEO of Petra, he was CEO of ASX-quoted Crown Diamonds which merged with Petra in 2005. Since the merger, he has led Petra through a period of significant growth, taking the Company's annual production from circa 175,000 carats in FY 2006 to 3.7 million carats in FY 2016, and establishing the Company as a leading independent diamond producer.

EXTERNAL APPOINTMENTS (QUOTED/LISTED COMPANIES)

None

BOARD MEETINGS ATTENDED

5 of 5

INTEREST IN THE COMPANY AS AT 30 JUNE 2016[1]

1,060,719 shares (30 June 2015: 640,000 shares).

Jim Davidson (71)
Technical Director

APPOINTMENT DATE

June 2005

ROLE

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

QUALIFICATIONS

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

EXPERIENCE

Mr Davidson has had a multidisciplinary professional career spanning 44 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. Further to the merger with Petra, he continued in the role of Technical Director to oversee the technical and geological stewardship of the Group. Jim's unique tenure in diamonds brings a specialist and pragmatic oversight across the full spectrum of the diamond process, with a particular focus on exploration, project appraisal, mining techniques, driving efficiencies, and improving diamond recoveries via optimising plant processes.

EXTERNAL APPOINTMENTS (QUOTED/LISTED COMPANIES)

None

BOARD MEETINGS ATTENDED

4 of 5

INTEREST IN THE COMPANY AS AT 30 JUNE 2016[1]

1,043,775 shares (30 June 2015: 640,000 shares).

Tony Lowrie (74)
Independent Non-Executive Director

APPOINTMENT DATE

September 2012

ROLE

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

QUALIFICATIONS

Royal Commission – Sandhurst Military Academy.

EXPERIENCE

Mr Lowrie has over 37 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, Kenmare Resources plc, Dragon Oil plc, J.D. Wetherspoon plc, as well as several other quoted Asian closed end funds.

EXTERNAL APPOINTMENTS (QUOTED/LISTED COMPANIES)

None

BOARD MEETINGS ATTENDED

5 of 5

INTEREST IN THE COMPANY AS AT 30 JUNE 2016[1]

2,300,000 shares (30 June 2015: 2,300,000 shares).

		
Dr Pat Bartlett (71) Independent Non-Executive Director	**Gordon Hamilton** (71) Independent Non-Executive Director	**Octavia Matloa** (40) Independent Non-Executive Director
November 2011	November 2011	November 2014
Dr Bartlett is an Independent Non-Executive Director and a member of the Audit, Remuneration and Nomination Committees.	Mr Hamilton is an Independent Non-Executive Director, Chairman of the Audit and Remuneration Committees and a member of the Nomination Committee.	Ms Matloa is an Independent Non-Executive Director and a member of the Audit Committee.
Member of the South African Institute of Mining and Metallurgy; registered Professional Natural Scientist.	Chartered Accountant – Institute of Chartered Accountants in England and Wales.	Chartered Accountant – member of the South African Institute of Chartered Accountants.
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, Cullinan, Koffiefontein and Kimberley Underground. Since retiring from De Beers, he has consulted on block caving projects for BHP Billiton, Anglo American and Rio Tinto.	Mr Hamilton retired from Deloitte & Touche LLP in 2006 after more than 30 years as a partner primarily responsible for multinational and FTSE 350 company audits, mainly in the mining, oil and aerospace and defence industries, as well as heading the Deloitte South Africa desk in London. Gordon has extensive experience as a non-executive director across a wide range of businesses.	Ms Matloa is a chartered accountant who completed her articles with PwC in South Africa in 2003 before joining the Department of Public Transport, Roads and Works, first as deputy chief financial officer, followed by chief director management accountant. Since this time, Ms Matloa has founded a number of businesses, including Tsidkenu Chartered Accountants Inc and Mukundi Mining Resources. She brings broad business, financial and auditing experience to the Board.
None	Non-executive director of Atrium Underwriting Group Limited and Nedbank Private Wealth and other related companies within the Nedbank Group, and formerly of the JSE listed Barloworld Limited.	Non-executive director of Eqstra Holdings Limited.
5 of 5	5 of 5	5 of 5
Nil shares (30 June 2015: nil shares).	152,000 shares (30 June 2015: 152,000 shares).	Nil shares (30 June 2015: nil shares).

Board and Senior Management Changes

Mr David Abery

On 30 June 2016, Mr Abery stepped down after 13 years as Finance Director of Petra Diamonds in order to pursue other business opportunities. However, he agreed to remain with the Company until 31 January 2017 as part of the succession process.

His interest in the Company as at 30 June 2016: 2,371,834 shares (30 June 2015: 2,371,834 shares).

In line with the Company's internal succession planning process, as led by the Nomination Committee, the following senior management appointments took place on 1 July 2016:

Mr Jacques Breytenbach

Mr Jacques Breytenbach (44) was appointed Chief Financial Officer. Mr Breytenbach has held the role of Finance Manager – Operations at the Company since 2006, with responsibility for financial management across the Group's operations. He joined Petra from Anglo Platinum, where he held various roles, culminating in his position as Finance manager – capital projects, with oversight for Anglo Platinum's extensive capital expansion programmes. He is a Chartered Accountant and a member of the South African Institute of Chartered Accountants.

Mr Koos Visser

Mr Koos Visser (46) was appointed Chief Operating Officer. Mr Visser has held the role of Group Operations Manager at the Company since 2005, with responsibility for the management of all Group operations, including production and the roll-out of the Group's expansion plans (with a focus on plant design and operational efficiency improvements). Prior to joining Petra, he gained broad industry experience working for Impala Platinum in a number of roles, culminating in his position as utilities and technical services manager. He holds a bachelor's degree in electrical and electronic engineering from the University of Potchefstroom in South Africa and is a Registered Engineer GCC.

1. Mr Dippenaar and Mr Davidson's updated shareholdings as at the date of this Report are disclosed on page 90 of the Directors' Remuneration Report.

Corporate Governance Statement

UK Corporate Governance Code compliance

Petra aims to maintain high standards of corporate governance throughout the Group. To that end, the Company looks to comply with all applicable governance regulations in the various jurisdictions in which it operates, as well as meeting best practice wherever possible.

Petra is not subject to a code of corporate governance in its country of incorporation, Bermuda; however as a London Stock Exchange ("LSE") Main Market company with a Premium listing, Petra is required to comply with the UK Corporate Governance Code (April 2016) ("the Code") and to explain in this statement any areas of non-compliance with the Code.

A copy of the Code is available on the Financial Reporting Council's website at frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-April-2016.pdf

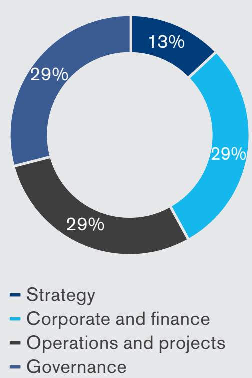
The Company considers that there are only two areas in which it is not strictly in compliance with the Code, as set out below:

- The Company's Non-Executive Chairman, Adonis Pouroulis, is not considered independent according to corporate governance guidelines due to his having served as Chairman since the incorporation of the Company in 1997, having acted as Chief Executive Officer until 2005, having being granted options under the 2005 Executive Share Option Scheme and being eligible to receive benefits of membership from the Group's life insurance scheme. The Company's Independent Non-Executive Directors ("iNEDs") continued to be of the opinion that, whilst not considered to be independent for the reasons stated, Mr Pouroulis demonstrates integrity in judgement, character and action. Furthermore, his contribution, leadership and accumulated experience and track record of building natural resource companies justifies their recommendation that shareholders support his re-election to the Board at the Company's forthcoming Annual General Meeting.
- Remuneration of Non-Executive Directors ("NEDs") – as noted, Petra's Non-Executive Chairman, Mr Pouroulis, holds share options granted prior to the Company's step-up from AIM to the Main Market of the LSE, 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 share option or share incentive awards to the Non-Executive Chairman since 17 March 2010. Other than this exception, the Group has fully incorporated the principles of the Code when determining remuneration for NEDs (for further information, please review the Directors' Remuneration Report on pages 84 to 97).

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, including consideration of the Viability Statement (supported by the Audit, Remuneration and HSSE Committees)
- 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)
- Executive Director Remuneration (supported by the Remuneration Committee)

Board time in FY 2016



The role of the Board

The Board is responsible for the long-term success of the Company. Petra's Board has the required balance of experience, skills and knowledge of the Company, as well as independence with regards to the iNEDs, to properly discharge its responsibilities and duties.

In order to fulfil its role, the Board:

- sets the Company's strategic aims, ensures that the necessary resources are in place for the Company to meet its objectives, and reviews management performance in achieving such objectives;
- provides leadership of the Company within a framework of effective systems and controls, which enable risk to be assessed and managed;
- develops 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 the sustainability and 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;
- in consultation with the Board, ensures good corporate governance and sets clear expectations with regards to Company culture, values and behaviour;
- 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;
- identifies induction and development needs of the Board and its Committees; 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;
- implements the decisions of the Board and its Committees, with the support of his fellow Executive Director and top-level Senior Management;
- monitors, reviews and manages key risks;
- ensures that the assets of the Group are adequately safeguarded and maintained;
- is the Company's primary spokesperson, communicating with external audiences, such as investors, analysts and the media;
- leads by example in establishing a performance orientated, inclusive and socially responsible company culture; and
- chairs the HSSE Committee and thereby has direct involvement in the strategic management of Petra's HSSE issues, including labour relations.

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 NEDs

Dr Bartlett, Mr Hamilton, Mr Lowrie and Ms Matloa:

- 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;
- 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; and
- Dr Bartlett, Mr Hamilton and Mr Lowrie 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. Ms Matloa is a member of Petra's Audit Committee, bringing her specific financial experience to the benefit of this Committee.

Corporate Governance Statement continued

How our Board operates

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 64 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, Channel Islands, where the Company is domiciled. 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, including at dinners attended by all members in the evenings. 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 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 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 in a timely manner.

In addition to formal Board and Committee meetings, the Chairman holds meetings with the 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.

FY 2016 Board calendar

	Board meetings 5 held	Audit Committee 5 held	Remuneration Committee 5 held	Nomination Committee 3 held	HSSE Committee 3 held	Annual General Meeting 1 held
Adonis Pouroulis	5	n/a	n/a	3	n/a	1
Johan Dippenaar	5	n/a	n/a	n/a	3	1
David Abery	4	n/a	n/a	n/a	n/a	1
Jim Davidson	4	n/a	n/a	n/a	n/a	1
Tony Lowrie	5	5	5	3	n/a	1
Gordon Hamilton	5	5	5	3	n/a	1
Pat Bartlett	5	5	5	3	n/a	1
Octavia Matloa	5	5	n/a	n/a	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
iNEDs and Chairman			1	1	1			1				
Audit Committee	1		1		1			1				1
Remuneration Committee	1		1		1			1				1
Nomination Committee	1				1							1
HSSE Committee				1				1			1	
Annual General Meeting					1							
Chairman and Senior iNED			1									
Board evaluation												1

Site visits

Visiting Petra's operations in person and interacting with Senior Management is very important for all Board members. Annual site visits are therefore arranged for the NEDs to ensure that, in addition to papers presented at board meetings, they continue to stay informed of development and progress at the operations. In FY 2016, the Board visited the Williamson mine in Tanzania. Following this visit, Petra's Technical Director hosted a tour of the South African operations for the iNEDs.

Meetings are also arranged for the NEDs at the Company's Johannesburg and London offices on an ad hoc basis with members of the corporate team and other management-level employees. These informal meetings help to keep the NEDs up to date with the various important functions of the business, including finance, operations, investor relations, internal audit, legal and diamond sales and marketing.

Visiting the Jewel of Tanzania

In June 2016, the Board (with the exception of Mr Abery) toured the historic Williamson mine in Tanzania. The iNEDs had not visited this operation before, so the purpose of the site visit was to provide a comprehensive overview of the mine and its position in the local community.

The visit ran over four days and included a tour of the open pit operations, the processing plant and sort house, where the Directors reviewed the important plant modifications underway. The Directors also visited the Mwadui A Primary School and the Mwadui Hospital, both of which are owned and operated by Williamson mine.

The Directors had access to the Williamson mine's Senior Management in both formal and informal settings.

Certain members of Petra's Senior Management, including the CFO and COO (appointed effective 1 July 2016), the Group Legal Services Manager and the Group Risk and Internal Audit Manager, also attended the visit and were able to provide their input.

Board strategy and performance

The Company's strategy is to further develop its stature as a leading independent diamond miner with a focus on increasing diamond production, delivering key expansion projects, driving efficiencies and maintaining high ethical standards. The Board's objectives in order to assist the Company in the furtherance of its strategy are set out below.

OBJECTIVES FOR FY 2016	PROGRESS IN FY 2016	OBJECTIVES FOR FY 2017
Strategy and operations		
‣ 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, revenue, earnings, cashflow generation and appropriate treasury and balance sheet oversight. ‣ Particular focus on short-term market guidance and monitoring of performance, given the operational challenges faced by the Company in FY 2015 and its requirement to revise market expectations for that year. ‣ 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 further diversify the Group's asset/ geographical spread and deliver significant shareholder value.	‣ The Board continued to evaluate the roll-out of the Group's expansion programmes, in accordance with Petra's short term target for FY 2016, which was revised upwards to 3.6–3.65 million carats in April 2016. ‣ Where there were variances to production results or issues brought to the Board's attention 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 monitor the Group's financial position and was kept regularly informed about the discussions between Management and Petra's lender group which led to the agreement of a revised covenant schedule for the Group's debt facilities. ‣ The Board considered and approved the acquisition of an interest in the Kimberley Mines, as well as the subsequent, post Year end, combination of Petra and Ekapa Mining's assets in Kimberley to form the Kimberley Ekapa Mining JV. This enabled the Group to lift its longer-term FY 2019 production target from circa 5 million carats to circa 5.3 million carats. ‣ The Board continued to evaluate external growth opportunities in the diamond sector.	‣ 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, revenue, earnings, cashflow generation and appropriate treasury and balance sheet oversight. ‣ Strategic focus on 'value tonnes' as opposed to 'volume tonnes' in order to maximise revenue per tonne. ‣ Consider and approve a longer-term production strategy and plans for the Group based on its current portfolio of assets, providing guidance on the outlook post FY 2019. ‣ Continue to assess opportunities 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 further diversify the Group's asset/geographical spread and deliver significant shareholder value. ‣ Evaluate an appropriate longer-term capital allocation strategy and dividend policy for the Group. ‣ Consideration of the Petra culture and how to enhance and preserve it.
Board composition		
‣ Continue to consider Board and Committee composition, taking into account the specialist nature of Petra's business and the diamond mining industry. ‣ Continue to ensure appropriate systems are in place to allow for suitable succession on both the Board and Senior Management teams.	‣ Further to the stepping down of Mr Abery as Finance Director, Mr Breytenbach was appointed as Group CFO and Mr Visser was appointed as COO, in line with the Group's internal succession planning pipeline. ‣ Approval of the Group's revised Succession Policy.	‣ Continue to consider Board and Committee composition, taking into account the specialist nature of Petra's business and the projected growth profile of the Company, with a particular emphasis on diversity. ‣ Continue to ensure appropriate systems are in place to allow for suitable succession on both the Board and Senior Management teams.

Corporate Governance Statement continued

Board strategy and performance continued

OBJECTIVES FOR FY 2016	PROGRESS IN FY 2016	OBJECTIVES FOR FY 2017
Risk management		
▸ Deliver on the Audit Committee's objective to further develop the internal audit strategy, with consideration of the FY 2016 detailed internal audit plan and focus areas, based on the Committee's consideration of risk areas that can be mitigated, amongst other means, by Internal Audit focus. ▸ Continue to consider the key risks that are relevant to the 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.	▸ The Audit Committee Chairman and the Group Risk and Internal Audit Manager reported to the Board on the work of the Internal Audit Function, including the approval of the Internal Audit plans for FY 2016 and FY 2017 and the ongoing compilation of an integrated Group Risk Register. ▸ Towards the end of FY 2016, Senior Management undertook an updated full risk review of the business, not just considering risks previously identified but also including working sessions to identify and report on any risks not previously recorded in the Group's risk reporting processes to the Board. The results of this updated Group Risk Review were presented to the Audit Committee and Board in September 2016. ▸ The full Board, except for Mr Abery who had completed site visits on other occasions, and certain Senior Managers attended a site visit to Williamson in Tanzania, followed by a tour of the South African operations for the iNEDs.	▸ Ensure that the annual Internal Audit Plan addresses the key business risk areas that can be mitigated by Internal Audit reviews. This will be backed up by Internal Audit continuing to consider other parts of the business where the ongoing review of the systems of internal controls and internal financial controls is relevant to superior Group risk management. ▸ Continue to consider 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 independent NEDs with the opportunity to experience production and project development directly, as well as to interact with key management and discuss important issues.
Board process		
▸ Continue to assess the Directors' training needs and to provide relevant training opportunities to the Directors in order to ensure that all Board members stay abreast of relevant developments. As part of this programme, a further Board training event will be held in H1 FY 2017 with external advisers. ▸ Continue the level of communication between all Directors, both of a formal and informal nature, to ensure that all Directors are continually fully informed about the Group's business and in a position to contribute both during and outside of formal Board meetings. ▸ Although information provided to the Board is regular and thorough, it was agreed that the flow of management information to the Board would be further enhanced.	▸ The Directors are provided with opportunities to attend relevant training sessions throughout the year and two training sessions were organised by Petra for the Board in FY 2016, one with the Company's advisers and one with presentations on Company specific matters by members of Senior Management. ▸ Alongside regular formal Board and Committee meetings, the Directors met on a frequent basis. ▸ The overall result of the FY 2016 Board evaluation exercise was positive with regards to the Board's overall culture and performance and confirmed that notable improvements were made in terms of information presentation, flow and the early debate of issues. It also highlighted a number of areas for further improvement, including the formal recording and monitoring of Board Objectives throughout the year. See page 61 for further information on the FY 2016 Board evaluation.	▸ Continue to assess the Directors' training needs and to provide relevant training opportunities to the Directors in order to ensure that all Board members stay abreast of relevant developments. ▸ Continue the level of communication between all Board Directors, both of a formal and informal nature, to ensure that all Directors are continually fully informed about the Group's business and in a position to contribute both during and outside of formal Board meetings. ▸ A more formalised recording and tracking of Board objectives at regular periods throughout the year. ▸ Hold an externally facilitated Board evaluation process in FY 2017.

Why our Board is effective

Director commitment

The Directors' biographies and duties can be found on pages 56 and 57 and there have been no changes to their respective duties during the Year.

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 internal Board evaluation carried out in June 2016.

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 appointments to ensure no conflict of interest 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 which affect their contribution to Petra.

The Chairman and iNEDs are 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 or iNED's external commitments and they are considered to have sufficient time to fulfil their duties.

Assessment of Director independence

As previously noted, Mr Pouroulis is not considered independent according to corporate governance guidelines; however, the iNEDs continued to be of the opinion that Mr Pouroulis demonstrates integrity and independence in judgement, character and action, thereby justifying 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, Dr Bartlett and Ms Matloa to be independent and all four iNEDs are independent of any relationship listed in the provisions of the Code. None of the iNEDs received any fees from the Company in FY 2016 other than their contractual iNED fees, as set out on page 90 of the Directors' Remuneration Report.

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; this was not required at any point in FY 2016.

Director information, training and development needs

Detailed knowledge of the specialist world of diamonds, the global mining industry, international capital markets, UK/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.

Petra has an induction programme designed to bring new directors up to speed as quickly as practicable, following their appointment to the Board. Such an induction would typically involve meetings with the Board and various members of Senior Management, an information pack of all necessary corporate documents, including the Company's annual report and sustainability report, Main Market prospectus, the Bye-Laws, Committee Terms of Reference and other key Group policies, such as the Group Code of Ethical Conduct and the Anti-Bribery Policy, 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 is held as soon as possible, to provide the new Director with further information on the operations, including production/expansion plans and key ESG considerations.

In order to ensure that existing Board members retain the relevant and up-to-date knowledge and skill-set to properly discharge their duties, ongoing training and other professional development opportunities are provided by the Company and/or the Directors attend external courses and conferences on their own professional behalf, especially as certain directors have other listed company directorships. 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, communication strategies 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, as well as internal company news.

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

Board training sessions

In FY 2016, Petra organised two dedicated training sessions for the Board. The first was held in November 2015 and the topics covered were social media, a corporate governance and regulatory update, FTSE 250 remuneration best practice and an in-depth review of Petra's share trading. The second was held in June 2016 and covered education sessions about Petra's internal budgeting process, the Williamson resource and new technologies being incorporated in the new Cullinan Plant.

Petra's FY 2016 governance roadshow

In November 2015, Petra's Chairman, Mr Pouroulis, and Senior Independent Director, Mr Lowrie, carried out a governance roadshow with the assistance of the Corporate Communications Manager. This was Petra's first governance roadshow and meetings were offered to Petra's top 10 shareholders.

The purpose of the roadshow was to introduce Mr Pouroulis and Mr Lowrie to the relevant governance contacts at Petra's top shareholders, thereby encouraging a dialogue on ESG matters. It was also considered an important way for Petra to gauge which ESG topics are of key importance to its major shareholders, as well as to get feedback on external considerations of Petra's ESG performance.

Investor feedback

- Governance: Petra is considered to have good levels of governance generally, with no 'red flags', and was commended for its level of transparency.
- Reporting: Petra's reporting (both annual and sustainability) was noted as being high quality for a Company of its size.
- Education: Mr Pouroulis took time to educate the governance contacts about the history of the Company, its strategy and position in the market. He also explained how the diamond mining industry is different to other types of mining, especially in South Africa.
- South Africa: Shareholders were concerned about labour relations, power and water supply and wanted to hear how Petra manages these issues.
- Succession planning: This was considered very important by all shareholders, who appreciated Petra taking the time to explain its succession planning process.

It was agreed that a formal governance roadshow should be a biennial event for Petra, as it is not required by shareholders every year, but that there would continue to be engagement with individual governance contacts on an ad hoc basis as necessary.

"I really appreciated the opportunity for frank and open discussions with some of Petra's top shareholders about ESG matters and was reassured to come away with the impression that Petra is considered to be managing these critical issues to a high standard."

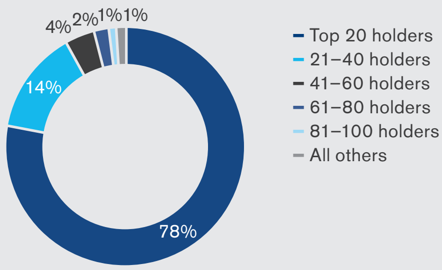
Tony Lowrie
Independent Non-Executive Director

Corporate Governance Statement continued

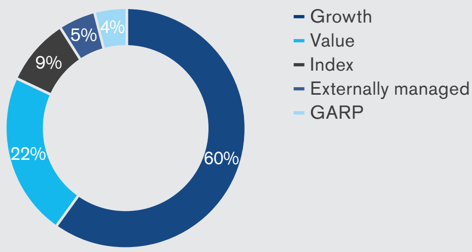
Shareholder communication

Shareholder breakdown as at 30 June 2016

Analysis of investor concentration



Analysis of investor style



Investor relations ("IR") calendar for FY 2016

July	FY 2015 Trading Update and FY 2016 Guidance	Investor/analyst conference call
September	FY 2015 Prelim Results	Investor/analyst presentation and webcast
	Investor roadshow in UK and North America	Investor one-on-one meetings
October	Annual Report published	Report publication
	Q1 FY 2016 Trading Update	Investor/analyst conference call
November	Sustainability Report published	Report publication
	Participation in investor conference in UK	Conferences
	AGM	Investor/analyst presentation and webcast
	Investor roadshow in UK and continental Europe	Investor one-on-one meetings
January	H1 FY 2016 Trading Update	Investor/analyst conference call
February	Investor/analyst site visits to Cullinan	Site visit
	H1 FY 2016 Interim Results	Investor/analyst presentation and webcast
	Participation in industry investor conferences in South Africa and North America	Conferences
	Investor roadshow in UK	Investor one-on-one meetings
March	Participation in industry investor conferences in Canada, South Africa and UK	Conferences
	Investor site visit to Cullinan	Site visit
April	Q3 FY 2016 Trading Update	Investor/analyst conference call
May	Participation in industry investor conferences in the US and UK	Conferences
	Investor site visit to Cullinan	Site visit

Investor/analyst presentation and webcast **Investor/analyst conference call** **Investor one-on-one meetings**
Conferences **Site visit** **Report publication**

IR strategy

Investor relations 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 explain the 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, thereby ensuring 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.

The Group's corporate website, www.petradiamonds.com, aims to provide investors with the required information to potentially make an investment decision; however, the Company also provides a wide range of information to assist other stakeholders and makes available Petra's Annual and Sustainability Reports via this medium. The website is regularly reviewed and updated with new information.

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 continues to develop its presence on social media, through its LinkedIn and Twitter channels.

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 all members of 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 CEO, CFO 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 annual results. The Company also hosts results webcasts at least twice a year, which are broadcast live on the Company's website to ensure that all shareholders can participate in the presentation, regardless of their location, and are stored thereafter at https://www.petradiamonds.com/investors/financial-events-calendar/. Furthermore, regular meetings are arranged with sell-side analysts and broker sales teams.

In addition, the Chairman is available to meet with shareholders as required and the iNEDs, both as part of the induction process and subsequently, are also provided with opportunities to meet with shareholders throughout the year. Petra's Senior Independent Director is available to shareholders to address concerns that contact with the Chairman, CEO or CFO failed to resolve, or for which such contact was inappropriate.

Petra hosts one formal investor/analyst site visit per year, with additional smaller ad hoc visits arranged as required or requested. 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.

Evaluation of the Board's performance

In FY 2016, an internal evaluation was carried out to assess the effectiveness of the Board, with the plan to carry out an externally facilitated evaluation in FY 2017. The process included each Board member filling out a questionnaire, with the results then collated and discussed at the board meeting held in September 2016. The Senior Independent Director also separately led an evaluation of the Chairman.

Matters of consideration included strategy, performance measurement, risk management and internal audit, Board composition and process, and individual performance. The Board's performance as a whole in FY 2016 was considered, as well as key areas of focus for FY 2017.

As was the case in FY 2015, the review confirmed positive aspects with regards to Board culture, cohesion and communication, with notable improvements in information presentation, flow and the early debate of issues, as well as increased time spent by iNEDs at operations, interacting with Senior Management and useful training sessions which have deepened their understanding of the Petra business. These measures have enabled the iNEDs to feel ever more informed and involved.

Highlighted areas for improvement include:

- ongoing oversight, consideration and debate of risk appetite and management, with assistance from the Audit Committee and the Group's Internal Audit division;
- a reflection on the Group culture;
- a continued focus on succession planning and diversity;
- a continued focus on improving timeliness of information flow and early notification of ad hoc issues as they arise;
- the creation of more opportunities for iNEDs to meet with Petra shareholders; and
- a more formalised recording and tracking of Board objectives at regular periods throughout the year.

As a result of this process it was concluded that the Board remains effective and appropriate to the size of the business.

FY 2016 shareholder engagement

During FY 2016, the Company's CEO and IR team held over 180 investor meetings, thereby engaging with institutional investors from 14 countries (FY 2015: over 300 meetings held). The difference in investor meetings held during the year compared to the prior period is a result of fewer conferences held by institutions, as well as a decrease in fixed income marketing related to Petra's inaugural bond offering in FY 2015. The team met with all of the active managers within the Group's top 20 shareholders at least once during the Year.

The main recurring themes and issues raised by shareholders during the Year centred on:

- grade variability at Petra's current operations, especially at Cullinan (read more on pages 34 to 36);
- Petra's expansion programmes and execution risks (read more on pages 76 to 79);
- Petra's financial position, particularly focusing on the Company's leverage levels and ability to meet its debt facility covenant measurements (read more on page 29);
- returns to shareholders and how Petra is considering this in the current business climate;
- the state of the diamond market and expectations with regards to diamond pricing (read more on pages 18 to 21);
- synthetic 'man-made' diamonds and how these affect the market for natural diamonds (read more on pages 76 to 77); and
- labour relations and power supply in South Africa (read more on pages 78 and 79).

During FY 2016, four formal site visits were hosted for investors and analysts to Petra's two flagship operations, Finsch and Cullinan, and the Company ensured that an appropriate mix of Executive Directors and Senior Management were available to host the groups and answer any questions arising.

Corporate Governance Statement
continued

Petra Diamonds petradiamonds.com @Petra_Diamonds @PetraDiamondsIR

Reporting

Petra's objective with regards to external reporting (via its Annual Report and Sustainability Report, supported by its website) 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 standalone sustainability reports for the last seven years.

Annual General Meeting ("AGM")

Shareholders are encouraged to participate at 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 2015, with the Committee chairmen available to answer any questions relevant to their activities.

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.

Results of our FY 2015 AGM

		Total votes for %	Total votes against %	Votes withheld %
1	Statutory accounts	99.94	0	0.06
2	Directors' annual remuneration report	94.05	2.27	3.68
3	Dividend for the year ended 30 June 2015	100	0	0
4	Re-appointment of auditors	98.97	0.03	1.00
5	Authorisation to set auditors' remuneration	100	0	0
6–13	Re-appointment of Directors	96.10 to 99.72	0.04 to 2.37	0.24 to 1.53
14	Authority to allot relevant securities	100	0	0
15	Disapplication of pre-emption rights	100	0	0

Report of the Audit Committee

The Audit Committee continued its important work in FY 2016, in collaboration with the Group's Internal Audit department, and oversaw the completion of a formal Group-wide Risk Review.

Members of the Audit Committee

Gordon Hamilton (Chairman)
Pat Bartlett
Tony Lowrie
Octavia Matloa

Key highlights

- Careful consideration of the risks around the Company's banking covenants whist they were renegotiated during the Year, and review of the new covenant and funding structure.
- Consideration of the formal Group-wide Risk Review prepared by Senior Management during the Year.
- Consideration of the new requirement for a Viability Statement in the Annual Report, and approval post Year end of the Company's inaugural statement.
- Implementation of revised procedures in advance of the introduction of the EU's new Market Abuse Regulations in July 2016.

Dear shareholder,

The Audit Committee ("the Committee") plays a vital role at Petra by ensuring that the Group has effective and appropriate risk management and internal control systems, backed up by comprehensive financial, governance, internal audit and reporting functions. As Chairman of the Committee, I am pleased to have this opportunity to summarise some of the key developments during the Year, as well as our ongoing responsibilities and objectives.

Careful consideration of the risks around the Company's banking covenants

The Group has a number of covenants related to its banking facilities. Mainly due to the weak trading results in H2 FY 2015, the two covenant tests relating to consolidated EBITDA for the 12 month period to, and as at, 31 December 2015 would have been breached and in November 2015 Petra's main lenders therefore agreed to waive the measurement of these two 31 December 2015 covenant tests.

During the second half of the year, Petra entered into discussions with its lenders to review its debt facilities and associated covenants, and revised covenants were subsequently agreed with the lenders effective 20 June 2016 for the next three measurement periods, being 30 June 2016, 31 December 2016 and 30 June 2017 – these revised covenants are set out on page 29.

The Committee was kept fully appraised of the developments during the Year with regards to covenant measurements and negotiations with Petra's lenders. The Committee regularly discussed these issues with the Board as a whole and with the external auditors, ensuring at all times that full and appropriate consideration was being given, and that external reporting in Trading Updates, interim and full year results announcements and other regulatory announcements were always appropriate, balanced and complete.

The FY 2016 Group-wide Risk Review

Petra has had risk matrices in place at its operations for some time, and regularly considers the material risks on a Group basis, as disclosed each year in the Annual Report. During FY 2016, Senior Management undertook a formal top down review of risks, both at operational and corporate level, and the outcome of this review was tabled with the Executive Directors and the Committee post Year end.

The outcome of the review did not significantly change the Group's recorded material risks, with 'Access to Water' being the only new risk added, and no risks being removed. The Group's key risks are disclosed in the Risk Management section on pages 74 to 81. This formal review will be undertaken on a regular basis going forward.

Consideration of the new requirement for a Viability Statement

In September 2014, the FRC issued an updated version of the UK Corporate Governance Code which required that companies subject to the code produce a new 'Viability Statement' for reporting periods beginning on or after 1 October 2014. In addition to the 'Going Concern Statement' that covers a future 12 month period, the Viability Statement requires boards to specifically consider the broader viability of a business over a longer future period timeframe that they consider to be appropriate to that business.

Petra's Executive Directors and Senior Management put in place a proposed approach to the establishment of a Viability Statement unique to Petra's business. The approach and the Viability Statement was subsequently approved and recommended by the Audit Committee for Board approval at the September 2016 meeting, where it was approved by the Board. It can be found on page 73.

Report of the Audit Committee continued

Market Abuse Regulations

The EU's new Market Abuse Regulations came into effect on 3 July 2016. Petra has always been extremely cognisant of the needs to approach the handling of inside information in a highly professional and regulated manner. Petra has reviewed and made certain amendments to its procedures, including the formation of a Disclosure Committee, which is formally tasked with the documentation and evaluation of disclosure made by the Group. The Committee will be kept appraised of the workings of the Disclosure Committee and of the ongoing management of inside information, ensuring the provisions of the Market Abuse Regulations are fully complied with.

Board Change

David Abery stepped down from the Board on 30 June 2016. David had been Petra's Finance Director since 2003, and had successfully overseen the development of the Group's finances, reporting, funding, controls and overall financial management and direction. I would like to pass on my appreciation to David for his important contribution over the years to the Board.

I welcome Jacques Breytenbach into the newly created position of CFO, effective 1 July 2016; Jacques has been Group Financial manager – Operations for the Petra Group since 2006, and his detailed knowledge of financial matters at the operations, as well as at corporate level, will serve to add significant value to the finance function going forward.

Gordon Hamilton
Audit Committee Chairman
14 October 2016

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 reporting, internal audit, internal financial 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 several South African companies. He is currently chairman of the audit committee for several other companies.

In terms of the Committee members, Dr Bartlett, as an experienced diamond geologist, possesses a wealth of sector-specific experience relevant to the nature of Petra's business, Mr Lowrie brings many years of business experience across international banking and financial sectors, and Ms Matloa is a qualified Chartered Accountant who brings highly relevant business and audit experience as she is currently a member of the audit committee for various other public and state organisations in South Africa.

New members to the Audit Committee receive the required induction to ensure they are properly equipped to discharge their duties; this includes the standard Board induction process (as set out on page 63), as well as information specific to the Committee such as its Terms of Reference, Internal Audit Charter, previous internal and external auditor reports and Committee meeting minutes. The Committee members receive appropriate ongoing training and development as well as regular updates from the Group's external auditors on relevant financial reporting, governance and regulatory developments.

The Committee may, if considered necessary, take independent advice at the expense of the Company. Other than BDO LLP, as the external auditors, no other external consultants assisted the Committee during FY 2016.

Committee meetings

Five meetings were held in FY 2016 and the Committee invited the Group Chairman, Executive Directors and the Group Risk and Internal Audit Manager to attend these 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 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 2016 where he was able to meet with the Finance Director and team, as well as the Group Risk and Internal Audit Manager, in order to discuss and monitor the financial, controls and audit activities of the Group on a timely basis.

In addition, the full Audit Committee carried out site visits during the Year to the Group's operations in South Africa and Tanzania, thereby gaining exposure to operational management and activities on the ground. Such meetings and site visits enable the Chairman and the Committee to uphold a comprehensive understanding of corporate and finance developments and activities, any associated risks, as well as the controls in place at Petra.

Committee role and activities

The principal functions of the Audit Committee are listed below, along with the corresponding activity and performance in FY 2016.

ROLE	ACTIVITIES IN FY 2016	OUTCOMES
To monitor the integrity of the interim and preliminary full year results announcements, as well as the Annual Report and Accounts published by the Company, reviewing significant financial reporting judgements contained therein.	The Committee formally considered the Group's interim results, preliminary full year results and Annual Report and Accounts and considers that they present a fair, balanced and understandable assessment of the Group's performance and prospects. The Committee, on behalf of the Board, has a specific process of review that enables it to make this assessment, which included a detailed appraisal by each member. The Committee then met with the Executive Directors to discuss any 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, ensuring that it should be comprehensible to readers of various backgrounds. Outside of formal Committee meetings, accounting matters were also discussed by the Chairman of the Committee and the Finance Director, as well as with the CFO appointed from 1 July 2016. Key auditing, financial reporting and governance matters, which 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.	In accordance with the Code, the Directors consider that the Annual Report and Accounts taken as a whole is 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.	As part of its work to approve the Group's Financial Statements, the Committee 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, where appropriate, challenged the basis for such judgements and estimates. Details of the significant matters considered by the Committee in respect of the FY 2016 Annual Report are set out on pages 70 to 71.	The Committee considers that the accounting policies used, reporting disclosures, compliance with accounting standards and other requirements are appropriate to the Group in all regards, taking account of the specialised nature of its business.
To ensure that Petra's risk management systems, internal financial controls and other internal controls are effective.	The Committee assesses the Company's risk management systems and internal controls and internal financial controls on an ongoing basis. As part of this, the Committee invites the Group Chairman, Executive Directors and the Group Risk and Internal Audit Manager to attend the meetings as appropriate. 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. The Committee meetings during FY 2016 included presentations by BDO LLP regarding the results of the FY 2015 Audit, the interim review for H1 FY 2016 and the FY 2016 Audit Committee Planning Report, with a presentation by BDO LLP of the results of the FY 2016 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.	The Committee considers that Petra's internal controls, including its financial internal controls, continue to be robust and defensible. The Committee will continue to review and assess the development of risk management and internal control systems, assisted by the work of the Internal Audit team.
To ensure the internal audit function is adequately resourced and effective and is supported by the Committee in its role.	A dedicated Internal Audit function was established in FY 2015. During FY 2016, the Committee focused on developing the most appropriate work programmes for the Internal Audit team, assessed reports prepared by Internal Audit during FY 2016 and continued to refine the scope and Internal Audit plan accordingly.	The Group Risk and Internal Audit Manager, and supporting team, will continue to work with the Committee to ensure the integrity and effectiveness of the Group's internal control procedures and risk management systems.
To consider the appointment, re-appointment or removal of the external auditor, to recommend the remuneration and terms of engagement of the external auditor and to assess the external auditor's independence and objectivity. To review the engagement of the external auditor to ensure the provision of non-audit services by the external audit firm does not impair its independence or objectivity.	The Committee proposed the re-appointment of BDO LLP to act as auditors for FY 2016, having considered the independence, objectivity, tenure and effectiveness of BDO LLP and the audit process. In advance of the FY 2016 audit, the Committee reviewed and approved the external auditor's audit planning presentation and assessed the appropriateness of the audit strategy, scoping, materiality and audit risks. The Committee approved the audit fees as part of the audit planning process. The Committee also approved audit related fees, in relation to the interim review, during the Year, having considered the Auditing Practices Board's Ethical Standards. The services represented audit related services, which are not considered to create independence threats under the APB's Ethical Standards. Details of the Committee's assessment of the auditor's independence and its assessment of their effectiveness are provided on page 72.	The Committee has taken appropriate steps to assess the independence of its auditors, recognising the importance of audit independence to the audit process. The Committee has reviewed and gained a thorough understanding of the external auditors' strategy and has satisfied itself that it is robust and that the auditors remain independent.

Report of the Audit Committee continued

Committee role and activities continued

ROLE	ACTIVITIES IN FY 2016	OUTCOMES
To give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the UK Listing Rules.	The Committee received adequate timely information, briefings and training on all relevant regulatory updates and developments. 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.	The Committee is satisfied that Petra continues to act in accordance with the Code and all relevant laws, regulations and the UK Listing Rules.
To review the adequacy of the Company's whistle blowing system, its fraud detection procedures and the systems and controls in place for bribery prevention.	The Committee continues to consider the adequacy of the various policies and systems in place across the Group that cover the whistle blowing system, its fraud detection procedures and the systems and controls in place for bribery prevention.	During FY 2016, there were two incidents involving fraud or theft that were reported to the Committee, one of which was not substantiated. The other matter, while not material, is currently under investigation. Appropriate changes to the Company's system of internal controls will be considered and, if required, put in place to limit such events taking place in the future.

Committee Terms of Reference

The Committee's Terms of Reference were reviewed by the Committee post Year-end, and subsequently considered and approved by the Board. They can be accessed at: www.petradiamonds.com/about-us/corporate-governance/board-committees.

Significant Issues considered by the Committee in FY 2016

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
Accounting treatment of the Kimberley Mines transaction and the impact of the FY 2017 KEM JV	
In H2 FY 2016, the Group acquired a 49.9% interest in Ekapa Minerals (Pty) Limited ("Ekapa Minerals") from Ekapa Mining (Pty) Limited ("Ekapa Mining"), which acquired a number of tailing deposits in the Kimberley area, a processing plant and associated assets and liabilities. Ekapa Minerals is considered to be jointly controlled based on agreements between the parties and is accounted for as a joint operation, with Petra recognising its share of assets, liabilities, revenues and expenses. The accounting treatment for Ekapa Minerals, and implementation process required significant judgement and consideration of the most appropriate accounting methodology to be applied. Effective 1 July 2016, Petra and Ekapa Mining combined their respective operations in the Kimberley area into an unincorporated joint venture known as the KEM JV. At 30 June 2016, 24.1% of the Group's interest in the Kimberley Underground mines was reclassified as a non-current asset held for sale accordingly. The impact of the 1 July 2016 transaction on the Year end balance sheet and the associated disclosures of the transaction represented a significant focus area.	Management provided the Committee with an overview of the key agreements as part of the Kimberley Mines transaction for review. The Committee carefully considered the appropriateness of the accounting treatment applied, based on the rights, obligations and responsibilities of the parties under the agreements and the nature of the arrangement. Based on the assessment of the agreements between the parties and the nature of the transactions, the Committee satisfied itself that the accounting treatment applied was appropriate. Management provided the Committee with an overview of the key agreements associated with the KEM JV. The Committee assessed management's conclusion that the KEM JV was jointly controlled based on the rights of the parties under the contracts. In turn, the Committee assessed the presentation of 24.1% of the Kimberley Underground assets as non-current assets held for sale under IFRS and satisfied itself that the treatment was appropriate given the status of the transaction at Year end.
Going concern and debt facility covenants	
Having required a waiver of the measurement of the covenants related to the Group's banking facilities in the period ended 31 December 2015, the Group restructured its covenants as at 20 June 2016 for the three covenant measurement periods from June 2016 and restructured its facilities effective 1 July 2016 to take account of the revised financial forecasts of the Group, which were impacted by the weaker trading of H2 FY 2015, taking net debt higher than previously forecast levels. The assumptions in the Group's financial forecasts and the status of Year end and forecast covenants represented an area of significant focus for the Committee.	The Committee members critically reviewed the forecast cashflow and banking covenant models against forecast Group liquidity and headroom, particularly considering diamond pricing, exchange rate, project commissioning and production assumptions. Management presented a sensitivity analysis on the models with due consideration given to potential risk areas (diamond pricing, production, project commissioning and exchange rates), as well as the Group's capacity to defer capital expenditure. Having considered the models and having due consideration to the sensitivity analysis, the Committee was satisfied that Management's judgements and forecasts were appropriate and provided adequate funding and covenant compliance headroom to the Group.

SIGNIFICANT MATTERS CONSIDERED	OUR RESPONSE TO THESE MATTERS

Carrying value of mining assets

Significant matters considered	Our response to these matters
The carrying value of the Kimberley Underground and Koffiefontein mining assets remained a key focus area for the Committee in FY 2016, coupled with specific consideration of the existing Cullinan and Kimberley Underground plants, further to the planned commissioning of the new Cullinan plant in FY 2017 and the completion of the Kimberley Mines acquisition and toll treatment arrangement below, together with the subsequent Kimberley Ekapa Mining JV ("KEM JV") transaction, effective from 1 July 2016. The headroom at Kimberley Underground decreased to 42% (30 June 2015: 77%), excluding the impact of the KEM JV, which is anticipated to provide significant value accretion. At Koffiefontein, the headroom has decreased to 94% (30 June 2015: 141%). The impairment tests include significant estimates and judgments and therefore represented a key focus for the Committee. As highlighted in FY 2015, the existing Cullinan plant is being depreciated over a period to July 2017. In addition, the Kimberley Underground plants were closed on 30 June 2016, following the Ekapa Minerals acquisition and the toll treatment arrangement. The newly acquired Central Treatment Plant will be utilised to treat all ore going forward. Accordingly Management recognised an accelerated depreciation charge on the Wesselton and Joint Shaft plants based on the revised useful life during the period. Judgment was applied in assessing the residual value of the plants and the revised useful economic life.	The Committee critically reviewed the key assumptions and parameters (diamond price forecasts versus historic pricing, foreign exchange rates against current and forward rates, and the basis for production and cash forecasts) in the LOM plans for both Kimberley Underground and Koffiefontein that supported the impairment tests performed by Management. In addition, the Committee reviewed sensitivity analysis performed by Management on key parameters with headroom maintained under the scenarios. At Kimberley Underground, consideration was further given to the tolling arrangement with Ekapa Minerals/Superstone Mining (Pty) Ltd ("Superstone") and the subsequent combination of all three businesses into a single venture post Year end, which significantly enhances the economies of scale of the combined operations and supported the carrying value. At Koffiefontein, the key area considered was the delay in the commissioning and ramp up of the SLC which delayed the mining of the new orebody. Extensive consultation with Management was held wherein assurance was provided as to accessing the new ore via the SLC timeously coupled with detailed consideration of diamond pricing assumptions. The Committee satisfied itself that Management's judgements were appropriate and that the sensitivity parameters applied in the detailed modelling review demonstrated that the carrying values are appropriate. The Committee considered the internal assessment on the scrap value of the existing plants, the planned timing of commissioning of the new plant at Cullinan and the extent to which parts will be re-used, sold or scrapped for each plant, and determined that the assumptions were appropriate.

Revenue recognition

Significant matters considered	Our response to these matters
The Group generates its revenue from the sale of rough diamonds, as detailed in note 2. The controls over revenue recognition represent a key focus for the Committee, both in terms of risk management and financial reporting. In particular, the Committee focuses on the procedures for revenue recognition around the Year end cut-off, given the significant tenders held shortly before the year end. Additionally, the recognition of revenue associated with non-routine transactions, such as the sale of Exceptional Diamonds, is a focus for the Committee to ensure appropriate revenue recognition is applied and disclosures are appropriate. In addition to the revenue recognition considerations above, a tolling arrangement was entered into between Ekapa Minerals, Superstone and Kimberley Underground (via Crown Resources (Pty) Limited) for H2 FY 2016, whereby Petra acquired tailings material which was then processed by the parties in exchange for a tolling fee and the combined diamond production is sold by Petra. Petra received an effective 75.9% of the economic benefits of the diamond sales. The accounting treatment for the tolling arrangement required significant judgement and consideration of the most appropriate accounting methodology to be applied.	The Committee members were provided with details of the Group's revenue recognition policy and its application in FY 2016. In respect of revenue cut-off, Management provided details of the tender prior to Year-end, the subsequent receipt of funds for such tenders and the revenue recognition point. The Committee was provided with details of the commercial arrangements and contract terms for the sales of two exceptional pink diamonds in FY 2016 (refer to pages 112 and 128) to satisfy itself that revenue recognition criteria were met for the disposal of the rough diamonds. Management confirmed that no revenue had been recognised in respect of the future sale of the polished stones, as per the Group's revenue recognition policy. Management provided the Committee with an overview of the toll treatment agreement and accounting treatment. Consideration was given to the toll treatment agreement and the rights and obligations conferred to all parties in determining the appropriateness of the accounting policy. Based on the agreements and the nature of the arrangements, the accounting treatment adopted was considered appropriate.

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

Report of the Audit Committee continued

External auditors

BDO LLP have been the Group's external auditors for eleven 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 to take place in FY 2018.

Auditors' remuneration US$ million	FY 2016	FY 2015
Audit services[1]	**0.6**	0.7
Audit-related services[2]	**0.1[2]**	0.5[2]
Total	**0.7**	1.2

1. Audit fees for the year ended 30 June 2016 stated above refer to fees for the FY 2015 audit; audit fees for the year ended 30 June 2015 refer to fees for the FY 2014 audit.
2. Audit related services of US$0.1 million for FY 2016 (FY 2015: US$0.1 million) are in respect of the interim review. A further US$0.4 million fees in FY 2015 were in respect of the issue of the US$300 million loan notes, which were capitalised under non-current loans and borrowings.

During the Year, the Committee fully considered the effectiveness, objectivity, skills, capacity and independence of BDO LLP as part of their 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 deliberated, giving consideration to recent FRC guidance on assessing audit quality. The Committee places considerable importance on the following attributes: African mining sector experience (given the specialised nature of the industry), service levels, audit quality, sound auditor judgement, the willingness and ability to challenge Management and provision of value for money.

In forming its assessment of the effectiveness of the audit, prior to the audit the Committee considered the FRC's Audit Quality Review report on BDO LLP, received formal presentations regarding the proposed audit strategy and the Chairman met separately with the Audit Partner to discuss the audit strategy in detail. These forums enabled the Committee to assess the extent to which the audit strategy was considered to be appropriate for the Group's activities and addressed the risks the business faces, including factors such as: independence, materiality, the auditor's risk assessment versus the Committee's own risk assessment, the extent of the Group auditors' participation in the subsidiary component audits and the planned audit procedures to mitigate risks.

Following the audit, BDO LLP presented their findings to the Committee and met separately with the Committee Chairman to discuss key audit judgements and estimates. This provided an opportunity to assess the audit work performed, understand how Management's assessments had been challenged and assess the quality of conclusions drawn.

The Committee also made enquiries of Senior Management to obtain their feedback on the audit process and considered this feedback in its assessment.

Each of the key attributes for audit effectiveness 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. BDO LLP provided audit related services in the Year as set out to the left.

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.

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

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

The Group's Internal Audit Function

In FY 2015, the Group established an Internal Audit Function, staffed by a Group Risk and Internal Audit Manager, supported by two Senior Internal Audit Managers. The Internal Audit Function reports directly to the Committee.

During FY 2016 the first leg of the three-year internal audit strategy was embedded, and a 'Findings Register' is now in place to keep track of the periodic internal audit follow-up process pertaining to unresolved audit findings. As part of the scope agreed with the Committee, the Internal Audit work plan initially focused on procurement and payroll related controls. Any key unresolved findings, where applicable, now also form part of the formal quarterly Internal Audit submission to the Audit Committee. In addition, the FY 2017 Internal Audit Plan was approved by the Committee.

System of internal control

The Committee regularly reviews the adequacy and effectiveness of the Group's internal control procedures and risk management systems through regular reports from the Group's internal audit, finance, operations and corporate teams, and through consideration of the external auditor's Audit Committee reports and face to face discussion between the Audit Partner and the Audit Committee Chairman and Committee members.

For FY 2016, the Group Risk and Internal Audit Manager and the Committee remained satisfied that no material weaknesses in internal 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. This includes systems to track Management's responses to the areas for improvement and subsequent Internal Audit visits to test the implementation.

Viability Statement

The UK Corporate Governance Code requires that the Directors assess the viability of the Group over an appropriate period of time selected by them. The Board has concluded that the most relevant time period for this assessment is a three-year period ending June 2019, taking into account the Group's current position and the potential impact of the principal risks that could affect the viability of the Group. This assessment will be done annually before the approval of the Annual Financial Statements.

While the Group maintains a full business model based predominantly on the life of mine plans for each of its significant operations, the Group's key business and strategic planning period is to FY 2019, with its targeted production being circa 5.3 million carats.

The review of the Group's viability is led by the CEO and involves all relevant functions including operations, sales and marketing, financial, treasury and risk. The Board actively participates in the annual review process by means of structured board meetings and annual strategy sessions.

For the purpose of assessing the Group's viability, the Board focused their attention on the more critical principal risks. In order to determine those risks, the Directors robustly assessed the Group-wide principal external, operational and strategic risks by undertaking consultations with Senior Management (refer to Risk Overview on pages 42 to 43 and Risk Management on pages 74 to 81). Through this analysis the Directors also identified medium probability, high loss scenarios – 'singular events' – with the potential magnitude to severely impact the solvency and/or liquidity of the Group.

Although the business and strategic plan reflects the Board's best estimate of the future prospects of the Group, the Board has also stress tested the potential impact on the Group of a number of scenarios over and above those included in the plan by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan. Given that the Company is expected to reach its peak debt drawdown in Q3 FY 2017, considerable attention was given to assessing the Company's prospects during this current financial year.

The scenarios tested considered the Group's revenue, underlying EBITDA, cashflows and other key financial and covenant ratios over the three-year period and included:

- an unforeseen delay in the ramp-up of expansion projects at Finsch and Cullinan;
- production affected by unplanned stoppages due to, inter alia, power or labour interruptions;
- a significant decrease in forecast rough diamond prices; and
- a significant appreciation of the South African Rand to the US Dollar.

The results of this stress testing, combined with several key capital spend projects nearing completion, showed that, due to the stability and cash generating nature of the Group's core assets, Finsch and Cullinan, along with the debt facilities in place and available to the Group at the time of the assessment, Petra would be able to withstand the impact of these scenarios occurring over the three-year period by making adjustments to its operating plans within the normal course of business.

Based on their robust assessment of the principal risks, prospects and viability of the Group, the Board confirms that they have reasonable expectation that the Group will be able to continue operation and meet its liabilities as they fall due over the three-year period ending June 2019.

Risk Management

Identifying, managing 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 responsibilities.

Risk	Risk change in FY 2016	Description and impact	Mitigation
External risks			
Rough diamond prices Long term		The Company's financial performance is closely linked to rough diamond prices which are influenced by numerous factors beyond the Company's control, including international economic conditions, world production levels and consumer trends. Whilst the medium to long-term fundamentals of the diamond market remain positive, some volatility in rough diamond pricing is expected, particularly in the short term.	Petra maintains regular dialogue with its client base in order to assess the overall health of the rough diamond market and the Group's management closely monitors developments 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, tax, 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.
Access to energy Long term		South Africa and Tanzania both face power supply constraints, but the issue is more acute in South Africa where the challenges facing the state electricity provider, Eskom, have been well publicised. Eskom's approach is to consult with industry before implementing load curtailment, with advanced notice giving customers time to react appropriately. Eskom energy saving requirements are staged from 1 to 4 according to their severity.	Managing energy usage is an operational necessity, given the benefits to the operations of managed and optimised power planning and usage (especially while load shedding is a risk in South Africa), an environmental prerogative in order to combat climate change, as well as a financial objective, given rising electricity prices. Petra therefore aims to reduce energy consumption and increase energy efficiency wherever possible.

STRATEGIC OBJECTIVES

Output Recoveries Efficiencies Responsibility

FY 2016 risk developments and management	KPIs	Director/ Committee responsibility	Read more
FY 2016 saw further market volatility with rough diamond pricing achieved by Petra in H1 FY 2016 down circa 9% on FY 2015. However, actions taken by the major diamond producers served to stabilise the market, with pricing recovering circa 3% in H2 FY 2016. The Company continued to sell all of its production at each tender and did not withhold goods from sale. Generic marketing from the DPA is expected to help support the diamond market demand fundamentals in years to come.	Revenue; Profitability	Executive Directors	Our market – pages 18 to 21 Case study on the DPA – page 13
Significant ZAR/US$ volatility resulted in active currency management, including hedging activities, being particularly important to address exchange rate risks. The Company took advice from two specialist banks with regards to its exchange rate strategy. The unprecedented depreciation of the Rand witnessed during FY 2016 led to US$20.7 million realised losses on FX contracts. However, the resultant positive impact of the weaker Rand on cash inflows to South Africa from diamond sales to cover operational and capital expenditure more than off-set these realised hedging losses when measured against the budgeted USD:ZAR rate. The potential downgrade of South Africa's risk rating to 'junk status' could lead to further currency volatility and the situation is being monitored by management.	Revenue; Profitability	Executive Directors	Financial Review – pages 26 to 29 Note 8 to the Financial Statements – page 115
In South Africa, high profile political activity may impact on the mining industry, including proposed changes to the Mining Charter. Petra is a member of the Chamber of Mines and can thereby actively provide feedback on regulatory processes via this lobby group. Increased pressures from host communities in South Africa were noted during the Year, mainly related to the delivery of public services. In Kimberley, a rapid increase of instances of illegal mining by artisanal miners was witnessed. These matters are being managed as part of Petra's stakeholder engagement processes. In Tanzania, a new president, John Magufuli, was elected further to the country's general election in October 2015, and this is considered to have had a favourable impact on the investment climate for the country.	Production; Local employment; CSI expenditure	Executive Directors; HSSE Committee	Community Engagement – page 50
The power supply constraints experienced in South Africa in FY 2015 improved in FY 2016, with only limited requests from Eskom for load curtailment. The Company is also now better able to manage the disruption of such requests due to having back-up generator capacity at all the South Africa operations, which can cater for a 10% load reduction if required. In Tanzania, the Company has back up power which can supply 100% of the mine's requirements in the event of an outage. There was therefore no material impact on production due to energy constraints in FY 2016.	Production; Revenue; Profitability; Energy usage; Carbon emissions	Executive Directors; HSSE Committee	Environmental Management – page 49

Risk Management continued

STRATEGIC OBJECTIVES

Output Recoveries Efficiencies Responsibility

Identifying, managing and mitigating risk continued

Risk	Risk change in FY 2016	Description and impact	Mitigation
External risks continued			
Access to water Long term	n/a (New)	South Africa experienced severe drought conditions during the rainfall season (October to April) in FY 2016 and there continues to be water scarcity issues in the country.	Managing the effective use of water, including the recirculation and reuse thereof, remains a priority for Petra.
Synthetic diamonds Long term		Man-made or 'synthetic' diamonds have been available for many years, but to date have predominantly been used to manufacture smaller diamonds for industrial purposes. Technological advancements mean that gem quality synthetics are now more widely available but they are still estimated to represent less than 1% of world diamond supply[1]. 1. Source: Morgan Stanley Research estimates – Global Diamonds; Insight: Game of Stones – Lab vs Pipe – 18 July 2016.	As technology advances it is likely that a larger market for the use of synthetic diamonds in jewellery will develop; however, the Company expects this to be a secondary market segment, with natural diamonds remaining the premium product. Synthetic diamonds are required to be certified as such, a key industry control which is essential to maintaining consumer confidence.
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 cave and sub level cave) 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.	Petra is highly focused on managing its safety performance and follows a risk-based approach which entails continual hazard identification, risk assessment and instilling safety awareness into the workplace culture. HSSE targets are explicitly included as part of Petra's annual bonus framework.
Mining and production Long term		The mining of diamonds from kimberlite deposits involves an intrinsic degree of risk from various factors, including geological, geotechnical and seismic factors, industrial and mechanical accidents, unscheduled plant shutdowns, technical failures, ground or water conditions and inclement or hazardous weather conditions.	All of Petra's 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. The Group's management team is comprised of key personnel with a substantial and specialist knowledge of kimberlite mining and diamond recovery, and this skills base enables the Company to manage mining and production risks.

FY 2016 risk developments and management	KPIs	Director/ Committee responsibility	Read more
During FY 2016, South Africa experienced the worst drought in 30 years. While Petra's operations were not materially impacted, the communities surrounding Kimberley and Koffiefontein were particularly exposed to the resultant water scarcity. Prolonged drought conditions may cause unplanned downtime and production cut-backs and Petra is actively managing its use of water at the operations. In Tanzania, Williamson has by agreement with the Government of Tanzania secured access to water following the commissioning during FY 2016 of a pipeline supplying potable water from Lake Victoria to the district in which the mine operates.	Production; Revenue; Profitability; Water usage	Executive Directors; HSSE Committee	Environmental Management – page 49
The Company continues to monitor industry developments with regards to the production of synthetic diamonds. Disclosure and detection remain key, and equipment exists which can detect synthetics with 100% accuracy. The DPA is tasked with helping consumers to understand the significant value differential between natural and laboratory-produced diamonds.	Revenue; Profitability	Executive Directors	n/a
Petra's overall safety performance in terms of its LTIFR remained stable. Regrettably, a fatality was recorded in July 2015 further to an accident in the tailings treatment facility at Cullinan. Post Year end, Williamson recorded a fatal accident in August 2016 after an employee was electrocuted whilst performing routine maintenance work on an overhead power line and Cullinan recorded a fatality in September 2016 further to an accident whilst shaft maintenance work was being carried out. One fatality is one too many and the Company continues to strive for a zero harm workplace.	Production; LTIFR; FIFR	HSSE Committee; Remuneration Committee	Safety – page 47 Directors' Remuneration Report – page 84
FY 2016 remained challenging operationally due to the heavy reliance on the mature/diluted mining blocks for the majority of the Year. There also continued to be challenges related to handling high volumes of high density development waste rock at Cullinan, which have had to be processed through the main treatment plant and, as a result, impacted ROM grades negatively, as well as unforeseen delays to the ramp-up of the new SLC production area at Koffiefontein. Initial production from newly commissioned mining areas established through the ongoing roll-out of the Group's expansion programmes were delivered towards the end of the Year.	Production; Revenue; Profitability	Executive Directors	Operational Review – pages 30 to 41

Risk Management continued

STRATEGIC OBJECTIVES

Output | Recoveries | Efficiencies | Responsibility

Identifying, managing and mitigating risk continued

Risk	Risk change in FY 2016	Description and impact	Mitigation
Operational risks continued			
ROM grade and product mix volatility Short term Output, Recoveries	Decreased	At the Group's underground mines, 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, thereby reducing the volume (grade) of diamonds recovered.	Petra's development programmes are in the process of accessing new production areas in deeper areas of undiluted kimberlite. As the Group's production profile starts shifting from diluted to undiluted ore, ROM grades are forecast to rise significantly and the typical product mix from each mine is also expected to remain consistent once only pure kimberlite (undiluted by waste material) is being mined.
Expansion and project delivery Medium term Output	Decreased	Petra has set out a clear and transparent growth profile to increase annual production to circa 5.3 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.	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 Output, Responsibility	No change	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 and the appropriate union representatives at its operations, as well as local communities.
Strategic risks			
Financing Medium term Output, Efficiencies, Recoveries	Increased	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 as a result of reduction in operating cashflows and/or breaches in banking covenants 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 closely monitors and manages its liquidity risk, including regularly reviewing its cashflow planning to ensure that Capex plans are adequately financed and regularly monitoring its position with regards to its covenant measurements.

FY 2016 risk developments and management	KPIs	Director/ Committee responsibility	Read more
Petra realised improvements in both ROM grades and product mix at Cullinan and Finsch, demonstrating that the Company's initiatives to manage the transition from the old to the new mining areas are yielding positive results. However, Petra expects ROM grade and product mix volatility to continue until H2 FY 2017 while the Company remains in this transitionary period, particularly at the Cullinan mine. The Company's initiative to incorporate milling technology into its processing plants at both Cullinan and Williamson is expected to improve liberation across all the diamond size and quality ranges, thereby leading to higher revenues at these operations.	Production; Revenue; Profitability	Executive Directors	Operational Review – pages 30 to 41
Petra's growth plan continued to progress well in FY 2016, with expansion at both flagship operations remaining materially on time, while the first phases of ground handling infrastructure and production areas were commissioned during the Year. The risk associated with delivery of the expansion programmes is lowered each year as they reach more advanced stages of delivery. The Company announced in July 2016 that it would reach its previous longer-term target of circa 5 Mcts by FY 2018, a year earlier than expected.	Production; Revenue; Capex	Executive Directors; Audit Committee; Remuneration Committee	Operational Review – pages 30 to 41 Report of the Audit Committee – pages 67 to 72 Directors' Remuneration Report – pages 84 to 97
In September 2015, Petra entered into a three-year wage agreement with the National Union of Mineworkers ("NUM"), which has helped to provide for a stable labour environment during this period. A key part of Petra's labour relations strategy is the IPDET, which is one of the Company's core BEE Partners and which receives annual advances in order to provide cash pay-outs for its beneficiaries (employees of the Group). Further to the Group restructure completed in July 2016, the IPDET increased its shareholding across all operations to a consistent 12%, adding to the sustainability of the annual distributions.	Production; Local employment; Staff turnover	Executive Directors	Chief Executive Officer's Statement – page 10 and Our People – page 48
Petra's Capex for FY 2016 was well controlled and was in accordance with the overall future roll-out of the Group's expansion programmes. Although a waiver to Petra's debt facility covenants was required during the Year, Petra subsequently improved its financial flexibility by agreeing with its lender group a revision to the covenant measurements related to its debt facilities. The Group remains fully financed to completion of its expansion programmes.	Production; Revenue; Profitability	Executive Directors; Audit Committee	Financial Review – pages 26 to 29

Risk Management continued

STRATEGIC OBJECTIVES

Output Recoveries Efficiencies Responsibility

Identifying, managing and mitigating risk continued

Strategic risks continued

Risk	Risk change in FY 2016	Description and impact	Mitigation
Cost control and capital discipline Long term		As is usual for the mining industry, Petra's operations have a relatively high fixed-cost base, estimated to be circa 70%. Petra's main cost inputs are labour and energy, both of which have been rising higher than the official inflation rates in South Africa and Tanzania. Ineffective cost control leads to reduced margins and profitability.	The Company's strategy to access undiluted ore will lead to progressively higher diamond recoveries at both Finsch and Cullinan over the years to FY 2019, without having to increase the Group's overall tonnage throughput. 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.	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 Group's employment policies and terms are designed to attract, incentivise and retain individuals of the right calibre and its 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.
Licence to operate 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. The Company also continually stays abreast of developments and changes in the laws and regulations of all of the countries in which it operates, and has systems to ensure it meets all the requirements of its mining rights and related matters.

FY 2016 risk developments and management	KPIs	Director/ Committee responsibility	Read more
Operating costs and corporate overheads were well controlled in FY 2016 despite inflationary pressures. The Group continues to focus on energy efficiency wherever possible and overhead costs remain tightly controlled. Due to the advanced nature of Petra's expansion programmes, the Company has a higher level of certainty in terms of the remaining expenditure required to completion of the plans. As the bulk of Petra's operating and overhead costs are incurred in ZAR, the weakness in the exchange rate against the US$ had a positive effect on FY 2016 reported costs.	Profitability	Executive Directors; Remuneration Committee	Financial Review – pages 26 to 29
The Group's approach to retention of key personnel has proven successful throughout the duration of the expansion programmes. Ongoing succession planning and development of future managers are continually assessed to ensure future skills availability.	Production; Revenue; Profitability; Staff turnover	Remuneration Committee	Directors' Remuneration Report – pages 84 to 97 Our People – page 48
Petra continued to comply in all material aspects with all relevant laws and regulations in the countries in which it operates. As mentioned in 'Country and political' on page 74, the Chamber of Mines (of which Petra is a member) is currently consulting with the DMR with regards to potential changes to the Mining Charter in South Africa.	Production; Revenue; Profitability; all HSSE indicators	Executive Directors; Audit Committee; HSSE Committee	Sustainability – pages 44 to 51

Report of the Nomination Committee

Members of the Nomination Committee

Adonis Pouroulis (Chairman)
Pat Bartlett
Gordon Hamilton
Tony Lowrie

Nomination Committee Terms of Reference
petradiamonds.com/about-us/corporate-governance/board-committees

Diversity

Petra is of the view that diversity is important to the effective functioning of a Board as it allows for a broad range of views, experiences and backgrounds to be drawn upon for the benefit of the business.

The Petra Board is considered to have a broad and highly relevant skillset, as set out on page 55, however the Committee will continue to review its composition, bearing in mind a range of factors, including diversity.

During FY 2016 the Committee continued to evaluate the diversity of the Board, and considered the findings of the Women on Boards: 5 Year Summary (Davies Review), as well as feedback from Mr Pouroulis from a Women on Boards conference that he attended in London in 2015. In line with the Company's diversity policy that was put in place in FY 2014, the Committee will continue to place a priority on diversity when considering future Board appointments.

Gender diversity at Petra

	Men		Women		
FY 2016	Number	%	Number	%	Total
Board	7	87	1	13	8
Senior Management	32	94	2	6	34
Management	200	82	45	18	245
Employees	3,873	82	845	18	4,718
Total	**4,112**	**82**	**893**	**18**	**5,005**

Petra is committed to encouraging women in mining at all levels of the business. It is encouraging that the percentage of women employed overall by Petra increased from 17% to 18%, the percentage of women employed in senior management increased from 3% to 6%, and the percentage in management remaining stable at 19% during FY 2017. However Petra recognises there is much more to be done and therefore has a number of initiatives which focus on developing women within the Group - read more on page 51.

Adonis Pouroulis
Nomination Committee Chairman
14 October 2016

Nomination Committee role and activities

The principal functions of the Nomination Committee are listed below, along with the corresponding activity and performance in FY 2016.

ROLE	ACTIVITIES IN FY 2016	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 regard to any changes.	Discussed longer-term strategy with regards to Board composition and diversity, which included consideration of the Women on Boards: 5 Year Summary (Davies Review) and the Equality and Human Rights Commission report on the appointment of directors to the boards of FTSE 350 companies. With the stepping down of the Finance Director in June 2016, the Committee agreed that the structure and size of the Board be amended to two Executive Directors (the CEO and Technical Director) and that the position of Finance Director be replaced with the non-Board position of CFO.	The Committee agreed that it would continue to evaluate the optimal composition of Board and Senior Management positions as the Company continues to evolve and develop, with a particular focus on diversity.
To identify, nominate and recommend, for the approval of the Board, appropriate candidates to fill Board and Committee vacancies as and when they arise.	Further to the stepping down of the Finance Director at Year end, the Committee considered and approved changes to the Board and Senior Management structure, whereby two internal candidates would be appointed to the roles of CFO and COO, thereby sitting directly below the two Executive Directors in terms of seniority within the Group.	Following the stepping down of David Abery as Finance Director on 30 June 2016, Mr Jacques Breytenbach and Mr Koos Visser were appointed as CFO and COO respectively, effective 1 July 2016. The CFO will attend all future Board meetings; the COO, Group Legal Services Manager and Corporate Communications Manager will attend Board meetings as appropriate.
To satisfy itself, with regards to succession planning, that plans are in place with regards to both Board and Senior Management positions.	The Committee continued to focus on succession planning and measures being in place to provide for contingency planning in the event of sudden or unexpected changes in Directors or Senior Managers. It was agreed that certain members of Senior Management would be given exposure to Board meetings and increased interaction with Board members.	The Group's succession policy was approved by the Committee in July 2015 and subsequently reviewed in September 2016, with additional information included on contingency planning. A number of Senior Managers attended the June 2016 site visit at the Williamson mine in Tanzania.
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.	An internal Board evaluation exercise took place in respect of FY 2016.	The overall result of the evaluation exercise was positive with regards to the Board's overall culture and performance, as well as highlighting a number of areas for further improvement. See page 65. Each Director was considered to remain effective and was proposed by the Committee for re-election to the Board at the forthcoming AGM.

Report of the HSSE Committee

Members of the HSSE Committee

Johan Dippenaar (Chairman)

Koos Visser, Chief Operating Officer (effective 1 July 2016)

Teon Swanepoel, Mining Executive

Howard Marsden, Mining Executive

Charl Barnard, Group HSEQ Manager

Egbert Klapwijk, Group Support Manager

Craig Kraus, Group Legal Services Manager

"We have noted the increasing importance of ESG strategy and performance to our shareholders. The HSSE Committee therefore continued to focus on strengthening the Group's systems and procedures in line with our approach to manage ESG issues as a fundamental part of our business."

Johan Dippenaar
Chairman of the HSSE Committee

HSSE Committee role and activities

The principal functions of the HSSE Committee ("the Committee") are listed below, along with the corresponding activity and performance in FY 2016.

ROLE	ACTIVITIES IN FY 2016	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.	Quarterly HSSE Committee meetings were held, with representatives from all relevant functions being present to update on developments and discuss findings and future strategy. Focus on risk management – reviews initiated with regards to the health and safety and activity based risk registers within the Group, as well as the Significant Risk controls and effectiveness. Reviews initiated on other important Group HSSE processes, with a focus on continual improvement.	Quarterly reports are submitted to the Board on all material HSSE matters. South African operations' HSSE-related risk management reviews completed. The reviews at Williamson will commence in FY 2017. Continued emphasis on ensuring suitable and effective HSSE policies and systems are in place across the Group.
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.	Quarterly board reports include levels of compliance as appropriate. Internal HSEQ system compliance, assurance and performance audits and ad hoc inspections conducted. Implementation of six newly promulgated Mandatory Codes of Practice. Drafting of Group Human Rights Policy.	The Board is updated regularly with regards to Petra's levels of compliance. Six audits and 32 ad hoc inspections were conducted. Audit reports issued and closed out. The Group's Human Rights Policy was recommended for approval post Year end.
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 throughout the Year and reporting to the Board on any material issues. Review of annual Group occupational health, safety and environmental targets and objectives. Consideration of main causes of accidents, risks and incidents across the HSSE spectrum.	The Board was regularly kept informed of the Group's HSSE performance. Targets and objectives aligned with the Mine Health and Safety Council milestones and national environment legislative requirements. Core focus areas were employee wellness and training, environmental management, safety awareness, emergency preparedness and response, stakeholder engagement and labour relations.
To review management's investigation of any fatalities and/or serious HSSE related accidents or incidents within the Group and the efficacy of the resultant remedial actions implemented.	Very regrettably a fatality occurred at the Cullinan mine in the Tailings Treatment Plant in July 2015. An investigation was initiated and learnings shared across the Group.	A full investigation into the fatal accident was completed and submitted to the DMR, with an overview provided to the Board. Remedial actions to address the cause of the incident and to help prevent similar occurrences at other operations was put in place.
To evaluate the quality and integrity of reporting to external stakeholders concerning HSSE aspects.	Continued annual sustainability reporting to GRI, CDP, MSCI, FTSE4Good. Stakeholder materiality assessment carried out in order to confirm Petra's material sustainability issues, as part of the move to GRI G4 reporting standards. Ongoing review of international guidelines and best practice in respect of Petra's sustainability reporting.	Petra's FY 2016 Sustainability Report is compiled in accordance with GRI G4 – 'Core' reporting standards. Quality and integrity are signed off internally based on an internal review process.

Additional HSSE activity details are contained in the Sustainability Report
petradiamonds.com/sustainability

HSSE Committee Terms of Reference
petradiamonds.com/about-us/corporate-governance/board-committees

Johan Dippenaar
HSSE Committee Chairman
14 October 2016

Directors' Remuneration Report
Letter from the Chairman

Members of the Remuneration Committee
Gordon Hamilton (Chairman)
Pat Bartlett
Tony Lowrie

Key highlights
- 94.05% of shareholders voted in favour of our 2015 Directors' Annual Remuneration Report, a positive reflection of how shareholders view the structure of the remuneration policies applied by the Committee in supporting the Group's commercial objectives.
- Measured approach to operation of incentive arrangements - the out-turns under bonus and share plans reflected progress towards our strategic goals, adjusted downwards by the Committee exercising its discretion.
- The Committee have determined that for FY2017 the directors will be awarded reduced PSP awards of 100% of salary.

Dear shareholder,
I am pleased to present the Petra Diamonds Directors' Remuneration Report for FY 2016.

Petra is a leading independent diamond mining group that offers shareholders an exceptional medium term growth and value proposition. The Company operates in an industry which requires specialist skills and experience, and against this background the Remuneration Committee's (the "Committee") objective is to operate an appropriate and measured remuneration policy that supports the Company's ambitious growth strategy.

Directors' Remuneration Report
Shareholders voted on and approved our Remuneration Policy Report at the November 2014 AGM. No changes to the policy are proposed for the coming year and consequently the Remuneration Policy does not require approval this year.

Our Annual Remuneration Report for FY 2016 will be presented to shareholders for approval at the FY 2016 AGM on 28 November 2016. Petra has again chosen to apply the UK disclosure regulations notwithstanding that it is not a UK company.

Remuneration framework
The Group's remuneration policies are weighted towards performance-related pay and the Committee continues to be of the view that the policies support the objectives of Petra and its shareholders.

With regards to Executive Director base salary levels, Petra has always adopted a modest approach. For the FY 2017 Executive Directors' salary reviews, the Committee took account of external macro developments, especially in the global mining industry, and it was decided that the Executive Directors' base salaries would be increased by 3% for the year commencing July 2016. Inflationary related increases relevant to the country where employees are based were applied across the Group's employee population more generally.

Prior to the 2017 AGM, when the Policy Report is next due for renewal, the Committee will undertake a review of arrangements to ensure they continue to support the strategic priorities of the Group.

Performance out-turns and decisions of the year
FY 2016 was another transitional year for the Company as it faced challenges, both operationally related to managing production from diluted areas at our underground mines, as well as market related pressure on rough diamond prices. The management team addressed these challenges during the course of the year and continued to make excellent progress with regards to its core strategic objectives, as illustrated by:

- carat production increasing to 3.7 million carats;
- project delivery remaining on track and materially within budget;
- maintaining LTIFR safety performance;
- negotiation by way of a competitive tender process and subsequent completion of the Kimberley Mines transaction; and
- re-financing of debt facilities and resetting of covenants.

For the second consecutive year the Committee has made a downwards adjustment to the formulaic outcome for the bonus scorecard, before agreeing bonus outcomes in respect of the financial year.

The final portion of the 2011 Longer Term Share Plan ("LTSP") will vest subsequent to the year end. This is a legacy plan which was adopted prior to moving from AIM to the Main Market, with awards made to the Executive Directors and members of the management team. Performance for these awards was based on carat production and project/expansion plan delivery targets. Further details, including the performance against the targets set, are disclosed on page 87 of this Report.

The LTSP has served its purpose well in terms of measuring and rewarding performance, as well as playing a key role in wider management retention during a critical period – an important issue in Petra's industry. Any LTSP awards that do not vest this year will lapse. Following the vesting of awards in 2016, there are no further outstanding awards for Executive Directors under this legacy plan.

In the opinion of the Committee, the final annual performance bonus, Performance Share Plan ("PSP") and LTSP outcomes appropriately reflect overall performance over the respective period of the measurement of each incentive.

After 13 years as Finance Director at Petra David Abery stepped down from the Board effective 30 June 2016. His outstanding awards have been adjusted to take consideration of time elapsed to date and will vest subject to the Group's performance at the normal vesting date.

AGM
Last year the Remuneration Committee was pleased to note that 94.05% of shareholders voted in favour of our Directors' Annual Remuneration Report. The Committee's view is that Petra's remuneration polices are aligned with the strategy to enhance long-term value for shareholders and the Committee values the support received from shareholders over recent years.

We hope you find our report for this Year informative and will continue to support our remuneration policies and practices by voting in favour of the resolution at the Company's AGM.

Gordon Hamilton
Chairman of the Remuneration Committee
14 October 2016

Directors' Annual Remuneration Report

This report explains how the Group's Remuneration Policy was implemented during FY 2016 and how it will be applied for FY 2017.

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 rewards should be meaningful – the Committee believes long-term share awards provide alignment with the long-term interests of shareholders and the Company; and
- 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.

Overview of policy and how it will be applied for FY 2017 (for active Directors)

Salary

Influenced by role, individual performance and experience and market positioning.	Increases of 3% were applied from 1 July 2016 for the Chief Executive Officer and Technical Director. These increases are less than those given across the Group's employee population for FY 2017, where inflationary linked increases were applied. With effect from 1 July 2016, Executive Director base annual salaries are: ▸ Johan Dippenaar – £370,800 ▸ Jim Davidson – £299,340

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 2017 of 150% of salary. For FY 2016, 25% of the bonus earned for the Year has been deferred into shares for two years. For FY 2017, the bonus will be linked to: ▸ carat production; ▸ cost management; ▸ adjusted EBITDA and profit; ▸ major project delivery; ▸ HSSE objectives; and ▸ strategic and corporate priorities. From FY 2016 new rules were introduced whereby the annual bonus will be subject to a clawback provision, which may apply for up to two years following the end of the performance period in the event of serious misconduct or a material error in the calculation of the bonus outcome.

Performance share plan

Aligned with shareholders and motivating the delivery of long-term objectives.	Normal awards of 150% of salary. The Committee have determined that for FY2017, a reduced conditional share award of 100% of salary, will be granted to executive directors. Performance is measured over three financial years (FY 2017 to FY 2019): ▸ 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 a maximum target of 16% growth per annum (25%); and ▸ project delivery and operational performance (50%). From FY 2016 new rules were introduced whereby the PSP will be subject to a clawback provision, which may apply for up to two years following the end of the relevant performance period in the event of serious misconduct or a material error in the calculation of the vesting outcome.

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

Single figure of total remuneration

The following table gives a breakdown of the remuneration received by the Executive Directors for FY 2016 and FY 2015. 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.

		Johan Dippenaar Chief Executive		David Abery Finance Director		Jim Davidson Technical Director	
		2016	2015	**2016**	2015	**2016**	2015
Salary	£	**360,000**	360,000	**290,615**	290,615	**290,615**	290,615
Benefits	£	**44,979**	41,974	**36,386**	34,624	**30,932**	32,497
Annual bonus – paid in cash	£	**222,750**	162,000	**179,819**	130,777	**179,819**	130,777
Annual bonus – deferred to shares	£	**74,250**	54,000	**59,939**	43,592	**59,939**	43,592
Long-term incentives – PSP awards[1,2]	£	**248,999**	222,535	**231,827**	207,187	**231,827**	207,187
Legacy incentives – LTSP awards[3]	£	**186,543**	158,525	**186,543**	158,525	**186,543**	158,525
Retirement benefits[4]	£	**—**	—	**—**	—	**—**	—
Total – including legacy incentives	£	**1,137,521**	999,034	**985,129**	865,320	**979,675**	863,193
Less legacy incentives	£	**(186,543)**	(158,525)	**(186,543)**	(158,525)	**(186,543)**	(158,525)
Total[5]	£	**950,978**	840,509	**798,586**	706,795	**793,132**	704,668

1. Long-term incentives (PSP awards) in FY 2016 relate to the PSP awards granted on 23 December 2013 based on performance between 1 July 2013 and 30 June 2016. The awards vested at 55.0% of the maximum shortly after Year end. For the purpose of this table the awards have been valued based on the share price on 15 September 2016 of 110.25 pence, the closing price prior to vesting.
2. Long-term incentives (PSP awards) in FY 2015 relate to the PSP awards granted on 20 December 2012 based on performance between 1 July 2012 and 30 June 2015. The awards vested at 57.0% of the maximum and were released on 6 October 2015. For the purpose of this table, the awards have been valued based on the share price on 6 October 2015 of 93.25 pence, the closing price on the day of vesting.
3. Legacy incentives in FY 2015 and FY 2016 relate to the LTSP awards granted on 15 May 2012. Following the end of FY 2015, 42.5% of this award vested with a further 42.3% vesting following the end of FY 2016 (i.e. total vesting of 84.8%). For the purpose of this table, the awards shown for FY 2016 have been valued based on the share price on 15 September 2016 of 110.25 pence, the closing price prior to vesting; the awards shown for FY2015 have been valued based on the share price on 6 October 2015 of 93.25 pence, the closing price on the day of vesting.
4. 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.
5. The LTSP incentives are once off legacy incentive awards (from a scheme that was put in place prior to the Company's step up to the Main Market of the LSE), which only vested in 2015 and 2016 and do not continue thereafter. Given the legacy nature of these awards the disclosure above has been given to show ongoing total remuneration on a comparable like-for-like basis.

These total remuneration figures reflect a number of factors:

- Since admission to the Main Market, salaries have been modestly set relative to salaries and benefits available to executive directors of comparable companies.
- A significant portion of pay is performance based and is comprised of annual bonus and long-term incentives. The amounts above reflect that Petra has performed well against its corporate objectives over the longer term. This strong link to performance 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 awards which were granted in prior years and were subject to stretching performance conditions.
- In the FY 2016 and FY 2015 single figure amounts have been included in respect of legacy LTSP awards. The one-off LTSP was adopted in 2011 while the Company was still listed on AIM. Further details are provided below. The LTSP does not form part of Petra's ongoing executive director remuneration package.
- Executive Directors have significant shareholdings, reflecting their commitment to Petra's future and sustainable growth going forward.

Additional notes to the remuneration table

Salary

For FY 2017, the Committee has determined that the base salaries (per annum) for Executive Directors should be as set out below:

	Base salary to 30 June 2016 £	Base salary from 1 July 2016 £
Johan Dippenaar	360,000	370,800
Jim Davidson	290,615	299,340

Base salaries for the Chief Executive and Technical Director were increased by 3% with effect from 1 July 2016 (salaries were not increased in the prior year). Salary increases made across the Company's employee population were generally aligned to inflation where the employee is based, and therefore the Executive Directors' base salary increases were lower than those of the Company's general employee population.

Single figure of total remuneration continued

Benefits

In lieu of pension plan participation and other benefits, the Executive Directors receive a benefit cash supplement of 10% of salary. Other than membership of the Group management life insurance scheme (which includes 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 all-round performance to ensure that actual bonuses are appropriate.

For FY 2016, the Committee's assessment of performance against the balanced scorecard of key measures and milestone achievements during 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%	▸ Production increased by 0.515 Mcts from 3.186 Mcts to 3.701 Mcts. This was above the target of 3.555 Mcts. ▸ The weighted average project delivery score achieved from the scorecard was 8.2/10.	26.8%
Profitability (adjusted EBITDA, adjusted net profit and cost management)	40%	▸ Adjusted EBITDA increased from US$139.3 million to US$164.3 million, but was below the target of US$188.0 million. ▸ The cost target was met. ▸ Adjusted NPAT increased from US$62.8 million to US$63.6 million, but was below the target of US$88.0 million.	18.3%
Corporate (including corporate and strategic priorities and health, safety, social and environmental performance)	30%	▸ LTIFR remained at 0.29 (FY 2015: 0.29) – an encouraging trend in the context of the high level of activity around the capital programmes. The Committee made a downwards adjustment the outcome due to the fatality that occurred at Cullinan in July 2015. ▸ The Committee carefully considered the performance of the Executive Directors in delivering against corporate and strategic priorities.	20.5%

The above targets were appropriately adjusted to take account of the Kimberley Mines acquisition.

On the basis of this review and taking into account overall performance, the Committee determined that the bonus for Executive Directors would be 65.6% of the maximum award (equating to 98.4% of base salary), however only 55% of maximum award (equating to 82.5% of base salary) has been awarded. This is the second consecutive year in which the Committee has made a downwards adjustment to the formulaic outcome for the bonus scorecard. The Committee has determined that 25% of the bonuses earned by Mr Dippenaar and Mr Davidson will be deferred for two years into shares (or settled as a cash equivalent after two years, in line with the Remuneration Policy).

For FY 2017, the Committee has agreed a balanced scorecard of performance measures, targets and milestone achievements, which is consistent with that applied for FY 2016, other than the weighting for Production and Project Delivery has been increased from 30% to 40%, and the weighting for Corporate has been reduced from 30% to 20%, aligned to the delivery of projects and subsequent production ramp-up during FY 2017.

The key measures are:

PERFORMANCE MEASURE	WEIGHTING
Production and project delivery (carat production and delivery against project milestones)	40%
Profitability (including adjusted EBITDA, adjusted net profit and cost management)	40%
Corporate (including corporate and strategic priorities and health, safety, social and environmental performance)	20%

As noted above, the bonus framework includes both measurement against pre-defined targets and the exercise of judgement, within a scoring framework which uses 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.

FY 2014 to FY 2016 award

The long term incentive figures shown in the single figure table relate to the awards granted under the PSP in December 2013 that were subject to performance measures assessed over the period from 1 July 2013 to 30 June 2016. These awards were linked to total shareholder return (50%) and to project and operational delivery (50%).

Directors' Remuneration Report

Directors' Annual Remuneration Report continued

Single figure of total remuneration continued

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 and diamond mining peers	25%	Median	Upper quartile	9th rank (between median and 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 ninth out of 22 companies in the comparator group, which was sufficient to trigger 15.2% vesting out of a maximum of 25% 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 93, Petra has also delivered positive shareholder returns over the longer seven-year period.

	Weighting	25% of element vests[1]	80% of element vests	100% of element vests	Actual performance
Project delivery	50%	6/10	8/10	10/10	Overall 9.4/10
Operational efficiency					Reduction to vesting outcome (see narrative below)

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

Project delivery was measured at each mine where a significant expansion programme is underway, considering an assessment of performance against expansion progress metrics. Performance was in respect of Finsch, Cullinan and Koffiefontein/Kimberley Underground/Williamson together combined (weighted 20%, 20% and 10% respectively). The metrics included safety, staffing, project management, financial, governance, development metres, raiseboring metres, design and engineering milestones and project spend. The Committee considered the operational element based on carat production, cashflow, costs and profitability across all of the Group's operations. 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. Further details of performance at each site is set out in the Operational Review of the Strategic Report on pages 30 to 41.

Following this assessment of project delivery, 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. Following a detailed review of performance, the Committee deemed it appropriate to adjust this element downwards by 7.2%.

Vesting, net of the operational efficiency adjustment mentioned above was 39.8% (out of 50%) of this element.

On the basis of the above performance the total vesting for the PSP awards for Executive Directors vested at 55.0% of the maximum.

Legacy incentives – Longer Term Share Plan

The 2011 LTSP was implemented prior to the step-up to the Main Market. This share plan was implemented to address: (i) the retention of the Executive Directors and Senior Management over the period to 2016, which was and remains a pivotal period for the Company as the expansion programmes are rolled out across the Group; and (ii) the lack of share awards to the Executive Directors and Senior Management in the period from March 2010. The performance targets for awards under the 2011 LTSP were designed to support the delivery of key operational priorities over an extended four-year time horizon. No further awards will be made to Executive Directors under the 2011 LTSP.

The vesting of awards is conditional on the achievement of both carat production and project delivery measures.

FY 2013 to FY 2016 award

The final portion of the LTSP is eligible for vesting based on performance measures assessed over the period from 1 July 2012 to 30 June 2016 (less the portion which vested early in FY 2015). These awards were linked to carat production (50%) and project delivery (50%).

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

	Weighting	25% of element vests[1]	80% of element vests	100% of element vests	Actual performance
Carats recovered	50%	11.9m carats	12.5m carats	13.0m carats	12.62m carats
Expansion project delivery	50%	6/10	8/10	10/10	Overall 8.44/10

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

The carat production targets were increased by circa 0.2 million across the range to take account of the expected impact of the Combined Kimberley Operations at the time of the transaction. Following this adjustment, the carats recovered performance over the period was sufficient to trigger an overall vesting of 42.6% (out of 50%) of this element.

Single figure of total remuneration continued

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 the Combined Kimberley Operations (weighted 15.6%, 21.9%, 6.3% and 6.3% respectively). The metrics included safety, staffing, project management, financial, governance, development metres, raiseboring metres, design and engineering milestones and project spend. Vesting was 42.2% (out of 50%) of this element. Further details of performance at each site is set out in the Operational Review of the Strategic Report on pages 30 to 41.

On the basis of the above performance, a total of 84.8% of this award vested. Following the end of FY 2015, 42.5% vested and a further 42.3% have vested subsequent to year end FY 2016.

Awards granted during the Year

The long-term incentive performance measurement framework for share awards in FY 2016 is summarised below (unchanged from the previous year). The same performance framework will be applied to awards granted to Executive Directors in FY 2017.

Summary of performance targets

PERFORMANCE MEASURE

Ranked TSR vs FTSE 350 mining companies plus diamond mining peers

Absolute TSR growth

- 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 the creation of absolute value for shareholders.

	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.

Departing Director

David Abery stepped down as Finance Director effective 30 June 2016, and agreed to remain with the Company until 31 January 2017 to ensure a smooth transition for the incoming CFO. For the period 1 July 2016 to 31 January 2017, Mr Abery will continue to receive the same base annual salary paid on a monthly basis, but not the 10% cash in lieu of benefits or any bonus in respect of the period from 1 July 2016. There will be no payment in lieu of notice.

The Remuneration Committee carefully considered the circumstances of Mr Abery's departure and also took into account his contribution to the business as it developed from an exploration company when he joined in 2003 to become one of the world largest independently listed diamond producers. Against this background, the Committee agreed to treat Mr Abery as a good leaver and agreed that:

- Mr Abery remained eligible for a bonus in respect of FY 2016 for the period that he remained a Board Director. 25% of Mr Abery's 2016 performance bonus will be deferred into shares until 30 June 2017. The out-turn of the 2016 performance bonus is covered on pages 87 to 89 of this Report.
- That Mr Abery's deferred bonus shares which were earned in respect of FY 2014 (50,823 shares) and FY 2015 (60,545 shares) will vest at the normal time period (June 2016 and June 2017 respectively).
- In respect of the PSP award made in 2013 and the LTSP award made in 2012, Mr Abery was Finance Director for the full measurement period of these awards, so measurement of performance conditions and out-turn was applied in the normal way; the detail of out-turn of these awards is covered on pages 91 and 92 of this Report.
- In respect of the PSP awards made in 2014 and 2015, the original awards were pro-rated on a time basis with a further reduction so that only 25% of these shares would continue. Following the pro-rating reductions the maximum number of shares under PSP awards are 40,817 (2014 award) and 33,327 (2015 award). These shares will continue to be subject to performance conditions which will be measured at the normal time.
- Mr Abery will not participate in any annual incentive or PSP award for the year commencing FY 2017.

Directors' Remuneration Report

Directors' Annual Remuneration Report continued

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 Employee Share Option Scheme ("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 is £155,000 per annum, payable in cash.

The other Non-Executive Directors receive a fixed basic fee of £55,000 per annum for their normal services rendered during the Year and a fee for chairmanship of Committees. All fees are payable in cash.

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

For FY 2017, the Non-Executive Director fees will increase by 3%.

Independent Non-Executive Directors do not participate in the Company's bonus arrangements, share schemes or pension plans, and for FY 2016 (in accordance with the Company's normal policy) did not receive any other remuneration from the Company outside of the fee policy outlined above.

Single figure of total remuneration

The following table gives a breakdown of the remuneration received by the Non-Executive Directors for FY 2016 and FY 2015. 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	Fees £	Benefits £	Total £
Adonis Pouroulis	**2016**	**155,000**	**3,844**	**158,844**
Chairman	2015	155,000	2,363	157,363
Pat Bartlett	**2016**	**55,000**	**—**	**55,000**
	2015	55,000	—	55,000
Gordon Hamilton	**2016**	**82,500**	**—**	**82,500**
	2015	82,500	—	82,500
Tony Lowrie	**2016**	**77,500**	**—**	**77,500**
	2015	77,500	—	77,500
Octavia Matloa	**2016**	**55,000**	**—**	**55,000**
	2015	35,185	—	35,185

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 of 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 share interests of the Directors as at 30 June 2016 are detailed below. Executive Directors currently exceed the guideline for Petra share ownership.

		Shareholding as at 30 June 2016[1]	Shareholding as at 30 June 2015	Shareholding guideline[3]
Adonis Pouroulis	Chairman	**9,564,650**	9,564,650	n/a
Johan Dippenaar[1]	Chief Executive	**1,060,719**	640,000	313,589
David Abery[2]	Finance Director	**2,371,834**	1,979,649	253,149
Jim Davidson[1]	Technical Director	**1,043,775**	640,000	253,149
Tony Lowrie	Senior iNED	**2,300,000**	1,000,000	n/a
Pat Bartlett	iNED	**—**	—	n/a
Gordon Hamilton	iNED	**152,000**	100,000	n/a
Octavia Matloa	iNED	**—**	—	n/a

1. As detailed above, following the Year end, various outstanding share awards (PSP and LTSP) vested during September 2016. As a result, the shareholding of the Executive Directors has increased to: Mr Dippenaar 1,455,769 shares and Mr Davidson 1,423,249 shares.

2. Mr Abery stepped down as Finance Director on 30 June 2016.

3. Shareholding guideline based on three-month average share price to 30 June 2016 of 114.80 pence.

Directors' shareholding and share interests continued

As at 30 June 2016, the Directors' interests in share plans of the Company were as follows:

Breakdown of share plan interests as at 30 June 2016	Shares: Unvested and subject to performance[1]	Shares: Unvested and not subject to performance[2]	Options: Vested but not exercised	Options: Exercised in the Year
Executive Directors				
Johan Dippenaar	1,439,421	129,587	1,450,000	250,000
David Abery	1,257,146	111,368	1,450,000	250,000
Jim Davidson	1,257,146	111,368	1,450,000	250,000
Non-Executive Directors				
Adonis Pouroulis	—	—	450,000	250,000
Pat Bartlett	—	—	—	—
Gordon Hamilton	—	—	—	—
Tony Lowrie	—	—	—	—
Octavia Matloa	—	—	—	—

1. These figures overstate the Executive Directors' current interests in shares as a portion of LTSP and PSP awards lapsed following year-end. For Mr Dippenaar 245,587 shares lapsed, for Mr Davidson 232,843 shares lapsed and for Mr Abery 803,528 shares lapsed following his resignation.
2. This comprises outstanding deferred share awards in respect of FY 2014 and FY 2015. During FY 2015, the following awards were granted: Mr Dippenaar – 75,000 shares; Mr Abery – 60,545 shares; and Mr Davidson – 60,545 shares. These awards represent 25% of the total bonus in respect of FY 2015.
3. Options held by Mr Pouroulis relate to the 2005 ESOS awards granted to him between 2006 and 2010 when he 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.

As at 30 June 2016, Executive Directors held the following interests in the 2012 PSP:

	Date of award	Outstanding at 1 July 2015	Awarded during the Year	Vested during the Year	Lapsed during the Year	Outstanding at 30 June 2016	Performance period
Johan Dippenaar	20/12/2012[1]	418,672	—	238,643	180,029	—	July 12–June 15
	20/12/2013[2]	410,637	—	—	—	410,637	July 13–June 16
	26/11/2014[3]	303,371	—	—	—	303,371	July 14–June 17
	06/10/2015[4]	—	495,413	—	—	495,413	July 15–June 18
Total		**1,132,680**	**495,413**	**238,643**	**180,029**	**1,209,421**	
David Abery	20/12/2012[1]	389,798	—	222,185	167,613	—	July 12–June 15
	20/12/2013[2]	382,317	—	—	—	382,317	July 13–June 16
	26/11/2014[3]	244,900	—	—	—	244,900	July 14–June 17
	06/10/2015[4]	—	399,929	—	—	399,929	July 15–June 18
Total		**1,017,015**	**399,929**	**222,185**	**167,613**	**1,027,146**	
Jim Davidson	20/12/2012[1]	389,798	—	222,185	167,613	—	July 12–June 15
	20/12/2013[2]	382,317	—	—	—	382,317	July 13–June 16
	26/11/2014[3]	244,900	—	—	—	244,900	July 14–June 17
	06/10/2015[4]	—	399,929	—	—	399,929	July 15–June 18
Total		**1,017,015**	**399,929**	**222,185**	**167,613**	**1,027,146**	

1. 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. Following the Year end this award vested at 57% and the balance of this award lapsed.
2. 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 pages 87 and 88. As noted above, following the Year end this award vested at 55% and the balance of this award lapsed.
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 26 November 2014 was 208.8 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 178.0 pence.
4. 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 6 October 2015 was 93.25p 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 109.0 pence.

Directors' Remuneration Report

Directors' Annual Remuneration Report continued

Directors' shareholding and share interests continued

As at 30 June 2016, Executive Directors held the following interests in the 2011 LTSP:

	Date of award	Outstanding at 1 July 2015	Awarded during the Year	Vested during the Year	Lapsed during the Year	Outstanding at 30 June 2016	Performance period
Johan Dippenaar	15/05/2012[1]	400,000	—	170,000	—	230,000	July 12–June 16
Total		**400,000**	**—**	**170,000**	**—**	**230,000**	
David Abery	15/05/2012[1]	400,000	—	170,000	—	230,000	July 12–June 16
Total		**400,000**	**—**	**170,000**	**—**	**230,000**	
Jim Davidson	15/05/2012[1]	400,000	—	170,000	—	230,000	July 12–June 16
Total		**400,000**	**—**	**170,000**	**—**	**230,000**	

1. Further details of the performance conditions are set out on page 88. As noted above, following the year-end 169,200 of the outstanding awards for each Director have vested with the remaining balance lapsing.

As at 30 June 2016, Executive Directors and the Chairman held the following vested share options under the 2005 ESOS:

	Date of grant	Exercisable from	Exercise price (p)	Outstanding at 1 July 2015	Granted during the Year	Lapsed during the Year	Exercised during the Year	Outstanding at 30 June 2016	Expiry date
Adonis Pouroulis	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				**700,000**	**—**	**—**	**250,000**	**450,000**	
Johan Dippenaar	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				**1,700,000**	**—**	**—**	**250,000**	**1,450,000**	
David Abery	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				**1,700,000**	**—**	**—**	**250,000**	**1,450,000**	
Jim Davidson	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				**1,700,000**	**—**	**—**	**250,000**	**1,450,000**	

External non-executive directorships

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

Other disclosures

Performance graph

The graph below shows a comparison between the TSR for Petra shares for the seven-year period to 30 June 2016 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-day trading average.

Total shareholder return

Based on 30-day trading average

Table of historic data for the Chief Executive

Before the Company stepped up to the Main Market, Petra 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 seven period.

	AIM		Main Market				
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	**FY 2016**
Single figure of total remuneration (£)	507,500	879,258	1,115,496	804,361	1,075,225	999,034	**1,137,521**
Annual bonuses as a % of maximum[1]	—	—	68%	72.5%	85.5%	40.0%	**55.0%**
Long-term incentives (PSP awards) as a % of maximum[2]	—	—	—	—	62.2%	57.0%	**55.0%**
Long-term incentives (LTSP awards) as a % of maximum	—	—	—	—	n/a	42.5%	**42.3%**

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

2. Prior to FY 2012, the Company granted share options to Executive Directors. 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.

Directors' Remuneration Report
Directors' Annual Remuneration Report continued

Other disclosures continued

Percentage change in remuneration of the Chief Executive

In FY 2016, the Chief Executive's salary and benefits allowance (as a percentage of salary) was unchanged. This compares to an average increase in salaries across Petra of 7.3% (measured in local currencies). The Chief Executive's annual bonus earned in respect of the Year increased by 37.5%.

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 2016 US$m	FY 2015 US$m	Change %
Payments to shareholders	**15.4**	nil	100%
Group employment costs	**125.9**	141.0	(10.7%)

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 Davidson	Technical Director	28 November 2011	n/a	12 months
Non-Executive Directors				
Mr Pouroulis	Non-Executive Chairman	17 September 2015	36 months	1 month
Mr Lowrie	Senior Independent Non-Executive Director	17 September 2015	36 months	1 month
Dr Bartlett	Independent Non-Executive Director	17 September 2015	36 months	1 month
Mr Hamilton	Independent Non-Executive Director	17 September 2015	36 months	1 month
Ms Matloa	Independent Non-Executive Director	11 November 2014	36 months	1 month

Membership of the Committee

The Committee members for FY 2016 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 2016 for the Remuneration Committee totalled £23,350 (FY 2015: £28,350) and were based on a time and materials basis.

During the Year Deloitte 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 30 November 2015, the Directors' Remuneration Report received the following votes from shareholders:

	%	Number
For	94.05	382,340,855
Against	2.27	9,207,516
Withheld	3.68	14,954,933
Total votes cast		406,503,404

Gordon Hamilton
Chairman of the Remuneration Committee
14 October 2016

Directors' Remuneration Report

Appendix to the 2016 Directors' Remuneration Report – 2014 Remuneration Policy tables

The Directors' Remuneration Policy was approved by shareholders at the AGM in November 2014. The full policy, including approach to recruitment, service contracts, termination arrangements etc., can be found in the 2014 Annual Report on our website at https://www.petradiamonds.com/investors/results-reports/.

The approved Remuneration Policy tables for Executive Directors, which were published in last year's Directors' Remuneration Policy, are set out below. For clarity, where the policy table had previously included references to implementation of the policy in FY 2014 or FY 2015, these references have been updated. Full details of remuneration arrangements for FY 2015 and FY 2016 are set out in the Annual Report on Remuneration.

FIXED REMUNERATION

Salary

Purpose and link to strategy	To attract and retain Executive Directors of the calibre required by the business. ▸ This is a core element of the remuneration package.
Operation	The base salaries for Executive Directors are determined by the Committee taking into account a range of factors including: ▸ 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 2016, Executive Director salaries are: ▸ Johan Dippenaar – £370,800 ▸ Jim Davidson – £299,340
Maximum opportunity	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): ▸ 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	To provide market competitive benefits.
Operation	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: ▸ 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	The benefit provision will be set at an appropriate level taking into account the cost to the Company and the individual's circumstances.

VARIABLE REMUNERATION

Annual bonus

Purpose and link to strategy	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	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 2016, 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 provide alignment with shareholders.
Maximum opportunity	Maximum award of up to 150% of base salary.
Performance measures	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 2017, 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	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	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	Maximum award of up to 200% of salary. For FY 2017, Executive Directors will be granted conditional awards of up to 100% of salary.
Performance measures	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 2017, the performance measures used will be: ▸ 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.

Petra wins *The Banker* Corporate Bond Deal of the Year

Each year, *The Banker* magazine, a monthly trade publication owned by the *Financial Times* focusing on global banking and finance news, recognises the best deals of the year in four geographical categories: Africa, Americas, Asia-Pacific and Europe.

In May 2016, *The Banker* named Petra the winner of the Corporate Bond Deal of the Year 2016 for Africa for the Company's successful offering of its US$300 million note, priced at the rate of 8.25% per annum, payable semi-annually. The proceeds of the issuance would be used to pay off existing debt, to invest in Petra's expansion programmes and to construct a new processing plant at the Company's Cullinan mine in South Africa.

As part of the offering Petra's executive team "followed a six-day global roadshow, together with continuous dialogue with investors, with the final order book reaching more than US$1.1bn" (*The Banker*). Petra's investor relations strategy includes active engagement with fixed income investors to support the trading value of the bond.

Approximately, 50% of the bonds are held by North American investors, 40% by European investors and 10% by investors from the rest of the world. The notes are due in 2020.

More online
petradiamonds.com/about-us

Financial Statements

Directors' Responsibilities Statement

Directors' responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. The Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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 proper accounting records that are sufficient to ascertain with reasonable accuracy at any time the financial position of the Company and to ensure that the Financial Statements comply with the Bermuda Companies Act 1981. 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

In accordance with Chapter 4 of the Disclosure and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom the Directors confirm to the best of their knowledge:

- the Group's Financial Statements, prepared in accordance with IFRS as adopted by the European Union, 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

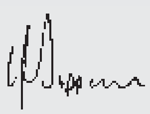
As far as each of the Directors are aware at the time this report was approved:

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

In accordance with Section 89 of the Bermuda Companies Act 1981 (as amended), a resolution to confirm the appointment of BDO LLP as auditors of the Company is to be proposed at the 2016 AGM to be held on 28 November 2016.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Bermuda and the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Financial Statements were approved by the Board of Directors on 14 October 2016 and are signed on its behalf by:



Johan Dippenaar
Chief Executive
14 October 2016

Independent Auditors' Report

To the members of Petra Diamonds Limited

Our unmodified opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's affairs as at 30 June 2016 and of its profit for the year then ended;
- the Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- the Financial Statements have been prepared in accordance with the requirements of the Bermuda Companies Act 1981.

The Financial Statements comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cashflows for the year and the related notes. The financial reporting framework that has been applied in the preparation of the Financial Statements is applicable law and IFRSs as adopted by the European Union.

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

Our application of materiality

Materiality	FY 2016	FY 2015
Materiality for the Financial Statements as a whole	$12.5 million	$9.5 million
Materiality levels used for the audits of the significant components of the audit	$0.7 million to $5.1 million	$0.5 million to $3.6 million

The materiality we applied equates to less than 1% of the total assets of the Group and represents 2.3% of total equity and 7.6% of adjusted EBITDA[1]. 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.

Whilst materiality for the Financial Statements as a whole was US$12.5 million, each significant component of the Group was audited to a lower materiality as detailed above.

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 reasonably knowledgeable 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 consider the aggregation risk of misstatements, 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 agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of US$0.25 million. We also agreed to report differences below that threshold 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 and Tanzania. In approaching the audit, we considered how the Group is organised and managed. We assessed the business to be made up of seven significant components being the Finsch, Cullinan, Kimberley Underground, Ekapa Minerals Joint Venture 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 on the five significant South African reporting components by a BDO network firm in South Africa. The BDO network firm in South Africa also performed audits on the South African non-significant components for Group reporting purposes. A full scope audit of the one significant component in Tanzania was performed by a non-BDO network firm in Tanzania. The Group audit team performed an audit of Petra Diamonds Limited as a standalone entity, along with the audit of the significant head office component, and the consolidation. The combined effect of the component audits performed to component level materiality levels for the purpose of the Group audit opinion covered:

Total assets	Revenue	Profit before tax
99%	100%	99%

1. Adjusted EBITDA is defined as IFRS profit after tax of US$66.8 million adjusted for tax (US$8.6 million), interest (US$33.0 million), depreciation (US$51.8 million) and share-based expense (US$4.1 million).

Independent Auditors' Report

To the members of Petra Diamonds Limited continued

An overview of the scope of our audit continued

The remaining non-significant holding companies were principally subject to analytical review procedures.

As part of our audit strategy, as Group auditors:

- Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by the audits (including areas where there was considered to be a significant risk of material misstatement as detailed below), and set out the information required to be reported to the Group audit team.
- Members of the Group audit team were physically present in South Africa and Tanzania at certain times during the planning and 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 Group senior audit team visited three of the operating mines, attended clearance meetings for all significant components and spent significant periods of time with the component auditors responsible for the significant components during their fieldwork and completion phases.

Our assessment and response to risks of material misstatement

There have been no significant changes in the Group's operations, however depreciation and capital expenditure, which we reported as a risk last year, were not considered to give rise to a significant risk in the current year. The assessed risks of material misstatement for the current year, as described below, are those that had the greatest impact on our audit strategy and scope. We have set out below how we addressed these risks:

Risk identified	Audit response
Going concern and the assessment of debt facility covenants	
The Group has significant debt facilities which are subject to financial covenants. As detailed in note 22b, the Group restructured its bank lending facility covenants shortly before the year end. The appropriateness of the Group's financial forecast assumptions, the date at which the revisions to the covenant ratios took effect and in turn the Group's assessment of its ability to remain within financial covenant ratios and to meet liabilities as they fall due represented a significant risk for our audit due to the inherent judgements and estimates required.	▸ We critically assessed management's financial forecast models and the key underlying assumptions, including diamond pricing, foreign exchange rates, production, expenditure and the debt facilities currently available to the Group. In doing so, we considered factors such as empirical performance, external market data and reviewed the revised banking facilities secured subsequent to year end. ▸ We recalculated management's covenant compliance calculations and forecast covenant compliance calculations and assessed the consistency of such calculations with the facility documents. ▸ We critically assessed management's sensitivity analysis performed in respect of key assumptions underpinning the forecasts. We performed our own sensitivities in respect of diamond pricing and production. ▸ We reviewed the covenant compliance certificates for the year ended 30 June 2016 to confirm ongoing compliance and headroom under the banking covenants. ▸ We performed a detailed review of the agreements with the lending syndicate in respect of the amendment to covenants. In particular, we confirmed the satisfaction of all substantive conditions precedent under the agreement by 30 June 2016 to supporting documents.
Accounting treatment of the Kimberley Mines transaction in FY 2016 and the impact of the FY 2017 Kimberley Ekapa Mining Joint Venture	
As detailed in note 32, the Group acquired a 49.9% interest in Ekapa Minerals (Pty) Limited ("Ekapa Minerals") which acquired the Kimberley Mines trade, assets and liabilities from De Beers in January 2016. The Group accounted for its interest in Ekapa Minerals as a jointly controlled operation. In July 2016, the Group entered an agreement with Ekapa Mining (Pty) Limited ("Ekapa Mining") under which the parties combined their respective interests in the Kimberley area into an unincorporated joint venture known as the KEM JV. Whilst being effective in FY 2017, the appropriate presentation of the Kimberley Underground assets and liabilities within the statement of financial position and transaction related disclosures represented a focus area for our audit. The determination of the appropriate accounting treatment for the transaction required judgement and represented a significant risk area for our audit.	▸ A full scope audit of the Ekapa Minerals joint venture was performed by a BDO network firm under our direction. ▸ We obtained and reviewed the agreements forming the transaction, including those agreements relevant to the acquisition of the Kimberley Mines and the agreements between the Group and Ekapa Mining. ▸ We considered and critically assessed the appropriateness of the accounting treatment as a jointly controlled operation. In assessing the accounting treatment, we assessed the rights, obligations and responsibilities of the parties under the transaction agreements and the nature of the transaction. ▸ We reviewed the agreements between the Group and Ekapa Mining in respect of the KEM JV and management's assessment that KEM JV represents a jointly controlled operation. Accordingly, we assessed the progress of the transaction at 30 June 2016 to evaluate the classification of 24.1% of the Kimberley Underground mine as non-current assets held for sale. We considered the accuracy of assets and liabilities included within the non-current assets held for sale classification. ▸ We evaluated the disclosure in notes 32 and 37, based on the audit procedures performed.

Our assessment and response to risks of material misstatement continued

Risk identified	Audit response
Carrying value of mining assets focused on Kimberley Underground and Koffiefontein	
As detailed in note 7, the assessment of any impairment to the carrying value of mining assets requires significant estimation by management. As such, the estimation of the recoverable amount of the Kimberley Underground and Koffiefontein mining assets is a key judgement. The carrying value of the Kimberley Underground and Koffiefontein mining assets at 30 June 2016 represented a risk given the continued sensitivity of the carrying value to assumptions over future diamond prices, foreign exchange rates and achieving increased production in the near future given the shortfall in production versus budget. In addition, the existing Cullinan plant is being depreciated over a period to July 2017 as a result of the construction of the new Cullinan plant and, the Kimberley Underground plants were closed on 30 June 2016, following the Ekapa Minerals acquisition (detailed above) and the toll treatment arrangement (detailed below under 'Revenue recognition'). Accordingly, the estimates of useful life and residual value required significant management judgement with a consequential impact on depreciation charges associated with the existing plants.	▸ We evaluated management's impairment models against approved Life of Mine ("LOM") 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 a particular focus on Kimberley Underground and Koffiefontein. ▸ 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; and critical review of the forecast cost and production profiles against approved mine plans, resources and reserves reports and empirical performance. ▸ We challenged the Group's ability to achieve forecast growth in production and considered factors such as access to higher grade underground ROM ore and trends in diamond production at the mines. ▸ We performed our own sensitivity analysis over individual key inputs, together with a combination of sensitivities over such inputs, and evaluated the disclosures given in note 7. ▸ In respect of Kimberley Underground, we reviewed the terms of the agreement with Ekapa Mining (Pty) Limited reached subsequent to year end for the contribution of the Kimberley Underground mine to the jointly controlled KEM JV operation to confirm that the transaction supported the carrying value of the mine. ▸ In respect of the depreciation of the existing Cullinan and Kimberley Underground plants, we recalculated the depreciation charges and challenged the judgments used in management's calculations. We met with internal engineers and critically assessed the proposals for assets being redeployed within expansion projects, assessed and performed sensitivity analysis in respect of the residual value for assets intended for sale or scrap.
Revenue recognition	
The Group holds significant diamond tenders shortly before the year end and the appropriateness of revenue cut off represents a focus area for our audit. The Group entered into a tolling arrangement between Superstone Mining (Pty) Limited ("Superstone"), Ekapa Minerals and Kimberley Underground (via Crown Resources (Pty) Limited) for H2 FY 2016 as detailed in note 2, whereby Petra acquired tailings material which is then processed by the parties in exchange for a tolling fee and the combined diamond production is sold by Petra. Under the arrangement, Petra receives an effective 75.9% of the economic benefits of the diamond sales and accounts for 75.9% of the revenues of the diamonds sold under the agreement. The accounting treatment for the tolling arrangement involved significant judgement and consideration of the most appropriate accounting methodology to be applied represented a significant risk area for our audit. In addition, the recognition of revenue associated with non-routine transactions, such as the sale of Exceptional Diamonds represented a significant risk area, to ensure that appropriate revenue recognition is applied and disclosures are appropriate.	▸ We evaluated management's revenue recognition policy and its compliance with IFRS. ▸ We verified revenue for the final tender of the year to supporting documentation and verified the revenue was appropriately recorded in FY 2016. ▸ We reviewed the tolling agreement, and in particular the terms and conditions, rights and obligations of each party. We considered the appropriateness of management's accounting policy including whether it acted as agent or principal for the revenues arising under the agreement. ▸ We obtained and reviewed the agreements for the sale of exceptional rough stones during the year and critically assessed the terms and the extent to which substantial risks and rewards have passed to the customer. ▸ We evaluated the accounting policy and disclosures in notes 2 and 26 based on our audit procedures.

The report of the audit committee describes the audit committee's assessment of each of these risks.

Independent Auditors' Report
To the members of Petra Diamonds Limited continued

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

- Under the ISAs (UK and Ireland), 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 provides the information necessary for shareholders to assess the Group's performance, business model and strategy and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.
- Under the Listing Rules we are required to review the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Statement regarding the directors' assessment of principal risks, going concern and longer term viability of the company
As required under ISAs (UK and Ireland) we have nothing material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Respective responsibilities of Directors and auditor
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. 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 (UK & Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements
An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Scott McNaughton (Responsible Individual)
For and on behalf of
BDO LLP
Chartered accountants
London
14 October 2016

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 2016

US$ million	Notes	2016	2015
Revenue	2	**430.9**	425.0
Mining and processing costs	3	**(310.3)**	(313.9)
Other direct income	4	**2.8**	2.2
Exploration expenditure	5	**(2.9)**	(5.8)
Corporate expenditure	6	**(12.1)**	(13.1)
Total operating costs		**(322.5)**	(330.6)
Financial income	8	**7.0**	6.6
Financial expense	8	**(40.0)**	(16.0)
Profit before tax		**75.4**	85.0
Income tax charge	9	**(8.6)**	(25.4)
Profit for the year		**66.8**	59.6
Profit for the year attributable to:			
Equity holders of the parent company		**54.2**	48.6
Non-controlling interest		**12.6**	11.0
		66.8	59.6
Earnings per share attributable to the equity holders of the parent during the year			
Basic profit – US$ cents	11	**10.38**	9.46
Diluted profit – US$ cents	11	**10.14**	9.19
Dividend per ordinary share (paid during the year) – US$ cents	21	**3.0**	—

The notes on pages 110 to 148 form part of these Financial Statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 30 June 2016

US$ million	2016	2015
Profit for the year	**66.8**	59.6
Exchange differences on translation of the share-based payment reserve	**(2.9)**	(1.5)
Exchange differences on translation of foreign operations[1]	**(121.4)**	(71.9)
Exchange differences on non-controlling interest[1]	**(9.6)**	(7.4)
Exchange differences on hedging and other reserves[1]	**—**	(0.4)
Unrealised loss on foreign exchange hedges transferred directly to equity[1]	**—**	(2.7)
Total comprehensive expense for the year	**(67.1)**	(24.3)
Total comprehensive (expense)/income for the year attributable to:		
Equity holders of the parent company	**(70.1)**	(27.9)
Non-controlling interest	**3.0**	3.6
	(67.1)	(24.3)

1. Exchange differences arising on translation of foreign operations, non-controlling interest, hedging and other reserves and (losses)/gains on foreign exchange hedges transferred directly to equity will be reclassified to profit and loss if specific future conditions are met.

The notes on pages 110 to 148 form part of these Financial Statements.

Consolidated Statement of Financial Position

At 30 June 2016

US$ million	Notes	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,079.3**	968.8
Deferred tax assets	25	**7.1**	6.3
BEE loans receivable	14	**28.8**	29.6
Other receivables	17	**2.7**	—
Total non-current assets		**1,117.9**	1,004.7
Current assets			
Trade and other receivables	17	**115.9**	87.9
Inventories	18	**57.9**	48.7
Cash and cash equivalents (including restricted amounts)	19	**48.7**	166.6
Total current assets		**222.5**	303.2
Non-current assets classified as held for sale	37	**18.8**	—
Total assets		**1,359.2**	1,307.9
EQUITY AND LIABILITIES			
Equity			
Share capital	20	**88.6**	87.6
Share premium account		**665.2**	664.0
Foreign currency translation reserve		**(372.1)**	(250.7)
Share-based payment reserve		**14.4**	21.7
Hedging and other reserves		**(0.8)**	(0.8)
Retained earnings		**109.1**	61.3
Attributable to equity holders of the parent company		**504.4**	583.1
Non-controlling interests	15	**42.4**	39.4
Total equity		**546.8**	622.5
LIABILITIES			
Non-current liabilities			
Loans and borrowings	22	**317.2**	298.2
BEE loans payable	14	**84.6**	94.0
Provisions	24	**59.7**	72.0
Deferred tax liabilities	25	**106.0**	113.0
Total non-current liabilities		**567.5**	577.2
Current liabilities			
Loans and borrowings	22	**107.3**	28.9
Trade and other payables	23	**125.4**	79.3
Total current liabilities		**232.7**	108.2
Liabilities directly associated with non-current assets classified as held for sale	37	**12.2**	—
Total liabilities		**812.4**	685.4
Total equity and liabilities		**1,359.2**	1,307.9

The notes on pages 110 to 148 form part of the Financial Statements.

The Financial Statements were approved and authorised for issue by the Directors on 14 October 2016.

Consolidated Statement of Cashflows

For the year ended 30 June 2016

US$ million	Notes	2016	2015
Profit before taxation for the year		**75.4**	85.0
Depreciation of property, plant and equipment		**51.8**	38.3
Movement in provisions		**(0.7)**	1.5
Financial income	8	**(7.0)**	(6.6)
Financial expense	8	**40.0**	16.0
(Profit)/loss on sale of property, plant and equipment		**(0.1)**	0.4
Share-based payment provision		**4.1**	6.6
Operating profit before working capital changes		**163.5**	141.2
Increase in trade and other receivables		**(46.8)**	(12.6)
Increase in trade and other payables		**64.9**	11.6
Increase in inventories		**(4.3)**	(7.8)
Cash generated from operations		**177.3**	132.4
Realised foreign exchange (losses)/gains on foreign exchange contracts		**(20.7)**	1.3
Finance expense		**(2.6)**	(2.0)
Income tax (paid)/refund		**(0.3)**	1.0
Net cash generated from operating activities		**153.7**	132.7
Cashflows from investing activities			
Acquisition of assets at Kimberley Mines net of cash		**(3.0)**	—
Acquisition of property, plant and equipment (including capitalised cash interest paid of US$24.3 million (30 June 2015: US$10.6 million))		**(327.9)**	(267.1)
Loans advanced to BEE Partners		**(6.8)**	(6.1)
Repayment of loans from BEE Partners		**3.4**	98.3
Finance income		**0.4**	1.5
Transfer to restricted cash deposits		**(0.5)**	(1.0)
Net cash utilised in investing activities		**(334.4)**	(174.4)
Cashflows from financing activities			
Proceeds from the issuance of share capital		**1.4**	7.1
Increase in borrowings (net of bond issue costs of US$ nil (30 June 2015: US$11.5 million))		**137.0**	349.2
Dividends paid		**(15.4)**	—
Repayment of borrowings		**(40.4)**	(177.3)
Net cash generated by financing activities		**82.6**	179.0
Net (decrease)/increase in cash and cash equivalents		**(98.1)**	137.3
Cash and cash equivalents at beginning of the year		**153.5**	20.2
Effect of exchange rate fluctuations on cash held		**(18.7)**	(4.0)
Cash and cash equivalents at end of the year[1]	19	**36.7**	153.5

1. Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US$12.0 million (30 June 2015: US$13.1 million) and unrestricted cash of US$36.7 million (30 June 2015: US$153.5 million).

Significant non-cash transactions which are not reflected in the Consolidated Statement of Cashflows are set out in note 30.

The notes on pages 110 to 148 form part of the Financial Statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained earnings	Attributable to the parent	Non-controlling interest	Total equity
At 1 July 2015	87.6	664.0	(250.7)	21.7	(0.8)	61.3	583.1	39.4	622.5
Profit for the year	—	—	—	—	—	54.2	54.2	12.6	66.8
Other comprehensive expense	—	—	(121.4)	(2.9)	—	—	(124.3)	(9.6)	(133.9)
Dividends paid	—	—	—	—	—	(15.4)	(15.4)	—	(15.4)
Transfer between reserves for exercise of options	—	—	—	(9.0)	—	9.0	—	—	—
Equity settled share based payments	—	—	—	5.3	—	—	5.3	—	5.3
Allotments during the year:									
– Share options exercised	0.2	1.2	—	—	—	—	1.4	—	1.4
– LTSP share grants	0.8	—	—	(0.7)	—	—	0.1	—	0.1
At 30 June 2016	**88.6**	**665.2**	**(372.1)**	**14.4**	**(0.8)**	**109.1**	**504.4**	**42.4**	**546.8**

US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained earnings	Attributable to the parent	Non-controlling interest	Total equity
At 1 July 2014	86.7	657.8	(178.8)	18.3	2.3	9.8	596.1	35.8	631.9
Profit for the year	—	—	—	—	—	48.6	48.6	11.0	59.6
Other comprehensive expense	—	—	(71.9)	(1.5)	(3.1)	—	(76.5)	(7.4)	(83.9)
Transfer between reserves for exercise of options and warrants	—	—	—	(2.9)	—	2.9	—	—	—
Equity-settled share-based payments	—	—	—	7.8	—	—	7.8	—	7.8
Allotments during the year:									
– Share options exercised	0.6	3.2	—	—	—	—	3.8	—	3.8
– Warrants exercised	0.3	3.0	—	—	—	—	3.3	—	3.3
At 30 June 2015	87.6	664.0	(250.7)	21.7	(0.8)	61.3	583.1	39.4	622.5

The notes on pages 110 to 148 form part of these Financial Statements.

Notes to the Annual Financial Statements

For the year ended 30 June 2016

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 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, jointly controlled operations and associates ("the Group") are prepared in accordance with International Financial Reporting Standards ("IFRS") (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union.

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 its 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, covenant headroom 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). The functional currency of the Group's business transactions in Botswana is Botswana Pula (BWP) and Tanzania is US Dollars (US$). The functional currency of the South African operations is South African Rand (ZAR or R). The Group Financial Statements are presented in US Dollars (US$).

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. Exchange differences arising from the translation of foreign entities are recorded in the Consolidated Statement of Other Comprehensive Income and recycled to the Consolidated Income Statement on disposal of the foreign entity.

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 is included in share capital and share premium at the prevailing US$/GBP spot rate at the date of the transaction.

Significant judgements and estimates relevant to the basis of preparation

Net investments in foreign operations

Management assesses 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 judgement is based upon factors including the life of mine ("LOM") plans, cashflow forecasts and strategic plans. The foreign exchange on permanent as equity loans is recorded in the 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 Basis of consolidation

Subsidiaries

Subsidiaries are those entities over whose financial and operating policies the Group has the power to exercise control. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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.

Subsidiaries 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).

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.

1. Accounting policies continued

1.2 Basis of consolidation continued

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 and 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 shareholders' share of changes in equity since the date of the combination. The non-controlling interests' share of losses, where applicable, is 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.

Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. The Group classifies its interests in joint arrangements as jointly controlled operations where the Group has the rights to both assets and obligations for the liabilities of the joint arrangement. In assessing the classification of interests in joint arrangements, the Group considers the structure of the arrangement, the legal form and the contractual agreements between the parties.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

1.3 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. 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 judgements	8 and 13
Depreciation judgements	13
Provision for rehabilitation estimates	24
Kimberley Mines acquisition	32
Pension scheme estimates	33
Post-retirement medical fund estimates	34
Non-current assets held for sale	37

1.4 New standards and interpretations applied

The IASB has issued no new standards, amendments to published standards and interpretations to existing standards with effective dates on or prior to 1 July 2015 which have a material effect on the Group.

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 2016 or in later periods, which the Group has decided not to adopt early or which are yet to be European Union endorsed.

		Effective period commencing on or after
IFRS 9[1]	Financial Instruments	1 January 2018
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 15[1]	Revenue from Contracts with Customers	1 January 2018
IFRS 16[1]	Leases	1 January 2019
IAS 7	Disclosure Initiative	1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

1. Not yet adopted by the European Union.

The only standards which are anticipated to be significant or relevant to the Group are IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers", IFRS 16 "Leases" and Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations". The Group is in the process of assessing the impact of these standards on the Financial Statements.

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

2. 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. Where the Group makes rough diamond sales to customers and also retains a right to an interest in their future sale as polished diamonds, the Group records the sale of the rough diamond but such contingent revenue on the onward sale is only recognised at the date when the polished diamonds are sold.

Where the Group enters into a tolling agreement under which the combined production of the parties is sold by the Group, the Group only recognises revenue from the portion of sales for which it acts as principal. No revenue is recognised for the remaining portion, for which the Group acts as an agent and receives no further income. The Group entered into an agreement with Ekapa Mining (Pty) Ltd ("Ekapa Mining") whereby the Combined Kimberley Operations were operated under a tolling agreement.

Revenue from test production on projects pending formal commissioning is credited to revenue and an attributable amount associated with generating the revenue is charged to cost of sales.

US$ million	2016	2015
Revenue from diamond sales	**430.9**	425.0

3. Mining and processing costs

Refer to notes 10, 13, 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.

US$ million	2016	2015
Raw materials and consumables used	**136.6**	145.1
Employee expenses (including share-based payments)	**118.7**	132.6
Depreciation of mining assets	**51.0**	37.5
Diamond royalty	**5.4**	4.7
Tolling costs[1]	**12.7**	—
Changes in inventory of finished goods and stockpiles	**(14.1)**	(6.0)
	310.3	313.9

1. In January 2016, the Group and its consortium partner Ekapa Mining completed the acquisition of the Kimberley Mines assets from De Beers in a jointly controlled operation. For the period 18 January 2016 to 30 June 2016 the parties further agreed to jointly operate their respective operations in the Kimberley area ("Combined Kimberley Operations"). The joint operation utilised a tolling treatment arrangement, with a resultant attributable interest to the Group of 75.9% in the production and associated costs from the Combined Kimberley Operations.

4. Other direct income

US$ million	2016	2015
(Profit)/loss on disposal of fixed assets	**(0.1)**	0.4
Revaluation of environmental rehabilitation liability – change in assumption/estimate	**(1.2)**	—
Other mining income	**(1.5)**	(2.6)
	(2.8)	(2.2)

5. Exploration expenditure

Exploration costs relate to the Company's exploration activities in Botswana and are written off in the year in which they are incurred.

US$ million	2016	2015
Direct exploration costs	**1.8**	4.9
Employee expenses	**0.9**	0.8
Depreciation of exploration assets	**0.2**	0.1
	2.9	5.8

6. Corporate expenditure

US$ million	2016	2015
Auditors' remuneration		
– Audit services[1]	0.6	0.7
– Audit-related services[2]	0.1	0.1
Depreciation of property, plant and equipment	0.6	0.7
London Stock Exchange and other regulatory expenses	1.4	1.6
Other charges	3.1	2.4
Share-based expense – Directors	2.3	2.5
Share-based expense – Senior Management	0.3	0.4
Salaries and other staff costs	3.7	4.7
Total staff costs	6.3	7.6
	12.1	13.1

1. Audit fees for the Year ended 30 June 2016 stated above refer to fees for the FY 2015 audit; audit fees for the year ended 30 June 2015 refer to fees for the FY 2014 audit.
2. Audit-related services of US$0.1 million (FY 2015: US$0.1 million) for the current Year are in respect of the interim review. In the prior year, US$0.4 million in respect of the US$300 million Notes Issue was capitalised under non-current loans and borrowings. Refer to the Audit Committee Report on page 72 for further information.

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 for each mine 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. The ore tonnes included in the Resource Statement, which management considers economically viable, often includes ore tonnes in excess of those used in the LOM model and therefore the impairment test.

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.

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 for each mine 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 fewer tonnes than the total reserves and resources that are set out in the Group's Resource 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, extraction costs and recovery and production rates. Any such estimates and assumptions may change as new information becomes available. Changes in exchange rates, rough diamond and commodity prices and extraction costs and 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 plans are 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 Resource 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 units-of-production basis (refer to note 13). Ore reserves and resources further impact the estimated date of decommissioning and rehabilitation (refer to note 24).

Impairment reviews

While conducting an impairment review of its assets using value in use impairment models, the Group exercises judgement in making assumptions about future exchange rates, rough diamond prices, volumes of production, ore reserves and resources included in the current LOM plans, feasibility studies, future development and production costs and macro-economic factors such as inflation and discount rates. Changes in estimates used can result in significant changes to the Consolidated Income Statement and the Consolidated Statement of Financial Position. The key inputs and sensitivities are detailed on page 114.

30 June 2016

During the Year ended 30 June 2016, the Group reviewed the carrying value of its investments and operational assets for indicators of impairment. Following the assessment, no impairment of investments, property, plant and equipment or reversal of impairment losses in prior years are considered appropriate. Details of the impairment test assessments are shown in note 7.1.

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

7. Impairment of operational assets and investments continued

7.1 Impairment testing assumptions

a) Impaired operations

No operations were impaired during the Year under review, nor in the year ended 30 June 2015.

b) 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. The results of the impairment testing performed did not indicate any impairments on the mining operations. The key assumptions used in determining the recoverable value calculations, determined on a value in use basis, are listed in the table below:

Key assumptions	Explanation
LOM and 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 operations.
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	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 as further guided on pages 18 and 19. A long-term inflation rate of 4.0% (30 June 2015: 4.0%) above a long-term US inflation rate of 2.5% (30 June 2015: 2.5%) per annum was used for US$ diamond prices.
Discount rate	The discount rate of 13.5% 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 of 10.0% represents the before-tax risk-free rate per the Tanzanian Government bonds adjusted for market risk, volatility and risks specific to the asset. The discount rate used for Williamson of 10.0% represents the before-tax risk-free rate per the Tanzanian Government bonds adjusted for market risk, volatility and risks specific to the asset.
Cost inflation rate	Long-term inflation rates of 3.5%–7.5% (30 June 2015: 3.5%–7.5%) above the long-term US$ inflation rate were used for Opex and Capex escalators.
Exchange rates	Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The US$/ZAR exchange rate range used commenced at ZAR14.00 (30 June 2015: ZAR11.25), further devaluing at 3.5% (30 June 2015: 3.5%) per annum.
Valuation basis	Discounted present value of future cashflows.
Sensitivity	The headroom at Koffiefontein was 94.0% (30 June 2015: 70%). Management notes that a 23.0% reduction in diamond prices or a 54.0% reduction in production (for FY 2017, FY 2018 and FY 2019) or a 30.0% reduction in foreign exchange rates as compared to the ZAR14.00/US$1 base foreign exchange rate for FY 2017 at Koffiefontein would result in a break-even impairment scenario. The diamond prices used in the impairment test have been set with reference to recent achieved prices and market trends. The long-term escalators reflect the Group's assessment of market supply/demand fundamentals, although short-term volatility remains present within the market. Foreign exchange rate volatility remains. The impairment model includes an increase of 47.0% in carat production in FY 2017 versus FY 2016, reflecting access to higher grade underground areas as part of Koffiefontein's mine plan, with access having been achieved in H2 FY 2016. The net present value exceeds the carrying value of US$99.3 million (30 June 2015: US$85.6 million) of the Koffiefontein's mining assets by 94.0% (30 June 2015: 70.0%) but remains sensitive to rough diamond prices, foreign exchange rates and production rates. The headroom at Kimberley Underground was 42.0% (30 June 2015: 77.0%) on a stand-alone basis excluding the effects of the tolling arrangement or Kimberley Ekapa Mining Joint Venture. Management notes that a 10.0% reduction in diamond prices or a 20.0% reduction in production (for FY 2017, FY 2018 and FY 2019) or a 30.0% reduction in foreign exchange rates as compared to the ZAR14.00/US$1 base foreign exchange rate for FY 2017 at Kimberley Underground would result in a break-even impairment scenario. The diamond prices used in the impairment test have been set with reference to recent achieved prices and market trends. The long-term escalators reflect the Group's assessment of market supply/demand fundamentals, although short-term volatility remains present within the market. Foreign exchange rates volatility remains. The impairment model includes an increase of 66.0% in carat production in FY 2017 versus FY 2016, reflecting access to higher grade underground areas. The net present value exceeds the carrying value of US$62.8 million (30 June 2015: US$67.3 million) of the Kimberley Underground mining assets by 42.0% (30 June 2015: 77.0%) but remains sensitive to rough diamond prices, foreign exchange rates and production rates. Subsequent to year end, the Kimberley Underground assets have been contributed to the Kimberley Ekapa Mining Joint Venture in a transaction which supported the carrying values at 30 June 2016 and is anticipated to be value accretive.

8. Net financing expense

Significant accounting policies relevant to net financial expense

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, 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.

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

Refer to notes 1.1, 13, 24 and 35 for the Group's policy on foreign exchange, borrowing cost capitalisation, unwinding of rehabilitation provisions and derivative instruments together with key estimates and judgements.

US$ million	2016	2015
Net unrealised foreign exchange gains/(losses)	**3.2**	(3.2)
Interest received on BEE loans and other receivables	**3.4**	7.0
Interest received bank deposits	**0.4**	1.5
Realised foreign exchange gains	**—**	1.3
Financial income	**7.0**	6.6
Gross interest on bank loans and overdrafts	**(29.1)**	(16.7)
Interest on bank loans and overdrafts capitalised	**26.5**	14.7
Net interest expense on bank loans and overdrafts	**(2.6)**	(2.0)
Other debt finance costs, including BEE loan interest and facility fees	**(12.5)**	(10.8)
Unwinding of present value adjustment for rehabilitation costs	**(4.2)**	(3.2)
Realised foreign exchange losses on the settlement of forward exchange contracts	**(20.7)**	—
Financial expense	**(40.0)**	(16.0)
Net financial expense	**(33.0)**	(9.4)

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. 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.

US$ million	2016	2015
Current taxation		
– Current tax credit	**(1.9)**	(0.9)
Deferred taxation		
– Current period (origination and reversal of temporary differences)	**10.5**	26.3
	8.6	25.4
Reconciliation of tax rate		
– Profit before taxation	**75.4**	85.0
Tax at South African corporate rate of 28%	**21.1**	23.8
Effects of:		
– Tax charge at rates in foreign jurisdictions	**3.6**	2.8
– Non-deductible expenses	**3.1**	7.9
– Non-taxable income	**(6.2)**	(2.0)
– Tax losses not previously recognised	**(13.0)**	(7.1)
Total tax charge	**8.6**	25.4

Notes to the Annual Financial Statements
For the year ended 30 June 2016 continued

9. Taxation continued

Significant accounting policies relevant to taxation continued

Taxation benefits of previously unrecognised tax losses which reduce the current taxation payable were utilised in the current year totalling US$13.0 million (30 June 2015: US$7.1 million). 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 2016 amount to US$106.4 million (30 June 2015: US$91.5 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 2016 amount to US$26.0 million (30 June 2015: US$21.0 million) and arise in South Africa. There is no taxation arising from items of other comprehensive income and expense.

10. 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.

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

US$ million	**2016**	2015
Wages and salaries – mining	**118.7**	132.6
Wages and salaries – exploration	**0.9**	0.8
Wages and salaries – administration	**6.3**	7.6
	125.9	141.0

	Number	Number
Number of employees (excluding the Non-Executive Directors and contractors)	**5,000**	4,428

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 86 of the Directors' Remuneration Report. The share-based payment charge relating to the Executive Directors for the Year was US$2.3 million (30 June 2015: US$2.5 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 90 of the Directors' Remuneration Report.

Further detail in respect of the Executive Directors' and Non-Executive Directors' remuneration during the Year is disclosed in the Directors' Remuneration Report on pages 84 to 97.

11. 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.

Numerator	**Total 30 June 2016 US$**	Total 30 June 2015 US$
Profit for the year attributable to parent	**54,173,140**	48,624,018

Denominator	**Shares**	Shares
Weighted average number of Ordinary Shares used in basic EPS		
As at 1 July	**518,138,799**	512,110,048
Effect of shares issued during the year	**3,592,017**	1,882,544
As at 30 June	**521,730,816**	513,992,592

11. Earnings per share continued

Significant accounting policies relevant to earnings per share continued

	Total 30 June 2016 US$ shares	Total 30 June 2015 US$ shares
Dilutive effect of potential Ordinary Shares	**12,547,315**	14,879,891
Weighted average number of Ordinary Shares in issue used in diluted EPS	**534,278,131**	528,872,483

	US$ cents	US$ cents
Basic profit per share	**10.38**	9.46
Diluted profit per share	**10.14**	9.19

In the current Year, the number of potentially dilutive Ordinary Shares in respect of employee share options and Executive Director and Senior Management share award schemes is 12,547,315 (30 June 2015: 14,879,891). 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 awards under the share schemes to impact the dilutive number of Ordinary Shares.

12. 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.

Profit for the year attributable to parent	**54,173,140**	48,624,018
Adjustments:		
Net unrealised foreign exchange (gains)/losses	**(3,257,585)**	3,245,904
Adjusted profit for the year attributable to parent	**50,915,555**	51,869,922

	Shares	Shares
Weighted average number of Ordinary Shares used in basic EPS		
As at 1 July	**518,138,799**	512,110,048
Effect of shares issued during the year	**3,592,017**	1,882,544
As at 30 June	**521,730,816**	513,992,592

	Shares	Shares
Dilutive effect of potential Ordinary Shares	**12,547,315**	14,879,891
Weighted average number of Ordinary Shares in issue used in diluted EPS	**534,278,131**	528,872,483

	US$ cents	US$ cents
Basic profit per share	**9.76**	10.09
Diluted profit per share	**9.53**	9.81

13. 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.

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

Notes to the Annual Financial Statements
For the year ended 30 June 2016 continued

13. Property, plant and equipment continued

Significant accounting policies relevant to property, plant and equipment continued

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 units-of-production basis over the tonnes of the relevant orebody section to which it provides future access.

Depreciation

The Group depreciates its mining assets using a units-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%–25% straight-line basis

Refer to notes 7, 8 and 24 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 include those included in current approved LOM 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 exists 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 also applied when assessing the estimated useful life of individual assets and residual values. The assumptions are reviewed at least annually by management and the judgement is based on consideration of the LOM plans and structure of the orebody, as well as the nature of the assets. The assessment is determined by the Group's capital project teams and geologists.

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. Bank borrowings and loan notes were utilised to fund the expansion projects.

13. Property, plant and equipment continued

US$ million	Plant and machinery	Mineral properties	Assets under construction[1]	Total
Cost				
Balance at 1 July 2014	568.4	84.6	324.9	977.9
Exchange differences	(61.0)	(10.6)	(54.1)	(125.7)
Additions	31.5	—	242.6	274.1
Transfer of assets under construction	19.2	—	(19.2)	—
Change in rehabilitation asset	0.3	—	—	0.3
Disposals	(2.8)	—	—	(2.8)
Balance at 30 June 2015	555.6	74.0	494.2	1,123.8
Balance at 1 July 2015	555.6	74.0	494.2	1,123.8
Exchange differences	(95.5)	(12.7)	(77.2)	(185.4)
Acquired through acquisition	8.7	—	—	8.7
Additions	1.1	—	323.0	324.1
Transfer of assets under construction	137.1	—	(137.1)	—
Change in rehabilitation asset	(8.8)	—	—	(8.8)
Non-current assets held for sale[2]	(15.5)	—	(4.9)	(20.4)
Disposals	(0.7)	—	—	(0.7)
Balance at 30 June 2016	**582.0**	**61.3**	**598.0**	**1,241.3**
Depreciation and impairment				
Balance at 1 July 2014	123.3	15.5	—	138.8
Exchange differences	(18.7)	(2.0)	—	(20.7)
Disposals	(1.4)	—	—	(1.4)
Provided in the year	38.1	0.2	—	38.3
Balance at 30 June 2015	141.3	13.7	—	155.0
Balance at 1 July 2015	141.3	13.7	—	155.0
Exchange differences	(34.5)	(3.4)	—	(37.9)
Disposals	(0.6)	—	—	(0.6)
Non-current assets held for sale[2]	(6.3)	—	—	(6.3)
Provided in the year	50.1	0.1	1.6	51.8
Balance at 30 June 2016	**150.0**	**10.4**	**1.6**	**162.0**
Net book value				
At 30 June 2015	414.3	60.3	494.2	968.8
At 30 June 2016	**432.0**	**50.9**	**596.4**	**1,079.3**

1. During the Year, assets under construction comprising stay-in-business and expansion capital expenditure of US$137.1 million (30 June 2015: US$19.2 million) were commissioned and transferred to plant and machinery. Included within assets under construction are amounts mainly for expansion projects at the Finsch, Cullinan and Koffiefontein mines.
2. Non-current assets held for sale are in respect of 24.1% of the Kimberley Underground mining assets (refer to note 37).

The Group's total commitments of US$63.3 million (30 June 2015: US$59.7 million) at Year end were mainly in respect of assets under construction and future capital expenditure projects, mainly comprising Cullinan US$36.1 million (30 June 2015: US$29.3 million), Finsch US$14.1 million (30 June 2015: US$8.3 million), Koffiefontein US$4.4 million (30 June 2015: US$14.1 million), Kimberley Underground US$4.1 million (30 June 2015: US$1.0 million) and Williamson US$4.3 million (30 June 2015: US$7.0 million). Borrowing costs of US$26.5 million (30 June 2015: US$14.7 million) have been capitalised to assets under construction.

The contract entered into by the Group for the construction of a new processing plant at Cullinan at an estimated cost of ZAR1.6 billion (circa US$109.0 million) continues in line with expectations. Commissioning is planned to commence during Q3 FY 2017 and the new plant is expected to be complete and fully operational during Q4 FY 2017.

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

14. BEE loans receivable and payable

Significant accounting policies relevant to BEE loans receivable and payable

Refer to note 35 for the Group's policy in respect of financial instruments, which include BEE receivables and payables.

US$ million	2016	2015
Non-current assets		
BEE loans receivable[1]	**28.8**	29.6
Non-current liabilities		
BEE loans payable[2,3]	**84.6**	94.0

1. Interest on the BEE loans receivable is charged at the prevailing South African prime interest rate plus an interest margin ranging between 0%–2%. The movement in the Year includes advances, repayments, accrued interest and foreign exchange retranslation. The loans are repayable from future cashflows, attributable to those loan holders, generated from the underlying mining operations.
2. The BEE loans payable bear interest at the prevailing South African prime interest rate. The movement includes accrued interest and foreign exchange retranslation. The loans are repayable from future cashflows from the underlying mining operations.
3. The BEE loans payable exclude amounts, payable to Sedibeng Mining (Pty) Ltd, classified as non-current assets held for sale of US$1.6 million (refer to note 37).

The non-current BEE loans receivable and BEE payables, excluding the portion held in liabilities directly associated with non-current assets held for sale of US$1.6 million, represent those amounts receivable from and payable to the Group's BEE Partners (Thembinkosi Mining Investments (Pty) Ltd ("Thembinkosi"), Senakha Diamonds Investments (Pty) Ltd ("Senakha"), Re Teng Diamonds (Pty) Ltd ("Re Teng Diamonds"), Sedibeng Mining (Pty) Ltd ("Sedibeng Mining") and the Itumeleng Petra Diamonds Employee Trust ("IPDET")) in respect of financing their interests in the Finsch, Cullinan, Koffiefontein and Kimberley Underground mines.

In November 2014, the Company and its BEE Partners in the Finsch and Cullinan mines ("the BEE Partners") entered into agreements with Absa and RMB (together "the BEE Lenders"). Under the agreements, the BEE Lenders directly financed the BEE Partners in respect of the non-current loans and other receivables due to Petra of ZAR1,078 million (US$98.3 million) relating to the original acquisition of the BEE Partners' interests in Finsch and Cullinan. In December 2014 the BEE Partners drew down the full funds of ZAR1,078 million (US$98.3 million) from the BEE Lenders and transferred this amount to Petra in settlement of their loans. Petra provides surety to the BEE Lenders for the loan should the BEE Partners default on repayment. The Group has a 49.24% interest in Nelesco 651 (Pty) Ltd ("Nelesco") (refer to note 16). Nelesco owns 100% of the shares of 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. The table below shows the BEE Partners' nominal interest and the Group's effective interest in the operations.

Mine	BEE Partner	BEE interest %	Resultant Group's effective interest %
Finsch	Senakha and IPDET	26.00	82.38
Cullinan	Thembinkosi and IPDET	26.00	77.03
Koffiefontein	Re Teng Diamonds	30.00	81.39
Kimberley Underground	Sedibeng Mining	26.00	86.80
Helam	Sedibeng Mining	26.00	86.80

Further details of the transactions with the BEE Partners are included in note 28.

Further details of subsequent changes to the Group's effective interest are included in note 29.

15. Non-controlling interests

The non-controlling interests of the Group's partners in its operations are presented in the table below:

US$ million	Cullinan	Finsch	Koffiefontein	Kimberley Underground	Helam	Williamson	Total
Country	South Africa	South Africa	South Africa	South Africa	South Africa	Tanzania	
Effective interest %	22.97	17.62	18.61	13.20	13.20	25.0	
As at 1 July	31.3	24.9	—	(5.3)	(4.6)	(6.9)	39.4
Profit/(loss) for the year	(1.6)	10.3	(0.7)	—	(0.4)	5.0	12.6
Foreign currency translation difference	(6.4)	(5.0)	—	0.8	1.0	—	(9.6)
As at 30 June	**23.3**	**30.2**	**(0.7)**	**(4.5)**	**(4.0)**	**(1.9)**	**42.4**

During the Year, no dividends were paid to the non-controlling interests (2015: US$nil). For additional information on total assets, total liabilities and segment results for each operation in the table above refer to note 36.

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.

Interest in associate

At Year end, the Group had an interest in the following company:

		Ownership	
	Country	**2016**	2015
Nelesco	South Africa	**49.2%**	49.2%

The unrecognised share of losses of the associate is US$nil (30 June 2015: US$nil). 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 notes 14 and 28. If the investments in associates had been included at cost, they would have been included at US$nil (30 June 2015: US$nil).

17. Trade and other receivables

Significant accounting policies relevant to trade and other receivables

Refer to note 35 for the Group's policy in respect of financial instruments, which include trade and other receivables.

US$ million	**2016[2]**	2015
Current		
Trade receivables	**71.3**	58.5
Other receivables	**42.3**	23.2
Prepayments	**2.3**	6.2
	115.9	87.9
Non-current		
Other receivables[1]	**2.7**	—
	2.7	—

1. Other non-current receivables are due from Ekapa Mining (Pty) Ltd and its subsidiaries. The loan is interest free. The loan is repayable from future cashflows attributable to those loan holders generated from the underlying mining operations.
2. Current trade and other receivables exclude amounts classified as non-current assets held for sale of US$3.0 million (refer to note 37).

Included in trade and other receivables are amounts due from related parties (refer to note 28).

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. The Group uses empirical data on prices achieved, grade and expenditure in forming its assessment.

US$ million	**2016[1]**	2015
Diamonds held for sale	**43.6**	33.5
Work in progress stockpiles	**5.7**	6.0
Consumables and stores	**8.6**	9.2
	57.9	48.7

1. Inventories exclude amounts classified as non-current assets held for sale of US$1.7 million (refer to note 37).

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

19. Cash

Significant accounting policies relevant to cash

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money market instruments, 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	**2016**	2015
Cash and cash equivalents – unrestricted	**36.7**	153.5
Cash – restricted	**12.0**	13.1
	48.7	166.6

The Group's insurance product, which currently includes the Finsch, Cullinan, Koffiefontein, Kimberley Underground and Helam mines, has secured cash assets of US$11.1 million (30 June 2015: US$11.6 million) held in a cell captive. The Group has a commitment to pay insurance premiums over the next year of US$2.1 million (30 June 2015: US$2.7 million) to fund the insurance product. The rehabilitation provisions are disclosed in note 24.

20. Equity and reserves

Share 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.

US$ million	**Number of shares**	**2016**	Number of shares	2015
Authorised – Ordinary Shares of 10 pence each				
At 1 July 2015 and 30 June 2016	**750,000,000**	**131.4**	750,000,000	131.4
Issued and fully paid				
At 1 July	**518,138,799**	**87.6**	512,110,048	86.7
Allotments during the year	**6,034,168**	**1.0**	6,028,751	0.9
At 30 June	**524,172,967**	**88.6**	518,138,799	87.6

Allotments during the Year were in respect of the award of 683,013 Ordinary Shares to Executive Directors granted under the 2012 Performance Share Plan (in respect of performance measured over the period 1 July 2012 to 30 June 2015), the award to the Executive Directors of 510,000 Ordinary Shares granted under the 2011 Longer-term Share Plan, in receipt of performance measured over the period 1 July 2012 to 30 June 2015, the award to Senior Management of 3,463,750 Ordinary Shares granted under the 2011 Longer-term Share Plan, in receipt of performance measured over the period 1 July 2012 to 30 June 2015, and the exercise of 1,377,405 share options held by Executive Directors and employees.

Allotments during the prior year were in respect of the exercise of 2,100,000 warrants held over Ordinary Shares by IFC, the award of 475,415 Ordinary Shares to Executive Directors granted under the 2012 Performance Share Plan (in respect of performance measured over the period 1 July 2012 to 30 June 2014) and the exercise of 3,453,336 share options held by Executive Directors and employees.

The Group's equity and reserve balances include the following:

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;
- foreign exchange retranslation of the reserve;
- 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.

20. Equity and reserves continued

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 and recycling of amounts held in the reserve in respect of effective hedges upon delivery, or the relevant hedging instrument becomes ineffective together with foreign exchange retranslation of the reserve. The cumulative amount recognised is US$nil (30 June 2015: US$0.1 million loss).

The other reserves comprise the cumulative gains or losses arising from available-for-sale financial assets of US$0.8 million (30 June 2015: US$0.7 million). The Directors do not consider there to be objective evidence that the available-for-sale financial asset is permanently impaired.

Retained earnings

The retained earnings 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 together with foreign exchange retranslation of the reserve. The non-controlling interest share of total comprehensive income includes US$3.0 million total comprehensive income (30 June 2015: US$3.6 million) for the Year. Refer to note 15 for further detail.

21. Dividends

	2016	2015
Dividend paid during the year – Ordinary Shares (US$million)	**15.4**	—
Dividend paid per share during the year – Ordinary Shares (US$ cents)	**3.0**	—

On 30 November 2015, the shareholders approved at the Annual General Meeting the payment of a maiden dividend of 3.0 US$ cents per share for the year ending 30 June 2015 (US$15.4 million). The dividend was paid in December 2015. No dividends have been declared in respect of the Year ended 30 June 2016.

22. Interest-bearing loans and borrowings

Significant accounting policies relevant to loans and 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, as well as any interest or coupon payable while the liability is outstanding.

The following table summarises the Group's current and non-current interest-bearing borrowings:

US$ million	**2016**	2015
Current		
Loans and borrowings – senior secured lender debt facilities	**80.3**	1.5
Loans and borrowings – senior secured second lien notes	**27.0**	27.4
	107.3	28.9
Non-current		
Loans and borrowings – senior secured lender debt facilities	**51.2**	33.5
Loans and borrowings – senior secured second lien notes	**266.0**	264.7
	317.2	298.2

(a) US$300 million senior secured second lien notes

In May 2015, Petra Diamonds US$ Treasury Plc, a wholly owned subsidiary of the Company, issued debt securities consisting of US$300 million five-year senior secured second lien loan notes ("the Notes"), with a maturity date of 31 May 2020. The Notes carry a coupon of 8.25% per annum, which is payable semi-annually in arrears on 31 May and 30 November of each year. The costs associated with issuing the Notes of US$11.5 million were capitalised against the principal amount. As at 30 June 2016, the Notes had accrued interest of US$2.2 million. The Notes are guaranteed by the Company and by the Group's material subsidiaries and are secured on a second-priority basis on the assets of the Group's material subsidiaries. The Notes are listed on the Irish Stock Exchange and traded on the Global Exchange Market. On or after 31 May 2017, the Company has the right to redeem all or part of the Notes at the following redemption prices (expressed as percentages of the principal amount), plus any unpaid accrued interest:

	Redemption price
Period of 12 months from 31 May 2017	104.1250%
Period of 12 months from 31 May 2018	102.0625%
Period of 12 months from 31 May 2019	100.0000%

Proceeds from the Notes were used to repay (without cancelling) amounts outstanding under certain of the Company's existing bank loan facilities and to pay fees and expenses associated with the issue of the Notes. The balance of the funds from the Notes, together with future drawdowns from the Company's bank loan facilities, are being used to fund the construction of the modern processing plant at Cullinan and to further the Group's expansion projects.

Notes to the Annual Financial Statements
For the year ended 30 June 2016 continued

22. Interest-bearing loans and borrowings continued
(a) US$300 million senior secured second lien notes continued
The Notes are secured on a second-priority basis to the above facilities by:

- the cession of all claims and shareholdings held by the Company and certain of the Guarantors within the Group;
- the cession of all unsecured cash balances held by the Company and certain of the Guarantors;
- the creation of liens over the moveable assets of the Company and certain of the Guarantors; and
- the creation of liens over the mining rights and immovable assets held and owned by certain of the Guarantors.

(b) Senior secured lender debt facilities
During the Year the Group amended its debt and hedging facilities and its banking partners (Absa Corporate and Investment Banking ("Absa"), FirstRand Bank Limited (acting through its Rand Merchant Bank division) ("RMB"), IFC, Nedbank Limited and Bank of China Limited) to facilitate the exit of Sanlam Life Insurance from its amortising term facility. Further details of subsequent changes to the Group's senior secured lender debt facilities are detailed in note 29.

The Group's debt and hedging facilities are detailed in the table below:

	Bank loan – secured		Bank loan – secured		Bank loan – secured		Bank loan – secured		Senior second lien notes – secured	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Institution	FirstRand, Absa, IFC		FirstRand, Absa		FirstRand, Absa, Nedbank		IFC		Bond holders	
Type	Revolving credit facility		Working capital facility		Amortising term facility		Amortising term facility		Bond notes	
Total facility (ZAR million)	**1,500.0**	1,500.0	**500.0**[1]	500.0	**665.0**	800.0	**—**	—	**—**	—
Total facility (US$ million)	**25.0**	25.0	**—**	—	**—**	—	**35.0**	35.0	**300.0**	300.0
Draw-down (ZAR million)	**57.1**	—	**20.5**	—	**—**	—	**—**	—	**—**	—
Draw-down (US$ million)	**18.9**	—	**—**	—	**—**	—	**35.0**	35.0	**300.0**	300.0
Interest rate (ZAR)	**SA JIBAR plus 5.0%**	SA JIBAR plus 5.5%	**SA Prime less 1.0%**	SA Prime less 0.5%	**SA JIBAR plus 3.5%**	SA JIBAR plus 4.0%	**—**	—	**—**	—
Interest rate (US$)	**US LIBOR plus 5.5%**	US LIBOR plus 5.5%	**—**	—	**—**	—	**US LIBOR plus 4.0%**	US LIBOR plus 4.0%	**8.25%**	8.25%
Interest rate at year end (ZAR)	**12.1%**	11.1%	**9.5%**	8.3%	**10.6%**	9.6%	**—**	—	**—**	—
Interest rate at year end (US$)	**5.9%**	5.7%	**—**	—	**—**	—	**4.6%**	4.3%	**8.25%**	8.25%
Interest repayment period	**Monthly**	Monthly	**Monthly**	Monthly	**Quarterly**	Quarterly	**Quarterly**	Quarterly	**Bi-annually**	Bi-annually
Latest date available for draw-down	**November 2019**	November 2019	**Annual review**	Annual review	**March 2017**	March 2017	**Fully drawn down**	Fully drawn down	**Fully drawn down**	Fully drawn down
Capital repayment profile	**Single payment**	Single payment	**On demand**	On demand	**3 semi-annual, commencing March 2018**	3 semi-annual, commencing March 2018	**3 semi-annual, commencing March 2018**	3 semi-annual, commencing March 2018	**Single payment**	Single payment
Final repayment date	**20 December 2019**	20 September 2018	**On demand**	On demand	**20 March 2019**	20 March 2019	**20 March 2019**	20 March 2019	**31 May 2020**	31 May 2020

1. The facility also comprises a ZAR400 million (30 June 2015: ZAR400 million) foreign exchange settlement line not included above.

The revolving credit, working capital and amortising term facilities are secured on the Group's interests in Finsch, Cullinan, Koffiefontein, Kimberley Underground and Williamson.

22. Interest-bearing loans and borrowings continued

(b) Senior secured lender debt facilities continued

Effective 20 June 2016, the Group agreed revisions to the bank debt maintenance covenant measurements. The covenant measurements linked to the senior secured lender debt facilities for the subsequent three measurement periods, being 30 June 2016, 31 December 2016 and 30 June 2017, are set out in the table below:

	Maintenance covenants[1]				Distribution covenants
	12 months to 30 Jun 2016	12 months to 31 Dec 2016	12 months to 30 Jun 2017	12 months to 31 Dec 2017 and thereafter	All periods
Net debt[2] to adjusted EBITDA	≤3.1x (revised from ≤2.5x)	≤2.8x (revised from ≤2.5x)	≤2.5x	≤2.5x	≤2.0x
Adjusted EBITDA to certain net finance charges	≥3.7x (revised from ≥4.0x)	≥3.85x (revised from ≥4.0x)	≥4.0x	≥4.0x	≥6.0x
Net debt[2] to certain book equity items	≤0.6x (revised from ≤0.75x)	≤0.6x (revised from ≤0.5x)	≤0.6x (revised from ≤0.5x)	≤0.5x	≤0.3x

1. Fees to the lender group relating to the above mentioned changes in covenants and facilities are US$0.9 million.
2. Net debt is consolidated debt per published results, plus the guarantee for the BEE Partners' loan facilities of ZAR1,303 million as at 30 June 2016 (30 June 2015: ZAR1,163 million).

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

23. Trade and other payables

Significant accounting policies relevant to trade and other payables

Refer to note 35 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	2016[1]	2015
Current		
Trade payables	**66.1**	25.9
Accruals and other payables	**58.9**	53.2
	125.0	79.1
Income tax payable	**0.4**	0.2
	125.4	79.3

1. Current trade and other payables exclude amounts classified as non-current assets held for sale of US$9.2 million (refer to note 37).

Included in trade and other payables are amounts due to related parties (refer to note 28).

24. 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 33 and 34 for the Group's policy in respect of pensions and medical aid schemes and related key judgements and estimates.

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

24. Provisions continued

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 8.1%–9.6% (30 June 2015: 7.9%–8.3%), estimated rehabilitation timing of 3 to 49 years (30 June 2015: 10 to 50 years) and an inflation rate range of 6.1%–7.6% (30 June 2015: 5.9%–6.3%). 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 under local legislation and are consistent with the Group's planned rehabilitation strategy. Increases in estimates are immediately recognised.

US$ million	Pension and post-retirement medical fund	Rehabilitation	Total
Balance at 1 July 2014	13.1	62.3	75.4
Increase in rehabilitation liability provision – change in estimate	—	0.3	0.3
Increase in provisions	1.5	—	1.5
Unwinding of present value adjustment of rehabilitation provision	—	3.2	3.2
Exchange differences	(1.5)	(6.9)	(8.4)
Balance at 30 June 2015	13.1	58.9	72.0
Balance at 1 July 2015	13.1	58.9	72.0
Acquired through acquisition	0.7	4.8	5.5
Decrease in rehabilitation liability provision – change in estimate	—	(11.0)	(11.0)
Provisions directly associated with non-current assets held for sale (note 37)	—	(1.4)	(1.4)
Increase in provisions	0.5	—	0.5
Unwinding of present value adjustment of rehabilitation provision	—	4.2	4.2
Exchange differences	(2.1)	(8.0)	(10.1)
Balance at 30 June 2016	**12.2**	**47.5**	**59.7**

Employee entitlements and other provisions

The provisions relate to provision for an unfunded post-retirement medical fund and pension fund and retrenchment costs. The provision for the post-retirement medical fund and the pension fund is further disclosed in notes 33 and 34.

Rehabilitation

The provision is the estimated cost of the environmental rehabilitation at each site, which is based on current legal requirements, existing technology and the Group's planned rehabilitation strategy. The Group estimates the present value of the rehabilitation expenditure at each mine as follows:

	Total		Finsch		Cullinan		Koffiefontein		Kimberley Underground		Kimberley Mines		Helam		Williamson	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Decommissioning period (years)			**17**	18	**49**	50	**11**	10	**11**	10	**3**	—	**—**	15	**17**	18
Estimated rehabilitation cost (US$ million)	**47.5**	58.9	**17.3**	19.5	**10.7**	12.0	**5.3**	6.0	**4.6**	7.9	**5.7**	—	**1.3**	1.2	**2.6**	12.3

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

The movements in the provisions are attributable to the acquisition of the Kimberley Mines operations, unwinding of discount, unrealised foreign exchange on retranslation from functional to presentational currency, classification of Kimberley Underground (24.1%) to non-current assets held for sale, change in estimate at Kimberley Underground together with a reduction at Williamson arising from an independent assessment of closure costs and the approval thereof by the Tanzanian Government.

Cash and cash equivalents have been secured in respect of rehabilitation provisions, as disclosed in note 19.

25. 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.

25. Deferred taxation continued

Significant judgements and estimates relevant to taxation continued

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	2016	2015
Balance at beginning of the year	**106.7**	93.4
Income statement charge	**10.5**	26.3
Foreign currency translation difference	**(18.3)**	(13.0)
Balance at the end of the year	**98.9**	106.7
Comprising:		
Deferred tax asset	**(7.1)**	(6.3)
Deferred tax liability	**106.0**	113.0
	98.9	106.7

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	2016 Recognised	2016 Unrecognised
Deferred tax liability			
– Property, plant and equipment	**230.1**	**230.1**	**—**
	230.1	**230.1**	**—**
Deferred tax asset			
– Capital allowances	**(117.7)**	**(113.2)**	**(4.5)**
– Provisions and accruals	**(18.4)**	**(16.5)**	**(1.9)**
– Tax losses	**(17.6)**	**(1.5)**	**(16.1)**
	(153.7)	**(131.2)**	**(22.5)**
Net deferred taxation liability/(asset)	**76.4**	**98.9**	**(22.5)**

US$ million	Total	2015 Recognised	2015 Unrecognised
Deferred tax liability			
– Property, plant and equipment	213.1	213.1	—
– Foreign exchange allowances	0.3	0.3	—
	213.4	213.4	—
Deferred tax asset			
– Capital allowances	(79.4)	(77.5)	(1.9)
– Provisions and accruals	(23.7)	(17.0)	(6.7)
– Tax losses	(35.1)	(12.2)	(22.9)
	(138.2)	(106.7)	(31.5)
Net deferred taxation liability/(asset)	75.2	106.7	(31.5)

Deferred tax assets of US$7.1 million (30 June 2015: US$6.3 million) have been recognised in respect of tax losses and other temporary differences to be utilised by future taxable profits at Koffiefontein and Kimberley Underground. The Directors believe it is probable these tax assets will be recovered through future taxable income or the reversal of temporary differences, as a result of improving operating results at Koffiefontein and Kimberley Underground.

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 reflects movements in deferred tax of US$11.4 million (30 June 2015: US$28.8 million debit) in respect of property, plant and equipment and associated capital allowances, with the remainder US$1.1 million credit (30 June 2015: US$2.5 million credit) comprised of immaterial items.

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

26. Contingent assets/liabilities

Significant accounting policies relevant to contingent assets/liabilities

Contingent assets and liabilities refer to potential receivables or obligations arising on the Group as a result of past events. Items are disclosed when considered to be probable receivables or possible obligations and are recognised as assets when virtually certain, or provisions or liabilities if they are considered probable.

Revenue

During the Year, the Group sold two pink rough diamonds into polishing partnerships, retaining a 20% and 10% interest in the sales proceeds (net of expenses) and value uplift of the polished sale of the diamonds respectively. The polished stones from both pink diamonds are expected to be sold in FY 2017 and only then will Petra's share of the proceeds in the retained interest be recognised as revenue.

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.

BEE Lender guarantees

The Group has provided surety to Absa, Investec and RMB for repayment of loans advanced by Absa, Investec and RMB to the Group's BEE Partners (refer to note 14). The BEE Lender facilities were amended post Year end to include Kago Diamonds (Pty) Ltd ("Kago Diamonds") as a party to the BEE Lender facilities and to extend the repayment terms to align with the delivery of the capital expansion programmes at the underlying Petra mining operations. The probability of repayment default by the BEE Partners to Absa, Investec and RMB is considered remote.

Details of related parties are disclosed in note 28.

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.

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 conditions 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.

Company schemes

The Company has established the LTSP to address the retention of Directors and Senior Management to the period ended 30 June 2016, which is a pivotal period as the expansion programmes are rolled out across the Group. The total share-based payment charge of US$5.3 million (30 June 2015: US$8.1 million) for all share plans comprises US$4.1 million (30 June 2015: US$6.6 million) charged to the Consolidated Income Statement and US$1.2 million (30 June 2015: US$1.5 million) capitalised within property, plant and equipment.

27. Share-based payments continued

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	**2016**	2015
Fair value (PSP absolute TSR/PSP relative TSR/PSP non-market)	**24.0p/55.0p/93.25p**	128.0p/145.0p/208.8p
Grant date	**6 October 2015**	26 November 2014
Share price at grant date	**93.25p**	208.8p
Expected volatility	**37%**	34%
Life of award	**3 years**	2.8 years
Expected dividends	**—**	—
Performance period	**3 years**	3 years
Correlation	**19%**	26%
Risk-free interest rate (based on national Government bonds)	**0.8%**	0.8%

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, 1,295,271 (30 June 2015: 793,171) PSP shares were awarded at a fair value price of 93.25 pence (30 June 2015: 208.8 pence). There were no shares awarded under the 2011 LTSP (30 June 2015: 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.

On 26 November 2015, the Executive Directors of the Company were granted a total of 196,090 (30 June 2015: 156,233) 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 awards represent 25% of the total bonus in respect of performance for the financial year ended 30 June 2015. The awards vest on 30 June 2017 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 in the Directors' Remuneration Report on pages 84 to 97.

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 current and prior Year and the assumptions used in the Monte Carlo model are as follows:

LTSP – non-market based subject to performance conditions	**2016**	2015
Fair value	**104.0p**	170.4p
Grant date	**30 March 2016**	16 February 2015
Share price at grant date	**104.0p**	170.4p
Life of award	**0.3 years**	0.6 years–1.6 years
Expected dividends	**—**	—

During the Year, 385,000 (30 June 2015: 830,000) 2011 LTSP shares were awarded, 475,000 lapsed (30 June 2015: 50,000) and 3,463,750 vested (30 June 2015: nil) subject to the 50% partial vesting criteria. These awards have no exercise price. The awards can 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. Further information on the performance targets of the awards can be found on page 89 of the Directors' Remuneration Report.

Notes to the Annual Financial Statements
For the year ended 30 June 2016 continued

27. Share-based payments continued

Share grants to Senior Management: 2011 LTSP continued

The interests of Senior Management under the LTSP are as follows:

	2016 Number	2015 Number
Outstanding at beginning of the year	**9,330,000**	8,550,000
Granted during the year	**385,000**	830,000
Lapsed during the year	**(475,000)**	(50,000)
Vested during the year	**(3,463,750)**	—
Outstanding at the end of the year	**5,776,250**	9,330,000
Vested at the end of the year	**—**	—

The awards outstanding at 30 June 2016 have no exercise price and a weighted average remaining contractual life of 0.3 years (30 June 2015: 0.3 to 1.3 years).

Employee and Director share options

The Company has a legacy share option plan, the 2005 Executive Share Option scheme. The last awards under this plan were granted in March 2010 and no further awards will be granted to Executive Directors or Senior Management under this plan. 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	12 March 2009	2,500,000	1/3 per annum from grant date	3
	30 September 2009	1,150,000	1/3 per annum from grant date	3
	17 March 2010	1,150,000	1/3 per annum from grant date	4
Options granted to Senior Management	12 March 2009	1,014,583	1/3 per annum from grant date	3
	30 September 2009	463,333	1/3 per annum from grant date	3
	17 March 2010	908,334	1/3 per annum from grant date	4
	25 November 2010	200,000	1/3 per annum from grant date	4

	2016		2015	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at beginning of the year	**47.0**	**8,767,500**	53.3	12,220,836
Cancelled	**65.7**	**(3,845)**	—	—
Exercised during the year	**71.7**	**(1,377,405)**	69.2	(3,453,336)
Outstanding at the end of the year	**42.4**	**7,386,250**	47.0	8,767,500
Exercisable at the end of the year	**42.4**	**7,386,250**	47.0	8,767,500

The weighted average market price of the shares in respect of options exercised during the year was 114.7 pence (30 June 2015: 163.0 pence). The options outstanding at 30 June 2016 have an exercise price in the range of 27.5 pence to 92.8 pence (30 June 2015: 27.5 pence to 96.0 pence) and a weighted average remaining contractual life of three years (30 June 2015: four years).

The above mentioned options are fully vested and due to be equity settled under the plan terms. No legal or constructive obligation to cash settle the remaining options or share awards is considered to exist.

28. Related parties

Subsidiaries, associates and jointly controlled operations

Details of associates and subsidiaries are disclosed in note 16 and note 31 respectively.

Directors

Details relating to Directors' emoluments are disclosed in note 10 and in the Directors' Remuneration Report on pages 84 to 97. Details relating to Directors' shareholdings in the Company are disclosed in the Corporate Governance Report on pages 56 and 57. Key management remuneration is disclosed in note 10.

Mr Abery stepped down as Petra's Finance Director, effective 30 June 2016, in order to pursue other opportunities. He entered into a fixed term employment contract for advisory services with the Company effective from 1 July 2016 for a fixed period of seven months until 31 January 2017 as part of the succession process. Further details with regards to Mr Abery's resignation and subsequent fixed term employment contract are disclosed in the Directors' Remuneration Report.

BEE Partners and related party balances

The Group's related party BEE Partners as at 30 June 2016, Senakha, Thembinkosi, Re-Teng Diamonds and Sedibeng Mining, and joint operation partner Ekapa Mining and their gross interests in the mining operations of the Group are disclosed in the table below.

Mine	Partner and respective interest as at 30 June 2016
Finsch	Senakha (21%)
Cullinan	Thembinkosi (14%)
Koffiefontein	Re Teng Diamonds (30%)
Kimberley Underground	Sedibeng Mining (26%)
Helam	Sedibeng Mining (26%)
Kimberley Mines	Ekapa Mining (50.1%)

The BEE loans receivable, BEE loans payable, finance income and finance expense due from and due to the BEE Partners, which are related parties due to the Group's interest in Sedibeng Mining (refer to note 14), together with amounts due from and finance income and expense to and from Ekapa Mining (Pty) Limited are disclosed in the table below:

US$ million	2016	2015
Non-current receivable		
Re Teng Diamonds	**0.6**	0.8
Sedibeng Mining	**14.1**	18.9
Senakha[2]	**2.1**	2.2
Thembinkosi[1&2]	**2.4**	2.3
Ekapa Mining[3]	**2.7**	—
	21.9	24.2
Non-current payable		
Sedibeng Mining	**1.1**	2.5
Senakha[2]	**35.2**	38.3
Thembinkosi[1&2]	**21.8**	24.4
	58.1	65.2
Finance income		
Sedibeng Mining	**1.3**	1.6
Senakha[2]	**0.1**	1.7
Thembinkosi[1&2]	**0.1**	1.2
Ekapa Mining	**0.1**	—
	1.6	4.5
Finance expense		
Sedibeng Mining	**0.7**	0.8
Senakha[2]	**3.9**	4.2
Thembinkosi[1&2]	**2.0**	2.2
Ekapa Mining	**0.1**	—
	6.7	7.2

1. Umnotho weSizwe Group (Pty) Ltd ("Umnotho") holds a 36% interest in Thembinkosi. Mr Abery is a director of Umnotho. Mr Pouroulis, Mr Dippenaar and Mr Abery are beneficiaries of a trust that is a shareholder in Umnotho.
2. Included in non-current receivables and payables are amounts advanced during the Year of US$1.7 million (30 June 2015: US$6.1 million) and an accrual of US$1.1 million (30 June 2015: US$2.4 million).
3. Also included, in current trade and other receivables and current trade and other payables are amounts of US$11.6 million (30 June 2015: US$nil) receivable from and US$1.9 million payable to Ekapa Mining and its subsidiaries relating to the tolling agreement entered into with the Group.

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

28. Related parties continued

BEE Partners and related party balances continued

Interest on the BEE loans and receivables is charged at the prevailing South African prime interest rate plus an interest margin ranging between 0% and 2%.

The BEE loans payable bear interest at the prevailing South African prime interest rate.

Further details on the BEE guarantees are in note 26.

The Group entered into a tolling agreement during the Year with Ekapa Minerals (Pty) Limited ("Ekapa Minerals") (50.1% owned by Ekapa Mining and Superstone (100% owned by Ekapa Mining) to combine diamond production and sales. Under the agreement, the Group acquired tailings material from the parties and the combined run of mine and tailings material of the parties was processed by the parties in return for tolling fees. While the Group sold the resulting combined diamond production on behalf of the parties, the Group only received the economic benefit from 75.9% of the combined rough diamond sales under the agreement. Accordingly, the Group recognises 75.9% of the sales for which it acted as principal. No revenue is recognised for the remaining portion, for which the Group acted as an agent and receives no further income. The Group generated revenue of US$42.2 million as part of the tolling agreement and incurred total costs of US$23.4 million for the period 18 January 2016 to 30 June 2016.

Shareholders

The principal shareholders of the Company are detailed in Supplementary Information on page 160.

29. Post balance sheet events

(i) Senior secured lender debt facilities

Effective 1 July 2016, Absa, RMB, IFC and Nedbank agreed to restructure the Group's debt facilities as detailed in the table below:

Amended senior secured lender debt facilities	1 July 2016[1] Facility amount	30 June 2016 Facility amount
ZAR debt facilities		
ZAR lenders amortising term facility	ZAR900 million	ZAR665 million
ZAR lenders revolving credit facility	ZAR1,250 million	ZAR1,500 million
ZAR lenders working capital facility	ZAR700 million	ZAR500 million
Foreign exchange hedging facilities	ZAR300 million	ZAR400 million
US$ debt facilities		
IFC – Amortising term facility	US$35 million	US$35 million
IFC – Revolving credit facility	US$25 million	US$25 million

1. Effective 1 July 2016, Bank of China Limited exited the Petra Group Lenders.

The repayment terms and interest rates remained unchanged.

The facilities are secured on the Group's interests in Cullinan, Finsch, Koffiefontein and Williamson.

(ii) Group restructuring

Effective 1 July 2016, the Company completed the restructuring of the Group and its BEE Partner structures, allowing for a simplified Group structure. The IPDET now owns a 12% interest in each of the Group's South African operations, with Petra's commercial BEE Partners holding the remaining 14% interest through their respective shareholdings in Kago Diamonds, in which Petra has a 31.46% interest. The effect of the restructuring for shareholders at 1 July 2016 is an increase in the equity attributable to the shareholders of the Company as the non-controlling interest in the underlying net assets of the operations decreased by US$1.5 million. This decrease reflects the non-controlling interest's increased share of cumulative profits at Finsch, a reduction in the share of the cumulative profits at Cullinan and an increased share of cumulative losses at Kimberley, Koffiefontein and Helam. The increase of US$1.5 million, attributable to the Group's shareholders, excludes the effect of the KEM JV transaction in (iii) overleaf. The effective interest percentages attributable to the Group's shareholders are disclosed in the table below:

Mine	Resultant Group's effective interest % – pre restructuring	Resultant Group's effective interest % – post restructuring
Finsch	82.38	78.40
Cullinan	77.03	78.40
Koffiefontein	81.39	78.40
Kimberley Underground (Kimberley Ekapa Mining Joint Venture)	86.80	58.10[1]
Helam	86.80	74.00

1. The 58.1% effective interest in Kimberley Ekapa Mining Joint Venture post restructuring reflects both the Group's interest in KEM JV following the transaction in (iii) and the impact of the BEE restructuring.

29. Post balance sheet events continued

(iii) Kimberley Ekapa Mining Joint Venture

On 8 July 2016, Petra and Ekapa Mining entered into a joint venture agreement (effective 1 July 2016) to combine the operations they owned in the Kimberley area into an unincorporated joint venture named the Kimberley Ekapa Mining Joint Venture ("KEM JV"). The operations contributed by the joint venture partners are detailed below. Petra has joint control of the KEM JV under the terms of the shareholders' agreements and will recognise its share of revenue, costs, assets and liabilities.

The operations owned and operated by the joint venture partners comprise:

- Kimberley Underground mines (via Petra's subsidiary Crown Resources (Pty) Ltd);
- tailings operations (via Ekapa Mining's subsidiaries, Superstone and Kimberley Miners Forum (Pty) Ltd); and
- Kimberley Mines tailings operations (via Ekapa Minerals, owned 50.1% Ekapa Mining and 49.9% Petra).

Prior to the transaction, Petra controlled and consolidated Kimberley Underground mines with a non-controlling interest shown separately and Petra also held a 49.9% jointly controlled interest in the Kimberley Mines tailings operations.

Subsequent to the transaction, Petra and its BEE Partners have a 75.9% jointly controlled interest in KEM JV, held through Crown Resources (Pty) Ltd and Ekapa Minerals (Pty) Ltd, with Ekapa Mining owning the remaining 24.1%. Petra and its BEE Partners effectively contributed 24.1% of their interest in Kimberley Underground mines in return for a 75.9% interest in the tailings operations contributed by Superstone and Kimberley Miners Forum (Pty) Ltd and a 26% increase in the interest in the Kimberley Mines tailings operation.

The Group is currently assessing the initial accounting for this transaction so has not given an estimate of the financial effect.

30. Significant non-cash transactions

US$ million	2016	2015
Operating activities		
Depreciation of property, plant and equipment	**51.8**	38.3
Movement in provisions	**(0.7)**	1.5
Other finance expense – pension scheme	**0.3**	0.5
Other finance expense – unwinding of present value adjustment for rehabilitation costs	**4.2**	3.2
Other finance expense – post-retirement medical fund	**0.9**	1.0
Net unrealised foreign exchange (gains)/losses	**(3.2)**	3.2
Loss on sale of property, plant and equipment	**(0.1)**	0.4
Share-based payment provision	**4.1**	6.6
	57.3	54.7
Investing activities		
Non-cash capital expenditure (capitalisation of borrowing costs and employee costs)	**2.1**	7.0
Non-cash rehabilitation asset adjustment – change in estimate	**8.8**	0.3
Non-cash interest receivable from BEE loans on investing activity	**1.6**	7.0
	12.5	14.3
Investing activities		
Non-cash interest payable on BEE loans on investing activity	**6.7**	10.0
	6.7	10.0

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

31. Subsidiaries

Significant accounting policies relevant to subsidiaries

At 30 June 2016 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 2016**	Direct percentage held 2015	Nature of business
Blue Diamond Mines (Pty) Ltd[1]	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
Ealing Management Services (Pty) Ltd	South Africa	Ordinary	**100%**	100%	Treasury
Ekapa Minerals (Pty) Ltd[2]	South Africa	Ordinary	**49.9%**	—	Mining and exploration
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	Ordinary	**74%**	74%	Mining and exploration
Koffiefontein Empowerment JV	Unincorporated JV	Ordinary	**70%**	70%	Mining and exploration
Luxanio Trading 105 (Pty) Ltd	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
Petra Diamonds UK Treasury Ltd	United Kingdom	Ordinary	**100%**	100%	Treasury
Petra Diamonds US$ Treasury Plc	United Kingdom	Ordinary	**100%**	100%	Treasury
Premier Rose Management Services (Pty) Ltd	South Africa	Ordinary	**100%**	100%	Treasury
Tarorite (Pty) Ltd	South Africa	Ordinary	**100%**	100%	Beneficiation
Willcroft Company Ltd	Bermuda	Ordinary	**100%**	100%	Investment holding
Williamson Diamonds Ltd	Tanzania	Ordinary	**75%**	75%	Mining and exploration

1. The Company owns 13.33% of Re Teng Diamonds, through Blue Diamond Mines (Pty) Ltd, which increases its effective interest in Koffiefontein Empowerment JV to 74%. Further detail of the Group's effective interest is detailed in note 14.
2. Ekapa Minerals (Pty) Ltd was acquired on 18 January 2016 (refer to note 32 for further detail).

Refer to note 29 for subsequent changes to the Group's structure and its BEE Partners.

32. Acquisition

Significant accounting policies relevant to acquisitions

Refer to note 1.2 for the Group's policy relevant to acquisition of joint operations.

Significant judgements and estimates relevant to acquisitions

Judgement was applied in determining the fair value adjustments in respect of the Kimberley Mines acquisition. The fair value adjustments to property, plant and equipment and medical aid provisions were to ensure these amounts were reflected at fair value. The Group holds a 49.9% interest in Ekapa Minerals (Pty) Limited, which was used to acquire Kimberley Mines. The Group consolidates its share of the assets, liabilities, income and expenses of a jointly controlled operation, based on contractual agreements between the joint venture partners that provided for unanimous decision making on the relevant activities of the business. The accounting treatment involves consideration of the structure of the arrangement, the legal form and the contractual agreements between the parties.

Acquisition of 49.9% interest in Kimberley Mines

On 18 January 2016, Ekapa Minerals, owned by Petra (49.9%) and Ekapa Mining (50.1%), an established Kimberley-based diamond tailings producer, acquired from De Beers Consolidated Mines Proprietary Limited the Kimberley Mines assets and liabilities in South Africa as a going concern. The total consideration was circa US$6.0 million (ZAR102 million) paid in cash, Petra's share being circa US$3.0 million (ZAR50.9 million). The transaction comprises a number of tailings deposits in the Kimberley area, as well as the Central Treatment Plant, and provides the opportunity to ensure a sustainable future for the diamond mining industry in Kimberley. Petra jointly controls the business based on contractual agreements between the parties. The Group recognises its share of the assets, liabilities, income and expenses based on an analysis of factors including the structure of the arrangement, the legal form and the contractual agreements between the shareholders.

It is not practical to obtain the turnover and operating results for the Kimberley Mines for the period from 1 July 2015 to the date of acquisition, as the Kimberley Mines turnover and operating results were treated as a branch within a larger corporate division by the vendor and were not available to the Group.

32. Acquisition continued

Effect of the acquisition

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

Kimberley Mines net assets at acquisition date

US$ million	Book values	Fair value adjustments	Fair values
Mining property, plant and equipment	16.4	(1.2)	15.2
Land	2.2	—	2.2
Inventory consumables and stores	0.8	—	0.8
Environmental liabilities	(9.6)	—	(9.6)
Medical aid and provisions	(3.0)	1.2	(1.8)
Employee-related payables	(0.5)	—	(0.5)
Trade and other payables	(0.3)	—	(0.3)
Net assets acquired	6.0	—	6.0
Fair value of net assets acquired (49.9%)			3.0
Satisfied as follows:			
Cash consideration paid by the Group			3.0

33. 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 2016. 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.

Notes to the Annual Financial Statements
For the year ended 30 June 2016 continued

33. Pension scheme continued
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 average yield of South African Government long dated bonds of 9.83% (30 June 2015: 8.71%), and that salaries will be increased at 8.96% (30 June 2015: 7.86%), based on the current South African consumer price index of 7.96% (30 June 2015: 6.86%). Estimated future benefit payments to members for the 12 month period ending 30 June 2017 are US$0.4 million.

US$ million	2016	2015
Defined benefit obligations		
Present value of funded obligations	**(12.9)**	(15.5)
Fair value of plan assets	**11.9**	14.3
Recognised deficit for defined benefit obligations	**(1.0)**	(1.2)
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	**(0.5)**	(0.5)
Contributions by employer	**0.5**	0.5
Net surplus for defined benefit obligations at 30 June	**—**	—
Expense recognised in the income statement		
Current service cost	**(0.3)**	(0.4)
Net interest on deficit	**(0.2)**	(0.1)
	(0.5)	(0.5)
Change in the fair value of the defined benefit assets		
At 1 July	**14.3**	15.5
Foreign exchange movement on opening balances	**(2.5)**	(2.1)
Return on plan assets	**0.7**	1.6
Benefits paid to members	**(1.1)**	(1.2)
Contributions by Group	**0.5**	0.5
At 30 June	**11.9**	14.3
Change in the present value of the defined benefit obligations		
At 1 July	**(15.5)**	(16.5)
Foreign exchange movement on opening balance	**2.7**	1.5
Benefits paid to members	**1.1**	1.2
Current service cost	**(0.3)**	(0.4)
Finance expense	**(1.1)**	(1.3)
Contributions by members	**(0.1)**	(0.1)
Net transfers in	**0.3**	0.1
At 30 June	**(12.9)**	(15.5)
Analysis of plan assets		
Cash	**13.3%**	9.0%
Equity	**41.7%**	42.5%
Bonds	**22.4%**	24.5%
Property	**7.2%**	9.0%
Other – offshore	**15.4%**	15.0%
	100.0%	100.0%

33. Pension scheme continued
Defined benefit scheme continued

US$ million	2016	2015	2014	2013
Plan assets	**11.9**	14.3	15.5	16.2
Plan liabilities	**(12.9)**	(15.5)	(16.5)	(17.2)
(Deficit)/surplus	**(1.0)**	(1.2)	(1.0)	(1.0)

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 2016 is as follows:

	2016	2015
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$0.8 million. A two-year change in mortality changes the pension obligation by approximately US$0.2 million.

34. 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 healthcare 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 2016. The most important assumptions made in connection with the scheme valuation and charge or income are the healthcare 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 overleaf.

The post-employment healthcare liability scheme was acquired as part of the acquisitions of the Cullinan, Finsch and Kimberley mines and is closed to new members. All new employees will be responsible for funding their own post-employment healthcare liability costs.

The benefit liability for the post-employment healthcare liability scheme is regularly assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The Group's post-employment healthcare 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 healthcare cost of inflation will be 8.75% (30 June 2015: 8.50%), based on the average yield of relevant South African Government long dated bonds of 9.75% (30 June 2015: 9.50%), and that salaries will be increased at 7.25% (30 June 2015: 8.11%).

Notes to the Annual Financial Statements
For the year ended 30 June 2016 continued

34. Post-retirement medical fund continued
Significant judgements and estimates relevant to medical funds continued

US$ million	2016	2015
Post-retirement medical fund		
Present value of post-employment medical care obligations	**11.2**	11.9
Unfunded status at 30 June	**11.2**	11.9
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	**11.9**	12.1
Foreign exchange movement on opening balances	**(2.0)**	(1.5)
Arising from acquisition	**0.7**	—
Net expense recognised in the income statement	**1.2**	1.3
Membership changes	**(0.4)**	—
Benefit payments	**(0.2)**	—
Net liability for post-employment medical care obligations at 30 June	**11.2**	11.9
Expense recognised in the income statement		
Current service cost	**0.3**	0.3
Finance expense	**0.9**	1.0
	1.2	1.3
The expense is recognised in the following line items in the income statement		
Mining and processing costs	**0.3**	0.3
Finance expense	**0.9**	1.0
	1.2	1.3
Reconciliation of fair value of scheme liabilities		
At 1 July	**11.9**	12.1
Foreign exchange movement on opening balances	**(2.0)**	(1.5)
Arising from acquisition	**0.7**	—
Net expense recognised in the income statement	**1.2**	1.3
Membership changes	**(0.4)**	—
Benefit payments	**(0.2)**	—
Liabilities at fair market value as at 30 June	**11.2**	11.9

	2016 per annum	2015 per annum
Principal actuarial assumptions		
Discount rate	**9.75%**	9.50%
Healthcare cost inflation	**9.50%**	8.50%
Future salary increases	**7.25%**	8.11%
Net replacement ratio	**86%**	75.00%
Net discount rate	**0.92%**	0.92%
Normal retirement age (years)	**60.0**	60.0
Fully accrued age (years)	**60.0**	60.0

US$ million	2016	2015
Determination of estimated post-retirement medical fund expense for the year ended 30 June 2017		
Current service cost	**0.2**	1.0
Finance expense	**0.8**	0.6
Benefit payments	**(0.2)**	(0.2)

US$ million	2016	2015	2014	2013
Actuarial accrued liability				
Funded status	**11.2**	11.9	12.1	11.0

34. Post-retirement medical fund continued

Sensitivity analysis

Healthcare inflation rate

The effect of a 1% increase or decrease in the healthcare inflation rate on the post-retirement medical fund accrued liability is as follows:

US$ million	30 June 2016	1% increase	1% decrease
Accrued liability	**11.2**	**12.4**	**10.5**
% difference	**—**	**10.7%**	**(6.25%)**

US$ million	30 June 2015	1% increase	1% decrease
Accrued liability	11.9	15.2	10.3
% difference	—	27.7%	(13.4%)

Average retirement age

The table below shows the impact of a one-year change in the expected average retirement age:

US$ million	30 June 2016	Retirement one year earlier	Retirement one year later
Accrued liability	**11.2**	**12.5**	**11.4**
% difference	**—**	**11.6%**	**(1.8%)**

US$ million	30 June 2015	Retirement one year earlier	Retirement one year later
Accrued liability	11.9	12.4	11.3
% difference	—	4.2%	(5.0%)

35. Financial instruments

Significant accounting policies relevant to financial instruments

The Group classifies its financial assets (excluding derivatives) into the following category and the Group's accounting policy for the 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.

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.

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

US$ million	Statement of Financial Position 2016	Non-current assets held for sale 2016	Total 2016	Total 2015
Current trade receivables	**71.3**	**2.8**	**74.1**	58.5
Other receivables (excluding VAT and prepayments)	**18.8**	**—**	**18.8**	9.8
Non-current receivables	**31.5**	**—**	**31.5**	29.6
	121.6	**2.8**	**124.4**	97.9

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.

Notes to the Annual Financial Statements
For the year ended 30 June 2016 continued

35. Financial instruments continued
Impairment of financial assets continued
The carrying values of these loans and receivables are denominated in the following currencies:

US$ million	Statement of Financial Position 2016	Non-current assets held for sale 2016	Total 2016	Total 2015
Pounds Sterling	6.6	—	6.6	6.7
South African Rand	104.3	2.8	107.1	82.4
US Dollars	10.7	—	10.7	8.8
	121.6	2.8	124.4	97.9

The Group classifies its financial liabilities (excluding derivatives) into one category: other liabilities. The Group's accounting policy is as follows:

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

The financial liabilities included in trade and other payables (which exclude taxation) are as follows:

US$ million	Statement of Financial Position 2016	Liabilities directly associated with non-current assets held for sale 2016	Total 2016	Total 2015
Trade payables	66.1	8.4	74.5	25.9
Other payables (excluding VAT and derivatives)	52.2	0.8	53.0	44.5
Non-current trade payables owing to BEE Partners	84.6	1.6	86.2	94.0
	202.9	10.8	213.7	164.4

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

US$ million	Statement of Financial Position 2016	Liabilities directly associated with non-current assets held for sale 2016	Total 2016	Total 2015
Botswana Pula	0.9	—	0.9	1.3
Pounds Sterling	4.6	—	4.6	4.2
South African Rand	171.1	10.8	181.9	144.1
US Dollar	26.3	—	26.3	14.8
	202.9	10.8	213.7	164.4

Interest-bearing borrowings
Refer to note 22 for the Group's policy on interest-bearing borrowings.

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 applies a policy of dynamic hedging with existing hedges monitored on a continuous basis. Where market conditions dictate, certain hedges will be revised with the banks and their terms modified into a new hedge. 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.

35. Financial instruments continued

Hedging instruments continued

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.

The details of the categories of financial instruments of the Group are as follows:

US$ million	Statement of Financial Position 2016	Non-current assets/liabilities held for sale 2016	Total 2016	Total 2015
Financial assets				
Loans and receivables:				
– Non-current trade and other receivables	**31.5**	—	**31.5**	29.6
– Trade receivables	**71.3**	**2.8**	**74.1**	58.5
– Other receivables (excluding prepayments and VAT)	**18.8**	—	**18.8**	9.8
– Cash and cash equivalents – restricted	**12.0**	—	**12.0**	13.1
– Cash and cash equivalents – unrestricted	**36.7**	—	**36.7**	153.5
	170.3	**2.8**	**173.1**	264.5
Financial liabilities				
Held at amortised cost:				
– Non-current amounts owing to BEE Partners	**84.6**	**1.6**	**86.2**	94.0
– Non-current loans and borrowings	**317.2**	—	**317.2**	298.2
– Current loans and borrowings	**107.3**	—	**107.3**	28.9
– Trade and other payables	**118.3**	**9.2**	**127.5**	70.4
Cashflow hedge (ineffective): derivative financial liability (held in other payables)	**7.2**	—	**7.2**	0.1
Cashflow hedge (effective): derivative financial liability (held in other payables)	—	—	—	6.3
	634.6	**10.8**	**645.4**	497.9

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 loan receivables and payables bear interest.

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.

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

US$ million	Statement of Financial Position 2016	Non-current assets/liabilities held for sale 2016	Total 2016	Total 2015
Financial assets				
Botswana Pula	**0.2**	—	**0.2**	1.3
Pounds Sterling	**15.4**	—	**15.4**	10.7
South African Rand	**108.0**	**2.8**	**110.8**	192.4
US Dollar	**46.7**	—	**46.7**	60.1
	170.3	**2.8**	**173.1**	264.5
Financial liabilities				
Botswana Pula	**0.9**	—	**0.9**	1.3
Pounds Sterling	**4.6**	—	**4.6**	4.2
South African Rand	**258.8**	**10.8**	**269.6**	153.7
US Dollar	**370.3**	—	**370.3**	338.7
	634.6	**10.8**	**645.4**	497.9

Principal financial instruments

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

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

35. Financial instruments continued

Credit risk

The Group sells its rough diamond production through a tender process on a recognised bourse. This mitigates the need to undertake credit evaluations. Where production is not sold on a tender basis the Directors undertake suitable credit evaluations before passing ownership of the product.

At the reporting date there were no significant concentrations of credit risk. 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 Partner 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$110.0 million (30 June 2015: US$255.1 million).

Derivatives

The fair values of derivatives are separately recorded on the Consolidated Statement of Financial Position within 'Trade and other receivables' 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. 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. A loss of US$nil million (30 June 2015: US$0.7 million loss) has been recorded in other comprehensive income in respect of the intrinsic value of the effective hedge contracts. An amount of US$nil million (30 June 2015: US$5.6 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 material transfers from equity to the Consolidated Income Statement during the year.

During the Year certain of the Group's cashflow hedges ceased to meet IFRS hedge effectiveness criteria. The Group recognised an amount of US$7.2 million in the Consolidated Income Statement (30 June 2015: US$0.1 million) in respect of the intrinsic and time value of these derivative positions that remained open at 30 June 2016. During the Year the Company recognised a realised loss of US$20.7 million in the Consolidated Income Statement in respect of foreign exchange contracts closed during the year. This realised loss arose due to the South African Rand depreciating against the US Dollar from US$:ZAR12.16 (30 June 2015) to US$:ZAR14.68 (30 June 2016).

The fair value of the Group's open derivative positions as at 30 June 2016 recorded within 'Trade and other receivables' and 'Trade and other payables' is as follows:

	2016		2015	
US $ million	**Asset**	**Liability**	Asset	Liability
Other derivatives				
Cashflow hedge (effective)				
– Forward foreign currency contracts	**—**	**—**	—	6.3
Cashflow hedge (ineffective)				
– Forward foreign currency contracts	**—**	**7.2**	—	0.1
Total derivatives	**—**	**7.2**	—	6.4

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.

35. Financial instruments continued

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.

Foreign exchange risk also arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. The policy of the Group is, where possible, to allow Group entities to settle liabilities denominated in their local currency with the cash generated from their own operations in that currency, having converted US Dollar diamond revenues to local currencies. In the case of the funding of non-current assets, such as projects to expand productive capacity entailing material levels of capital expenditure, the central Group treasury function will assist the foreign operation to obtain matching funding in the functional currency of that operation and shall provide additional funding where required. The currency in which the additional funding is provided is determined by taking into account the following factors:

- the currency in which the revenue expected to be generated from the commissioning of the capital expenditure will be denominated;
- the degree to which the currency in which the funding provided is a currency normally used to effect business transactions in the business environment in which the foreign operation conducts business; and
- the currency of any funding derived by the Company for onward funding to the foreign operation and the degree to which it is considered necessary to hedge the currency risk of the Company represented by such derived funding.

The sensitivity analysis to foreign currency rate changes is as follows:

	30 June 2016			
US$ million	Year-end US$ rate	Year-end amount	US$ strengthens 10%	US$ weakens 10%
Financial assets				
Botswana Pula	**0.0916**	**0.2**	**0.2**	**0.3**
Pounds Sterling	**0.7515**	**15.4**	**13.8**	**16.9**
South African Rand	**0.0681**	**110.8**	**99.7**	**121.9**
US Dollar	**1.0000**	**46.7**	**46.7**	**46.7**
		173.1	**160.4**	**185.8**
Financial liabilities				
Botswana Pula	**0.0916**	**0.9**	**0.8**	**1.0**
Pounds Sterling	**0.7515**	**4.6**	**4.1**	**5.0**
South African Rand	**0.0681**	**269.6**	**242.6**	**296.5**
US Dollar	**1.0000**	**370.3**	**370.3**	**370.3**
		645.4	**617.8**	**672.8**

	30 June 2015			
US$ million	Year-end US$ rate	Year-end amount	US$ strengthens 10%	US$ weakens 10%
Financial assets				
Botswana Pula	0.1011	1.3	1.2	1.4
Pounds Sterling	0.6367	10.7	9.6	11.8
South African Rand	0.0822	192.4	173.2	211.6
US Dollar	1.0000	60.1	60.1	60.1
		264.5	244.1	284.9
Financial liabilities				
Botswana Pula	0.1011	1.3	1.2	1.4
Pounds Sterling	0.6367	4.2	3.8	4.6
South African Rand	0.0822	153.7	138.3	169.1
US Dollar	1.0000	338.7	338.7	338.7
		497.9	482.0	513.8

The tables above reflect the impact of a 10% cumulative currency movement over the next 12 months and are shown for illustrative purposes.

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

35. Financial instruments continued

Liquidity risk

Liquidity risk arises from the Group's management of working capital, capital expenditure, finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations and when necessary will seek to raise funds through the issue of shares and/or debt.

It is the policy of the Group to ensure that it will always have sufficient cash to allow it to meet its liabilities when they fall due. To achieve this aim, the Group maintains cash balances and funding facilities at levels considered appropriate to meet ongoing obligations.

Cashflow is monitored on a regular basis. Projections reflected in the Group working capital model indicate that the Group will have sufficient liquid resources to meet its obligations as disclosed in note 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 notes 14 and 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 2016					
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%**	**36.7**	**36.7**	**—**	**—**	**—**
Cash – restricted	19	**0.1%–5.5%**	**12.0**	**—**	**—**	**—**	**12.0**
Total cash			**48.7**	**36.7**	**—**	**—**	**12.0**
Loans and borrowings							
Bank loan – secured	22	**5.9%–12.1%**	**99.9**	**3.9**	**3.9**	**26.2**	**65.9**
Bank loan – secured	22	**9.5%**	**—**	**—**	**—**	**—**	**—**
Bank loan – secured	22	**10.6%**	**—**	**—**	**—**	**—**	**—**
Bank loan – secured	22	**4.6%**	**38.8**	**0.8**	**0.8**	**13.2**	**24.0**
Senior secured second lien notes	22	**8.25%**	**399.0**	**12.4**	**12.4**	**24.8**	**349.4**
Cashflow of loans and borrowings			**537.7**	**17.1**	**17.1**	**64.2**	**439.3**

		30 June 2015					
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%–6.2%	153.5	153.5	—	—	—
Cash – restricted	19	0.1%–6.2%	13.1	—	—	—	13.1
Total cash			166.6	153.5	—	—	13.1
Loans and borrowings							
Bank loan – secured	22	5.7%–11.1%	—	—	—	—	—
Bank loan – secured	22	8.25%	—	—	—	—	—
Bank loan – secured	22	9.6%	—	—	—	—	—
Bank loan – secured	22	4.3%	40.1	0.7	0.8	1.5	37.1
Senior secured second lien notes	22	8.25%	424.8	13.6	12.4	24.7	374.1
Cashflow of loans and borrowings			464.9	14.3	13.2	26.2	411.2

35. Financial instruments continued

Interest rate risk

The Group has borrowings that incur interest at fixed and floating rates. The Group's fixed rate borrowings comprise the senior secured second lien notes which incur interest at a fixed interest rate of 8.25%. Management constantly monitors the floating interest rates so that action can be taken should it be considered necessary. Management considers the impact of a change in the floating interest rate to the Group's financial results not to be material as the quantum of borrowings at floating rates is US$53.9 million (30 June 2015: US$35.0 million). In the current year the impact of a 100 basis point increase/decrease resulted in a financial loss/gain of US$0.5 million (30 June 2015: US$0.3 million).

Other market price risk

The Group generates revenue from the sale of rough and polished diamonds. The significant number of variables involved in determining the selling prices of rough diamonds, such as the uniqueness of each individual rough stone, the content of the rough diamond parcel and the ruling US$/ZAR spot rate at the date of sale, makes it difficult to accurately extrapolate the impact the fluctuations in diamond prices would have on the Group's revenue.

Capital disclosures

Capital is defined by the Group to be the capital and reserves attributable to equity holders of the parent company. The Group's objectives when maintaining capital are:

- to safeguard the ability of the entity to continue as a going concern; and
- to provide an adequate return to shareholders.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt to equity. Net debt is calculated as US$ loan notes (less transaction costs) and bank loans and borrowings 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 2016 and 30 June 2015 are as follows:

US$ million	2016	2015
Total debt	**424.5**	327.1
Cash and cash equivalents	**(48.7)**	(166.6)
Net debt	**375.8**	160.5
Total equity attributable to equity holders of the parent company	**504.4**	583.1
Net debt to equity ratio	**0.75:1**	0.28:1

The Group manages its capital structure by the issue of Ordinary Shares, raising debt finance where appropriate, and managing Group cash and cash equivalents.

36. 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 and South Africa.

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

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Segment results are calculated after charging direct mining costs, 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$991.8 million (30 June 2015: US$898.2 million), Tanzania US$125.0 million (30 June 2015: US$105.2 million), Botswana US$0.9 million (30 June 2015: US$1.2 million) and Jersey US$0.2 million (30 June 2015: US$0.1 million).

The Group's property, plant and equipment included in non-current assets are located in South Africa US$953.2 million (30 June 2015: US$862.4 million), Tanzania US$125.0 million (30 June 2015: US$105.2 million), Botswana US$0.9 million (30 June 2015: US$1.2 million) and Jersey US$0.2 million (30 June 2015: US$0.1 million).

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

36. Segment information continued

Significant accounting policies relevant to segmental reporting continued

	South Africa – mining activities				Care and maintenance	Tanzania – mining activities	Botswana	Jersey	South Africa		
Operating segments US$ million	Finsch 2016	Cullinan 2016	Koffiefontein 2016	Kimberley Operations[4] 2016	Helam 2016	Williamson 2016	Exploration 2016	Corporate and treasury 2016	Beneficiation[6] 2016	Inter-segment 2016	Consolidated 2016
Revenue	186.4	83.3	25.7	57.7	0.1	78.9	—	—	0.2	(1.4)	430.9
Segment result[1]	98.0	3.7	(1.0)	7.1	(2.5)	18.6	(2.9)	(12.1)	(1.6)	(1.7)	105.6
Other direct income	0.2	—	0.2	1.5	0.3	0.5	—	—	—	0.1	2.8
Operating profit/(loss)[2]	98.2	3.7	(0.8)	8.6	(2.2)	19.1	(2.9)	(12.1)	(1.6)	(1.6)	108.4
Financial income											7.0
Financial expense											(40.0)
Income tax expense											(8.6)
Non-controlling interest											(12.6)
Profit attributable to equity holders of the parent company											54.2
Segment assets[3]	352.8	654.7	195.9	185.2	5.8	158.9	1.1	2 314.8	6.1	(2,516.1)	1,359.2
Segment liabilities[3]	179.4	425.1	199.1	194.1	42.7	264.1	43.6	1 368.9	7.6	(1,912.2)	812.4
Capital expenditure	73.8	179.4	27.5	16.8	0.4[5]	24.4	—	1.8	—	—	324.1

1. Total depreciation of US$51.8 million included in the segmental result, comprises depreciation incurred at Finsch US$11.8 million, Cullinan US$18.4 million, Koffiefontein US$4.5 million, Kimberley Underground US$9.8 million, Williamson US$5.9 million, Helam US$0.6 million, Exploration US$0.2 million and Corporate administration US$0.6 million.
2. Operating profit is equivalent to revenue of US$430.9 million less total costs of US$322.5 million as disclosed in the Consolidated Income Statement.
3. Segment assets and liabilities include inter-company receivables and payables which are eliminated on consolidation.
4. The Kimberley Operations segment includes the trading results of 100% of Kimberley Underground from 1 July 2015 to 17 January 2016 and the Group's 75.9% attributable share of the Combined Kimberley Operations from 18 January 2016, following the acquisition of a jointly controlled interest in the Kimberley Mines and tolling agreement. Assets of US$18.8 million and liabilities of US$12.2 million in respect of Kimberley Underground have been classified as non-current assets-held-for-sale (refer to note 37).
5. 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.
6. The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

36. Segment information continued

Significant accounting policies relevant to segmental reporting continued

	South Africa – mining activities				Care and maintenance	Tanzania – mining activities	Botswana	Jersey	South Africa		
Operating segments US$ million	Finsch 2015	Cullinan 2015	Koffiefontein 2015	Kimberley Underground 2015	Helam 2015	Williamson 2015	Exploration 2015	Corporate and treasury 2015	Beneficiation[4] 2015	Inter-segment 2015	Consolidated 2015
Revenue	185.4	122.2	17.8	41.8	1.2	62.1	—	—	0.5	(6.0)	425.0
Segment result[1]	82.2	41.9	(8.4)	2.6	(3.8)	(1.4)	(5.8)	(13.1)	—	(2.0)	92.2
Other direct income	0.6	0.1	0.3	(0.1)	0.1	1.2	—	—	—	—	2.2
Operating profit/(loss)[2]	82.8	42.0	(8.1)	2.5	(3.7)	(0.2)	(5.8)	(13.1)	—	(2.0)	94.4
Financial income											6.6
Financial expense											(16.0)
Income tax expense											(25.4)
Non-controlling interest											(11.0)
Profit attributable to equity holders of the parent company											48.6
Segment assets[3]	331.7	661.6	173.5	96.6	7.9	141.9	2.7	2,810.3	7.4	(2,925.7)	1,307.9
Segment liabilities[3]	287.8	411.9	173.7	112.2	50.0	259.2	41.9	1,561.8	7.4	(2,220.5)	685.4
Capital expenditure	88.0	121.5	26.8	13.9	0.5[3]	16.2	0.9	6.2	0.1	—	274.1

1. The segment result includes total depreciation of US$38.3 million, comprising depreciation incurred at Cullinan US$10.6 million, Finsch US$13.5 million, Koffiefontein US$2.5 million, Kimberley Underground US$4.8 million, Helam US$0.7 million, Williamson US$5.5 million, Exploration US$0.1 million and corporate administration US$0.6 million.
2. Operating profit is equivalent to revenue of US$425.0 million less total operating costs of US$330.6 million as disclosed in the Consolidated Income Statement.
3. Segment assets and liabilities include inter-company receivables and payables which are eliminated on consolidation.
4. Capital expenditure at Helam includes work in progress of US$0.2 million in respect of the manufacture of plant and equipment for other mines within the Group.
5. The beneficiation segment represents Tarorite, a newly established cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

37. Non-current assets held for sale

Significant accounting policies relevant to non-current assets held for sale

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale when they are available for immediate sale, management have committed to a plan to sell, it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn and that the sale will be completed within 12 months from the date of classification. The non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Significant judgements and estimates relevant to non-current assets held for sale

The carrying value of assets at Kimberley Underground, considered on the basis of classification as non-current assets held for sale, are carried at the lower of carrying value and fair value less cost to sell. The assessment of fair value less cost to sell has been considered by the Board and represents a key judgement, based on internal valuation models, discounts for market pricing and progress of the current sale process. The book value of the assets is less than fair value less costs to sell.

Notes to the Annual Financial Statements

For the year ended 30 June 2016 continued

37. Non-current assets held for sale continued

Kimberley Underground (24.1%)

As at 30 June 2016, the Company was in negotiations with Ekapa Mining to combine their respective businesses in the Kimberley area (refer to note 29 (iii)), with Petra retaining a 75.9% interest in the newly formed joint venture. As a result of this transaction, 24.1% of the Kimberley Underground mining operation (being Ekapa Mining's effective interest in the newly formed joint venture) has been classified as held for sale in the Statement of Financial Position at 30 June 2016, in accordance with IFRS 5. The Kimberley Underground mining operation forms a part of the Kimberley Operations operating segment for the purposes of the Group's segmental reporting, as disclosed in note 36. The 24.1% interest in net assets of the Kimberley Underground mining operation included in non-current assets held for sale in the Statement of Financial Position are set out below.

US$ million	30 June 2016
Net assets:	
Property, plant and equipment	14.1
Trade and other receivables	3.0
Inventories	1.7
Non-current assets classified as held for sale	18.8
Non-current trade and other payables	(1.6)
Rehabilitation provision	(1.4)
Trade and other payables	(9.2)
Liabilities directly associated with non-current assets classified as held for sale	(12.2)
Net assets	6.6

Five-year Summary of Consolidated Figures

For the year ended 30 June 2016

US$ million	**2016**	2015	2014	2013	2012
Income statement					
Revenue (gross)[1]	**430.9**	425.0	472.6	402.7	316.9
Adjusted mining and processing costs[2]	**(257.7)**	(272.7)	(277.4)	(254.8)	(222.6)
Profit from mining activity[3]	**176.0**	154.5	201.1	143.8	103.3
Adjusted EBITDA[4]	**164.3**	139.3	187.7	127.6	90.3
Adjusted net profit after tax[5]	**63.6**	62.8	93.7	53.6	39.6
Net profit/(loss) after tax – Group	**66.8**	59.6	67.5	27.9	(2.1)
Statement of financial position					
Current assets	**222.5**	303.2	167.6	173.6	151.6
Non-current assets	**1,117.9**	1,004.7	931.3	827.0	839.6
Non-current assets held for sale	**18.8**	—	—	—	—
Total assets	**1,359.2**	1,307.9	1,098.9	1,000.6	991.2
Borrowings (short and long term)	**424.5**	327.1	158.9	147.0	69.0
Current liabilities (excluding borrowings)	**125.4**	79.3	72.1	69.5	51.2
Liabilities directly associated with non-current assets held for sale	**12.2**	—	—	—	—
Total equity	**546.8**	622.5	631.9	587.4	665.0
Movement in cash					
Net cash generated from operating activities	**153.7**	132.7	196.1	73.0	77.2
Adjusted operating cashflow[6]	**192.0**	141.3	181.2	132.8	84.6
Net cash utilised in investing activities	**(324.4)**	(174.4)	(211.0)	(180.3)	(123.9)
Net cash generated by/(utilised in) financing activities	**82.6**	179.0	22.0	94.0	(13.6)
Net (decrease)/increase in cash and cash equivalents	**(98.1)**	137.3	7.1	(13.3)	(60.3)
Ratios and other key information					
Basic earnings/(loss) per share attributable to the equity holders of the Company – US$ cents	**10.38**	9.46	9.69	6.30	(0.48)
Adjusted basic earnings per share from continuing operations attributable to the equity holders of the Company – US$ cents[5]	**9.76**	10.09	14.82	11.34	7.82
Capex	**324.1**	274.1	211.2	191.2	137.3
Cash at bank (including restricted)	**48.7**	166.6	34.0	26.2	47.3

The Group uses several non-GAAP measures above and, as these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Company's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

1. Revenue (gross) includes revenues for the Sedibeng JV and Star mines for FY 2014 and earlier. Under IFRS, these revenues are classified in the Consolidated Income Statement as part of the loss from discontinued operations.
2. Adjusted mining and processing costs are mining and processing costs stated before depreciation and share-based expense.
3. Profit from mining activities is revenue less adjusted mining and processing costs plus other direct income.
4. Adjusted EBITDA is stated before share-based expense, impairment charges, net unrealised foreign exchange gains and losses, and loss on discontinued operations.
5. 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.
6. 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.

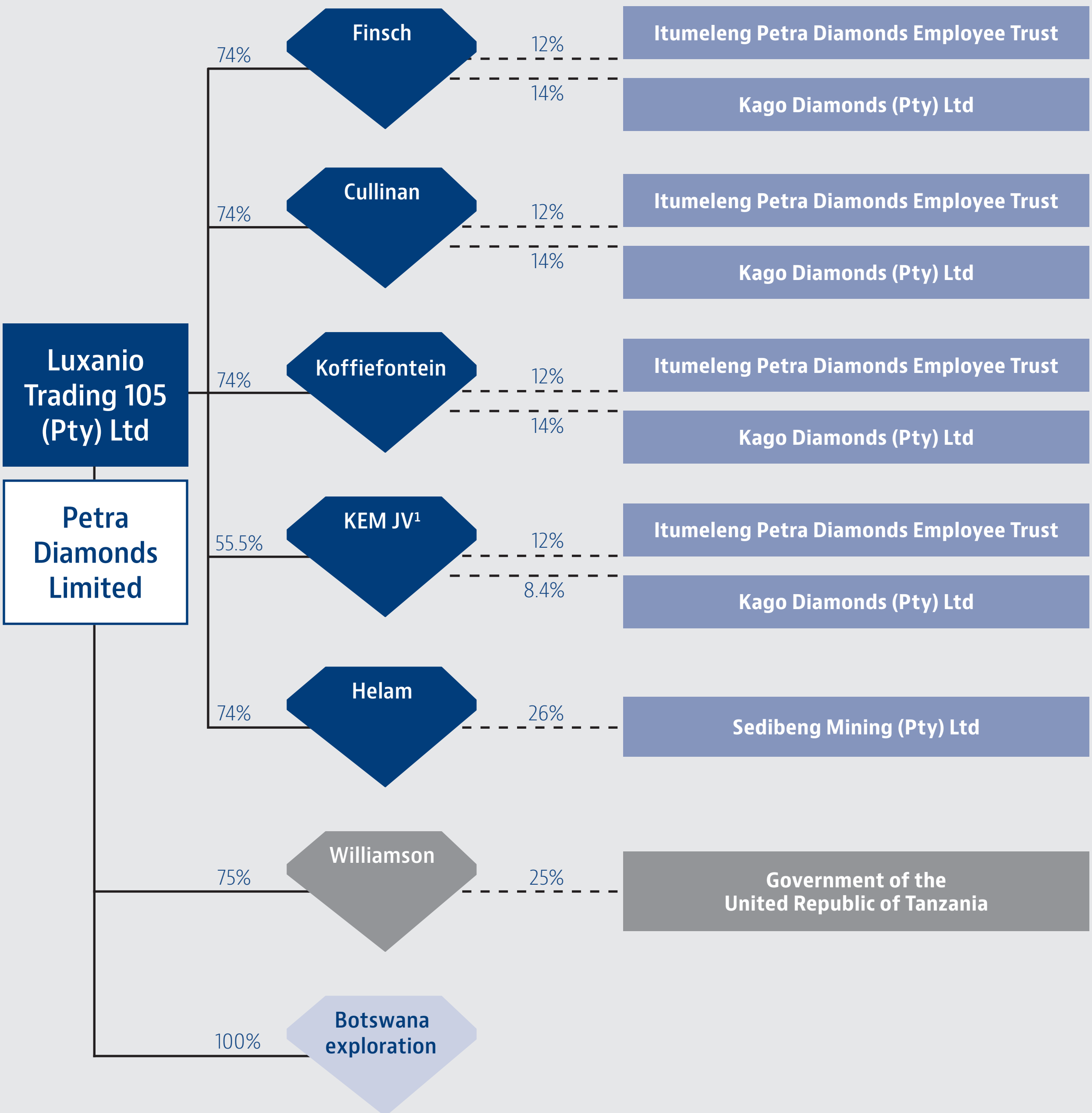
Petra's Partners

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

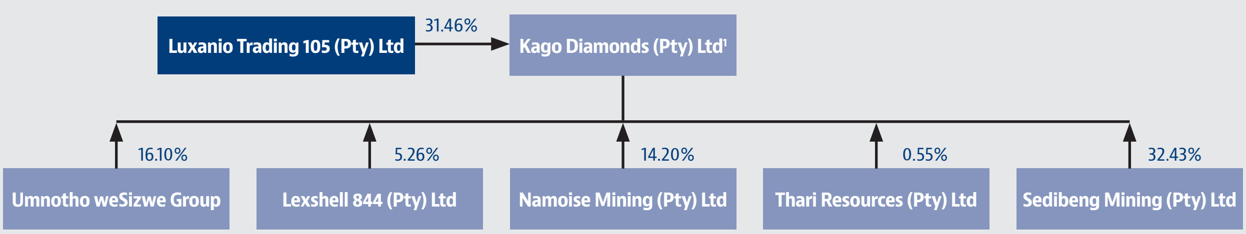
In South Africa, the Company has partner shareholders in its operations who represent the interests of Black Economic Empowerment ("BEE") shareholders. These BEE Partners include various commercial BEE entities (including women's groups), as well as, importantly, the Itumeleng Petra Diamonds Employee 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.

Summary of mine ownership (1 July 2016)

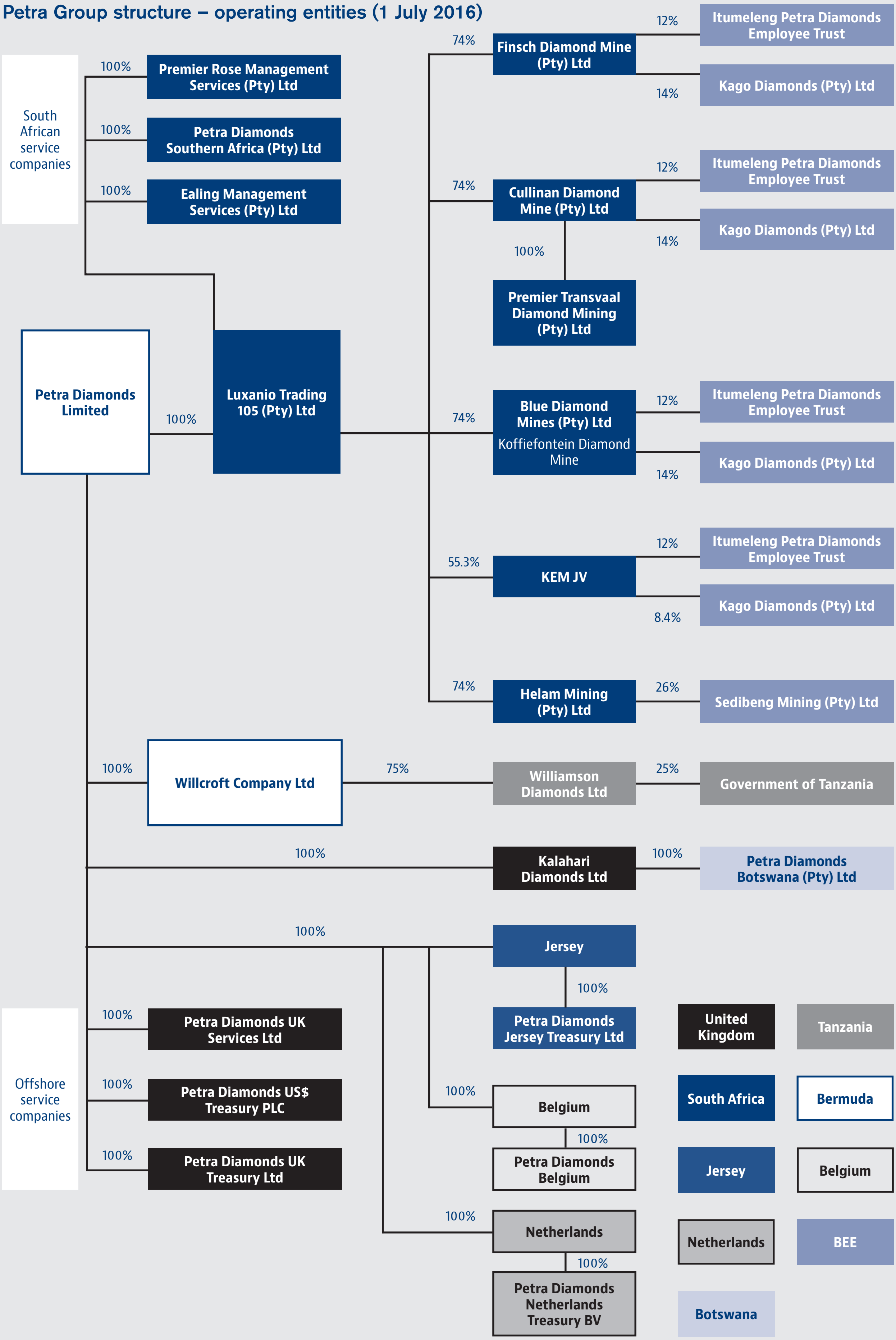


BEE partner structures



1. Percentages reflected indicate the Petra Group and its affiliated BEE Partners' effective interest in the unincorporated KEM JV held via Crown Resources (Pty) Ltd and Ekapa Mining (Pty) Ltd.

Petra Group structure – operating entities (1 July 2016)



FY 2016 – Operations Results Tables

Finsch – South Africa

	Unit	FY 2016	FY 2015	Variance
Sales				
Revenue	US$m	**186.4**	185.4	+1%
Diamonds sold	Carats	**2,085,123**	2,067,933	+1%
Average price per carat	US$	**89**	90	-1%
ROM production				
Tonnes treated	Tonnes	**3,547,798**	3,016,385	+18%
Diamonds produced	Carats	**1,572,725**	1,298,914	+21%
Grade[1]	Cpht	**44.3**	43.1	+3%
Tailings production				
Tonnes treated	Tonnes	**2,295,918**	2,656,471	-14%
Diamonds produced	Carats	**641,339**	766,960	-16%
Grade[1]	Cpht	**27.9**	28.9	-4%
Total production				
Tonnes treated	Tonnes	**5,843,716**	5,672,856	+3%
Diamonds produced	Carats	**2,214,064**	2,065,875	+7%
Costs				
On-mine cash cost per tonne treated	ZAR	**183**	164	+12%
Capex				
Expansion Capex	US$m	**56.5**	65.1	-13%
Sustaining Capex	US$m	**6.7**	16.1	-58%
Borrowing costs capitalised	US$m	**10.6**	6.8	+56%
Total Capex	US$m	**73.8**	88.0	-16%

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 2016	FY 2015	Variance
Sales				
Revenue	US$m	**83.3**	122.2	-32%
Diamonds sold	Carats	**663,175**	700,896	-10%
Average price per carat	US$	**126[1]**	174[2]	-28%
ROM production				
Tonnes treated	Tonnes	**2,302,892**	2,513,004	-8%
Diamonds produced	Carats	**643,724**	611,993	+5%
Grade	Cpht	**28.0**	24.4	+15%
Tailings production				
Tonnes treated	Tonnes	**886,289**	2,458,306	-64%
Diamonds produced	Carats	**37,089**	117,503	-68%
Grade	Cpht	**4.2**	4.8	-13%
Total production				
Tonnes treated	Tonnes	**3,189,181**	4,971,310	-36%
Diamonds produced	Carats	**680,813**	729,496	-7%
Costs				
On-mine cash cost per tonne treated	ZAR	**257**	154	+67%
Capex				
Expansion Capex	US$m	**156.2**	104.8	+49%
Sustaining Capex	US$m	**7.3**	8.8	-17%
Borrowing costs capitalised	US$m	**15.9**	7.9	+101%
Total Capex	US$m	**179.4**	121.5	+48%

1. Excluding Exceptional Diamonds, the average value for FY 2016 was US$109 per carat.
2. Excluding Exceptional Diamonds, the average value for FY 2015 was US$119 per carat.

Koffiefontein – South Africa

	Unit	FY 2016	FY 2015	Variance
Sales				
Revenue	US$m	**25.7**	17.8	+44%
Diamonds sold	Carats	**55,500**	46,033	+21%
Average price per carat	US$	**462**	386	+20%
ROM production				
Tonnes treated	Tonnes	**681,344**	341,783	+99%
Diamonds produced	Carats	**50,825**	27,756	+83%
Grade	Cpht	**7.5**	8.1	-7%
Tailings/Ebenhaezer production				
Tonnes treated	Tonnes	**446,854**	524,244	-15%
Diamonds produced	Carats	**11,365**	17,628	-36%
Grade	Cpht	**2.5**	3.4	-27%
Total production				
Tonnes treated	Tonnes	**1,128,198**	866,027	+30%
Diamonds produced	Carats	**62,190**	45,384	+37%
Costs				
On-mine cash cost per tonne treated	ZAR	**317**	303	+5%
Capex				
Expansion Capex	US$m	**24.6**	23.1	+7%
Sustaining Capex	US$m	**2.9**	3.7	-22%
Total Capex	US$m	**27.5**	26.8	+3%

Kimberley Operations – South Africa

	Unit	FY 2016	FY 2015	Variance
Sales				
Revenue	US$m	**57.7**	41.8	n/a
Diamonds sold	Carats	**438,680**	138,052	n/a
Average price per carat	US$	**132**	302	n/a
KUM production[1]				
Tonnes treated	Tonnes	**721,513**	1,196,269	n/a
Diamonds produced	Carats	**88,572**	137,226	n/a
Grade	Cpht	**12.3**	11.5	n/a
Combined Kimberley Operations production – attributable to Petra[2]				
Tonnes treated	Tonnes	**3,583,758**	n/a	n/a
Diamonds produced	Carats	**442,897**	n/a	n/a
Grade	Cpht	**12.4**	n/a	n/a
Total production				
Tonnes treated	Tonnes	**4,305,271**	1,196,269	n/a
Diamonds produced	Carats	**531,469**	137,226	n/a
Costs				
On-mine cash cost per tonne treated	ZAR	**140**	264	n/a
Capex				
Expansion Capex	US$m	**14.7**	10.5	n/a
Sustaining Capex	US$m	**2.1**	3.4	n/a
Total Capex	US$m	**16.8**	13.9	n/a

1. KUM production represents the Kimberley Underground ROM and tailings production for the period up to 17 January 2016 (before the establishment of the Combined Kimberley Operations).
2. Combined Kimberley Operations production represents Petra's 75.9% attributable share (including both ROM production from Kimberley Underground and tailings production), further to the acquisition of the Kimberley Mines assets in partnership with Ekapa Mining on 18 January 2016 and the associated tolling agreement.

FY 2016 – Operations Results Tables continued

Williamson – Tanzania

	Unit	FY 2016	FY 2015	Variance
Sales				
Revenue	US$m	**78.9**	62.1	+27%
Diamonds sold	Carats	**205,548**	208,351	-1%
Average price per carat	US$	**384**	298	+29%
ROM production				
Tonnes treated	Tonnes	**4,003,180**	4,056,638	-1%
Diamonds produced	Carats	**199,796**	194,048	+3%
Grade	Cpht	**5.0**	4.8	+4%
Alluvial production				
Tonnes treated	Tonnes	**417,452**	369,406	+13%
Diamonds produced	Carats	**13,073**	8,216	+59%
Grade	Cpht	**3.1**	2.2	+41%
Total production				
Tonnes treated	Tonnes	**4,420,632**	4,426,044	0%
Diamonds produced	Carats	**212,869**	202,265	+5%
Costs				
On-mine cash cost per tonne treated	US$	**11**	12	-8%
Capex				
Expansion Capex	US$m	**23.0**	8.3	+177%
Sustaining Capex	US$m	**1.4**	7.9	-82%
Total Capex	US$m	**24.4**	16.2	+51%

2016 Resource Statement

Petra manages one of the world's largest diamond resources of over 300 million carats ("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 2016, the Group's gross Diamond Resources (inclusive of Reserves) increased 1% to 312.2 Mcts (30 June 2015: 308.6 Mcts).

The main reason for the increase in gross Diamond Resources relates to a 42% increase (circa 2.6 Mcts) in the Resource at Petra's Combined Kimberley Operations, further to the acquisition of an interest in the Kimberley Mines assets in January 2016, a 6% overall increase (circa 2.3 Mcts) in the Resource at Williamson further to work carried out during FY 2016 to update the Resource model, and the inclusion of a portion of the overburden dumps at Finsch based on sampling done during FY 2016 (circa 1.2 Mcts).

These increases were offset by decreases in Resources due to depletion by mining activity at all operations.

Gross Reserves

The Group's gross Diamond Reserves decreased 4% to 47.9 Mcts (30 June 2015: 49.8 Mcts) due to depletion by mining activity, and re-assessment of remaining Reserves based on mine plan revisions and plant simulation. This includes the update of Reserves at Cullinan (-6% or circa 1.4 Mcts) which includes depletions and the expected impact of the new plant performance based on metallurgical simulations including bottom cut-off changes, and Finsch (-3% or circa 0.7 Mcts) due to mining depletions and updates to the Block 5 mining plan.

The following table summarises the gross Reserves and Resources status of the combined Petra Group operations as at 30 June 2016.

Group

	Gross		
Category	Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	—	—	—
Probable	103.2	46.4	47.89
Sub-total	**103.2**	**46.4**	**47.89**
Resources			
Measured	0.2	263.9	0.60
Indicated	441.4	49.8	219.71
Inferred	1,434.2	6.4	91.85
Sub-total	**1,875.8**	**16.6**	**312.16**

Finsch

	Gross		
Category	Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	—	—	—
Probable	43.3	57.7	24.96
Sub-total	**43.3**	**57.7**	**24.96**
Resources			
Measured	—	—	—
Indicated	38.9	68.9	26.82
Inferred	39.3	56.6	22.25
Sub-total	**78.2**	**62.7**	**49.07**

Notes:

1. Resource bottom cut-off: 1.0mm.
2. Reserve bottom cut-off: 1.0mm.
3. The Block 4 Resource tonnes and grade are based on block cave depletion modelling and include external waste. The Block 4 PCBC Model was recalibrated to January 2016 pit scans in order to provide an updated estimation of block 4 grade and tonnes.
4. Block 5 Resource stated as in situ.
5. Block 5 Reserves are based on PCSLC and PCBC simulations, depleted for SLC development tonnes.
6. Portion of overburden dumps elevated to Inferred Resource based on sampling programme.

2016 Resource Statement continued

Cullinan

	Gross		
Category	Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	—	—	—
Probable	47.8	45.1	21.59
Sub-total	**47.8**	**45.1**	**21.59**
Resources			
Measured	—	—	—
Indicated	251.5	70.3	176.88
Inferred	171.2	10.1	17.29
Sub-total	**422.7**	**45.9**	**194.17**

Notes:

1. Resource bottom cut-off: 1.0mm.
2. Reserve bottom cut-off: 1.15mm.
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. Factorised Reserve grades and carats are derived from a Plant Recovery Factor ("PRF") per geological facies. The PRF for the new plant (currently under construction) accounts for the efficiency of sieving (bottom cut-off), diamond liberation, concentration and recovery in the ore treatment process. Historic liberation factors are applied to the current plant (Brown Kimberlite = 75.8%, Grey Kimberlite = 71.4%, Hypabyssal Kimberlite = 71.8%).
6. All Mineral Reserves are according to PCBC scheduling of block caves and Mine2-4D scheduling of development and pillar mining.

Koffiefontein

	Gross		
Category	Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	—	—	—
Probable	7.6	8.1	0.62
Sub-total	**7.6**	**8.1**	**0.62**
Resources			
Measured	—	—	—
Indicated	38.8	6.4	2.47
Inferred	113.2	3.7	4.20
Sub-total	**152.0**	**4.4**	**6.67**

Notes:

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: 1.15mm.
4. Changes in Reserve and Resource figures due to underground mining depletions on all mining blocks; depletions applied to Ebenhaezer pipe in accordance with the June 2016 Lidar Survey.

Kimberley Operations

Category	Gross Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	—	—	—
Probable	4.5	16.2	0.72
Subtotal	**4.5**	**16.2**	**0.72**
Resources			
Measured	—	—	—
Indicated	9.0	18.8	1.69
Inferred	109.0	6.7	7.34
Subtotal	**118.0**	**7.7**	**9.03**

Notes:

1. Resource bottom cut-off (Dutoitspan West Extension): 1.0mm.
2. Resource bottom cut-off (all other underground blocks): 0.5mm.
3. Resource bottom cut-off (surface tailings mineral resources): 1.15mm.
4. Reserve bottom cut-off: 1.15mm.
5. Changes in reserve and resource figures due to mining depletions. Changes in reserves also a result of inclusion of Bultfontein 865L Mining Plan and the DTP NWC Mining Plan.
6. Changes in resources include Petra's 49.9% attributable share in the resources of the Combined Kimberley Operations further to the acquisition of the Kimberley Mines in partnership with Ekapa Mining on 18 January 2016.

Williamson

Category	Gross Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	—	—	—
Probable	—	—	—
Subtotal	**—**	**—**	**—**
Resources			
Measured	—	—	—
Indicated	84.9	5.0	4.21
Inferred	993.9	3.6	36.18
Subtotal	**1,078.8**	**3.7**	**40.39**

Notes:

1. Resource bottom cut-off: 1.15mm.
2. Updated resource model in line with ongoing in-pit exploration drilling and production sampling.

Helam

Category	Gross Tonnes millions	Grade cpht	Contained diamonds Mcts
Reserves			
Proved	—	—	—
Probable	—	—	—
Subtotal	**—**	**—**	**—**
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**

Notes

1. Resource bottom cut-off: 1.0mm.
2. Measured resources are classified as one level below current workings, or where a block is bounded above and below by current workings.
3. Indicated resources are classified as two levels below measured resources.
4. 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.
5. The Helam mine is currently on care and maintenance; no resource changes noted above and no reserves declared as there are no plans to restart production in the short term.

2016 Resource Statement continued

KX36

Category	Gross Tonnes millions	Gross Grade cpht	Gross Contained diamonds Mcts
Reserves			
Proved	—	—	—
Probable	—	—	—
Subtotal	**—**	**—**	**—**
Resources			
Measured	—	—	—
Indicated	17.9	35.3	6.32
Inferred	6.8	35.7	2.41
Subtotal	**24.7**	**35.4**	**8.73**

Notes:

1. Resource bottom cut-off: 1.15mm.
2. Resource estimation updated with information gathered from further exploration drilling, based on >10,000m of core drilling and >5,000m of large diameter reverse circulation sample drilling to date. Resource estimate used a dataset of 1,046 carats recovered from 235 samples. Modelled diamond value of US$65/ct, based on size frequency distribution of large diameter drill sampling.

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.
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 2016).
7. The Petra 2016 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 44 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 36 years' relevant experience in the diamond mining industry, who was appointed as an independent consultant by the Company for this purpose.

Shareholder and Corporate Information

Petra Diamonds Limited

Registered office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Corporate Communications team
52–53 Conduit Street
London W1S 2YX
Tel: +44 20 7494 8203
Email: investorrelations@petradiamonds.com

Group management office
Elizabeth House
9 Castle Street
St. Helier
Jersey JE4 2QP
Tel: +44 1534 700 000
www.petradiamonds.com

Company registration number
EC 23123

Company Secretary
JTC Management Limited
Elizabeth House
9 Castle Street
St. Helier
Jersey JE4 2QP
Tel: +44 1534 700 000

Bankers
Barclays Bank plc
1 Churchill Place
London E14 5HP
Tel: +44 20 7116 1000
www.barclays.com

Solicitors
Bermuda – Conyers Dill & Pearman
Clarendon House
2 Church Street
Hamilton HM11
Bermuda
Tel: +1 441 295 1422

United Kingdom – Memery Crystal
44 Southampton Buildings
London WC2A 1AP
Tel: +44 20 7242 5905

Jersey – Ogier
Ogier House
The Esplanade
St. Helier
Jersey JE4 9WG
Tel: +44 1534 504 000

Joint financial advisers and stockbrokers
Barclays
10 The North Colonnade
Canary Wharf
London E14 4BB
Tel: +44 20 7623 2323
www.barclays.com

RBC Capital Markets
Riverbank House
2 Swan Lane
London EC4R 3BF
Tel: +44 20 7489 1188
www.rbccm.com

BMO Capital Markets
95 Queen Victoria Street
London EC4V 4GH
Tel: +44 20 7236 1010
www.bmocm.com

PR advisers
Buchanan
107 Cheapside
London EC2V 6DN
Tel: +44 20 7466 5000
www.buchanan.uk.com

Registrar
Capita Registrars (Jersey) Limited
12 Castle Street
St. Helier
Jersey JE2 3RT

Tel: UK: 0871 664 0300 (calls cost 10 pence per minute plus network extras; lines are open 9.00am–5.30pm GMT Mon–Fri)

International: +44 208 639 3399
Website: www.capitaassetservices.com
Email: shareholderenquiries@capita.co.uk

Transfer agent
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: UK: 0871 664 0300 (calls cost 12 pence per minute plus network extras; lines are open 9.00am–5.30pm GMT Mon–Fri)

International: +44 208 639 3399
Website: www.capitaassetservices.com
Email: shareholderenquiries@capita.co.uk

Auditors
BDO LLP
55 Baker Street
London W1U 7EU
Tel: +44 20 7486 5888

Shareholder and Corporate Information continued

Financial calendar

Accounting period end	30 June
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 depositary interests representing the underlying Ordinary Shares issued by Capita IRG Trustees Limited can be held and transferred through the CREST system. The rights attached to the Ordinary Shares are governed by the Companies Act 1981 (Bermuda) (as amended) and the Company's Bye-Laws.

The Company is a constituent of the FTSE4Good Index.

US$300 million Loan Notes

In May 2015, Petra raised US$300 million further to an inaugural senior secured second lien Notes Issue, due 2020, with a coupon of 8.25%. The Notes are traded on the Global Exchange Market of the Irish Stock Exchange. For more information, visit: www.petradiamonds.com/investors/fixed-income-investors.

Dividend

Petra did not declare a dividend for FY 2016. However, the Company is highly committed to returns to shareholders and will look to resume dividend payments as soon as possible.

Substantial shareholdings

The interests as indicated in the table below in the Ordinary Shares of the Company represented more than 3% of the issued share capital as at 30 September 2016.

	Number of voting rights	Percentage of issued share capital
BlackRock Investment (UK) Limited	68,084,516	13.2%
T. Rowe Price Associates	58,276,543	11.1%
Standard Life Investments (Holdings) Limited	39,638,469	7.6%
M&G Investment Funds	28,900,000	5.5%
Templeton Global Advisors	15,920,470	3.0%

Company Bye-Laws

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

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

The Bye-Laws of the Company may only be amended by a resolution of the Board and by a resolution of the shareholders. The Bye-Laws of the Company can be accessed here: www.petradiamonds.com/about-us/corporate-governance.

Share capital

The Company has one class of shares of 10 pence 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 30 November 2015, authority was given to the Directors to allot:

i) unissued Relevant Securities (as defined in the Bye-Laws) in the Company up to a maximum aggregate nominal value of £17,426,518.70, being 174,265,187 Ordinary Shares; and

ii) 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 £2,613,977.80 (being equal to approximately 5% of the issued share capital of the Company as at 15 October 2015).

Share rights

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

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

Restriction on transfer of shares

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

- the Board may at its absolute discretion refuse to register any transfer of Ordinary Shares over which the Company has a lien or which are not fully paid up provided it does not prevent dealings in the Ordinary Shares on an open and proper basis.

During the Year, the Board did not place a lien on any shares nor did it refuse to transfer any Ordinary Shares.

The Board may also refuse to register a transfer if:

- it is not satisfied that all the applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained;
- certain restrictions may from time to time be imposed by laws and regulations;
- pursuant to the Company's share dealing code whereby the Directors and employees of the Company require approval to deal in the Company's Ordinary Shares; and

- where a person with at least a 0.25% interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those Ordinary Shares.

Repurchase of shares

The Company may purchase its own shares for cancellation or 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 minimum 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 35 of the financial statements.

Creditors' payment policy

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

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/shareholders/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 +44 207 494 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 in to the Shareholder Portal.

Shares in issue

There was a total of 524,172,967 Ordinary Shares in issue at 30 June 2016.

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. Closing share prices for the previous business day are quoted in most daily newspapers and, throughout the working day, time delayed share prices are broadcast on the text pages of the principal UK television channels.

Share dealing services

The sale or purchase of shares must be done through a stockbroker or share dealing service provider. The London Stock Exchange provides a "Locate a broker" facility on its website which gives details of a number of companies offering share dealing services. For more information, please visit the Private investors section at www.londonstockexchange.com. Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell shares. Shareholders in any doubt about what action to take are recommended to seek financial advice from an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.

Shareholder security

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website. More detailed information can be found at www.fca.org.uk/consumers/scams/investment-scams.

Glossary

"AGM"	Annual General Meeting
"AG mill"	autogenous mill, so called due to the self-grinding of the ore
"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
"BBBEE"	broad-based black economic empowerment, a policy of the South African government aimed at addressing past economic imbalances, stimulating further growth and creating employment
"BEE"	Black Economic Empowerment
"Beneficiation"	the refining of a commodity; in the case of diamonds, refers to the cutting and polishing of a rough stone
"block caving"	a method of mining in which large blocks of ore are undercut so that the ore breaks and caves under its own weight. The undercut zone is initially drilled and blasted and some broken ore is drawn down to create a void into which initial caving of the overlying ore can take place. As more broken ore is drawn progressively following cave initiation, the cave propagates upwards through the orebody or block until the overlying rock also caves and surface subsidence occurs. The broken ore is removed through the production or extraction level developed below the undercut level. Once the caves have been propagated, it is a low cost mining method which is capable of automation to produce an underground 'rock factory'
"bulk sample"	a large sample for the purpose of estimating the grade of a diamond deposit and to produce a large enough quantity of diamonds to enable an evaluation of diamond quality
"C-Cut"	the 'Centenary Cut' a major resource of 133 million carats located beneath the B block of the Cullinan orebody
"CAGR"	compound average growth rate
"calcrete"	hardened deposits of calcium carbonate formed in the near surface environment in arid or semi-arid environments
"Capex"	capital expenditure
"carat" or "ct"	a measure of weight used for diamonds, equivalent to 0.2 grams
"Combined Kimberley Operations"	the combined operations of Petra and Ekapa Mining in Kimberley, further to the Kimberley Mines acquisition with effect from 18 January 2016 (refer page 38)
"Cpht"	carats per hundred tonnes
"craton"	a part of the Earth's crust which has been relatively stable for a very long period
"CSI"	corporate social investment
"ctpa"	carats per annum
"cut-off grade"	the lowest grade of mineralised material considered economic to extract; used in the calculation of the ore reserves in a given deposit
"diamondiferous"	containing diamonds
"Diamond stability field"	the area with the right conditions for the formation of diamonds in the Earth's mantle
"Dominion"	Dominion Diamond Corporation
"DPA"	Diamond Producers Association
"drawpoint"	an opening through which ore from a higher level can fall and subsequently be loaded
"DTC sieve size"	the Diamond Trading Company ("DTC") uses sieve sizes to grade diamonds by size fraction
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"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
"FRC"	the UK's Financial Reporting Council
"FY"	Petra's financial year (1 July to 30 June)
"Garnet"	various different types of garnet are mentioned in the Exploration review on page 41; these are specific varieties of minerals which are unique to kimberlites (kimberlite indicator minerals) and can be analysed to assess the diamond-bearing potential of a kimberlite
"Gem"	Gem Diamonds Limited
"GEMS"	GEOVIA GEMS™ is a suite of software packages for geological modelling and mine planning
"GHG"	greenhouse gases
"grade"	the content of diamonds, measured in carats, within a volume or mass of rock
"Group II kimberlites"	'Group II' indicates the specific mineralogy and composition of this kimberlite type
"H1" or "H2"	first half, or second half, of the financial year
"ha"	hectares
"HDSA"	historically disadvantaged South African
"HSEQ"	health, safety, environmental and quality
"HSSE"	health, safety, social and environment
"iNED"	independent Non-Executive Director
"Indicated Resource"	that part of a diamond resource for which tonnage, densities, shape, physical characteristics, grade and average diamond value can be estimated with a reasonable level of confidence. It is based on exploration sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed and sufficient diamonds have been recovered to allow a confident estimate of average diamond value (SAMREC Code)

"Inferred Resource" that part of a diamond resource for which tonnage, grade and average diamond value can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified by geological and/or grade continuity and a sufficiently large diamond parcel is not available to ensure reasonable representation of the diamond assortment. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability (SAMREC Code)

"IPDET" Itumeleng Petra Diamonds Employee Trust

"kimberlite" a brecciated ultrabasic igneous rock containing phlogopite mica, bronzite pyroxene and ilmenite; kimberlites may or may not contain diamonds

"kimberlite indicator minerals" or "Kim" minerals that can help locate the presence and establish the diamond-bearing potential of kimberlite

"Kt" thousand tonnes

"LDD" large diameter drilling

"LED" local economic development

"LHD" load haul dumper

"LOM" life of mine

"LTI" lost time injury; a work-related injury resulting in the employee/contractor being unable to attend work on the day following the injury

"LTIFR" lost time injury frequency rate; the number of LTIs multiplied by 200,000 and divided by the number of hours worked

"Lucara" Lucara Diamond Corporation

"macrodiamond" diamonds too large to pass through a 0.5mm screen

"Majors" the major diamond producers, namely De Beers, ALROSA and Rio Tinto

"Mctpa" million carats per annum

"Mcts" million carats

"Measured Resource" that part of a diamond resource for which tonnage, densities, shape, physical characteristics, grade and average diamond value can be estimated with a high level of confidence. It is based on detailed and reliable exploration sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity and sufficient diamonds have been recovered to allow a confident estimate of average diamond value

"microdiamond" diamonds small enough to pass through a 0.5mm screen

"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

"mL" metre level

"Mt" million tonnes

"Mtpa" million tonnes per annum

"NED" Non-Executive Director

"NGOs" non-governmental organisations

"NPAT" net profit after tax

"NUM" National Union of Mine Workers in South Africa

"open pit" mining in which ore that occurs close to the Earth's surface is extracted from a pit or quarry

"Opex" operating costs

"orebody" a continuous well-defined mass of material of sufficient ore content to make extraction feasible

"pa" per annum

"PAT" profit after tax

"PCBC" GEOVIA PCBC™ is a highly sophisticated software package designed specifically for the planning and scheduling of block cave mines.

"petrographic" referring to the detailed description of rocks, usually under the microscope

"Probable Reserves" the economically mineable material derived from a measured and/or indicated diamond resource. It is estimated with a lower level of confidence than a proven reserve. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified

"Proved Reserves" the economically mineable material derived from a measured diamond resource. It is estimated with a high level of confidence. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified

"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

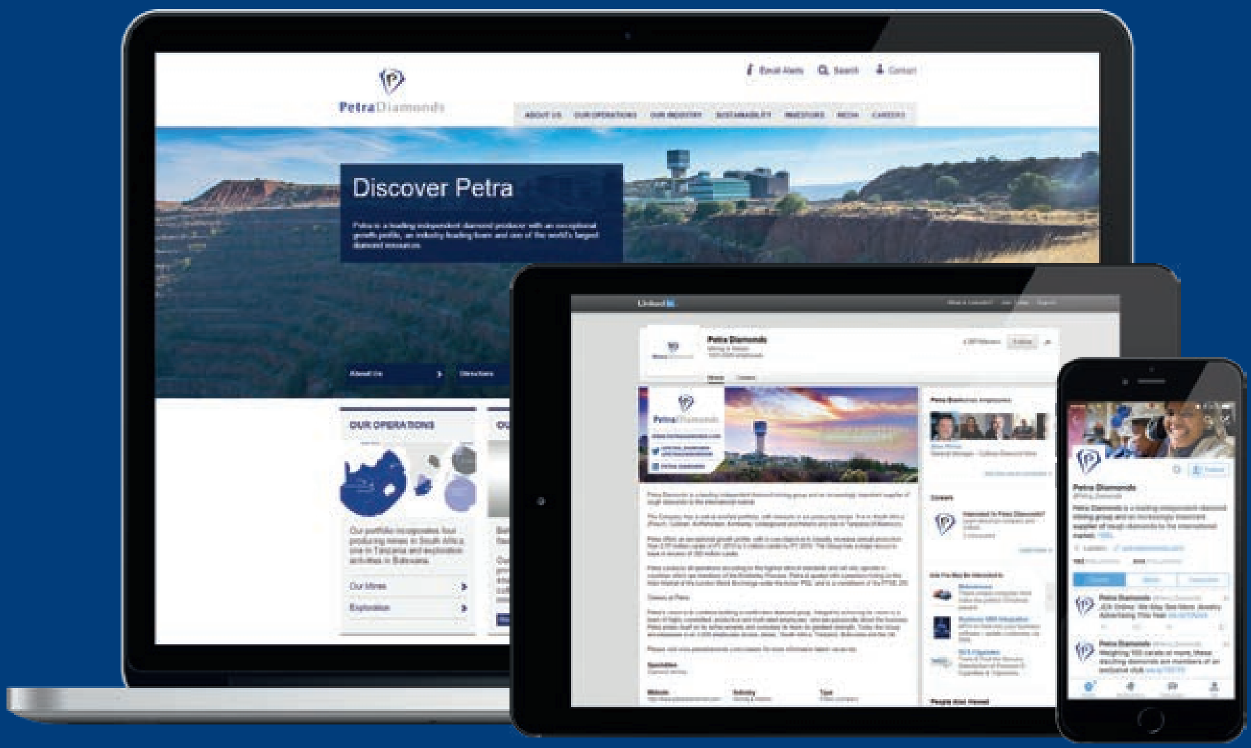
"re-crush system" processes oversized material from the primary crushers, further reducing it in size

"ROM" run-of-mine

"SAMREC" South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves

Glossary continued

"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
"SHE"	safety, health and environment
"SLC"	sub level cave
"SLP"	social and labour plans
"slimes"	the fine fraction of tailings discharged from a processing plant without being treated; in the case of diamonds, usually that fraction which is less than 1mm in size
"stockpile"	a store of unprocessed ore
"sub level caving"	follows the same basic principles as the block caving mining method; however, work is carried out on intermediate levels 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
"tailings"	material left over after processing ore
"tailings dump"	dumps created of waste material from processed ore after the economically recoverable metal or mineral has been extracted
"tonnage"	quantities where the tonne is an appropriate unit of measure; typically used to measure reserves of target commodity bearing material or quantities of ore and waste material mined, transported or milled
"tpa"	tonnes per annum
"tpm"	tonnes per month
"trackless equipment"	equipment that does not operate on tracks (rails)
"TSR"	total shareholder return
"Type II diamonds"	Type II diamonds have no measurable nitrogen impurities, meaning they are often of top quality in terms of colour and clarity ▸ 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
"underground pipe mines"	Petra's underground kimberlite pipe mines, being Finsch, Cullinan, Koffiefontein and Kimberley Underground



Discover more online

petradiamonds.com

Keep up to date with our corporate website.

Petra Diamonds

Follow our business on LinkedIn.

@Petra_Diamonds
@PetraDiamondsIR

Follow our corporate and IR news feeds on Twitter.

Petra Diamonds

Elizabeth House
PO Box 1075
9 Castle Street
St Helier
Jersey JE4 2QP

Tel: +44 1534 700 111
Fax: +44 1534 700 007
Email: info@petradiamonds.com

www.petradiamonds.com

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP

Design Portfolio is committed to planting trees for every corporate communications project, in association with Trees for Cities.

MIX
Paper from responsible sources
FSC® C001785
FSC
www.fsc.org

Petra Diamonds' commitment to environmental issues is reflected in this Annual Report which has been printed on Heaven 42 and UPM Fine which are FSC certified papers. This document was printed by Park Communications using their environmental print technology, which minimises the impact of printing on the environment. Vegetable based inks have been used and 99% of all dry waste associated with this production is diverted from landfill.