



PetraDiamonds

ANNUAL REPORT 2009





The Star of Josephine's journey

The birth of a perfect gem

November 2008 – A 26.58 carat blue diamond rough of exceptional colour and intensity is recovered at Cullinan.



January 2009 – Petra decides to cut and polish the diamond and enters into an arrangement with Sotheby's, one of the world's pre-eminent names in jewellery sales, to sell the diamond at auction.

Sotheby's

EST. 1744

February 2009 – A specialist diamond cutting firm is appointed to oversee the cutting and polishing process, which is carried out by Petra at a local diamond factory in Johannesburg.



March 2009 – A 7.03 carat, cushion-shaped diamond is revealed in the cutting process. The Gemological Institute of America (GIA) grades the stone as 'fancy vivid blue' in colour and 'internally flawless' in clarity, the highest possible grading for a blue diamond.



March/April 2009 – Sotheby's initiates a global marketing campaign to promote the diamond as the centrepiece of its forthcoming *Magnificent Jewels* auction in Geneva.



April 2009 – At 7.03 carats, the Cullinan diamond ranks among the most important blue diamonds ever to be offered for sale by Sotheby's. The diamond goes on tour to Hong Kong, New York, Paris, London and finally to Geneva for sale.



12 May 2009 – The blue diamond achieves US\$9,488,754 at the *Magnificent Jewels* auction in Geneva, or US\$1,349,752 per carat – establishing a new record price per carat for any gemstone sold at auction and the highest price for a fancy vivid blue diamond sold at auction.



19 May 2009 – The buyer is announced as Mr Joseph Lau Luen-Hung, a renowned Hong Kong collector and connoisseur. The blue is named the 'Star of Josephine' and joins the ranks of the iconic diamonds to be recovered at the celebrated Cullinan mine.



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Corporate profile

Petra Diamonds (Petra) is a leading supplier of rough diamonds. A number of acquisitions have established Petra as one of the world's largest independent diamond groups by resources, with a total resource base of 262 million carats. Petra's annual production rose fivefold in the year to June 2009 to over one million carats and the company's objective is to continue to increase supply and develop its stature as a world-class diamond group.

In South Africa, Petra has interests in five producing mines – Cullinan, Koffiefontein, Helam, Sedibeng and Star – and has also agreed to acquire, from De Beers, the Kimberley Underground mines. In Tanzania, Petra has an interest in the Williamson mine. These mines are noted for the production of valuable diamonds, but in particular the Cullinan mine is famed as the source of the largest rough gem diamond ever found. More recently, an internally flawless, fancy vivid blue diamond of 7.03 carats from the Cullinan mine sold for US\$9.4 million in May 2009, the highest price per carat ever paid for any gemstone sold at auction, and an exceptional white diamond of over 507 carats was recovered in September 2009.

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

The Company is quoted on the AIM market of the London Stock Exchange (AIM: PDL).

www.petradiamonds.com

FY 2009 highlights



- Mine gross production of 1,099,367 carats, a fivefold increase (2008: 200,287 carats)
- Mine gross revenue: US\$94.4m, a 22.2% increase (2008: US\$77.3m)
- Petra Group revenue: US\$69.3m (2008: US\$76.9m)
 - affected by fall in diamond prices
- Profit from mining activity (before depreciation):
US\$7.8m (2008: US\$38.8m)
- EBITDA loss and Group loss for year affected by one-off items, including exploration expenditure and asset impairments
- Acquisition of the Cullinan mine in South Africa by the Petra Diamonds Cullinan Consortium
- Acquisition of 75% interest in the Williamson mine in Tanzania
- Two very rare and valuable blue diamonds recovered at Cullinan
 - sold for US\$18.2m
- Group resource (gross) update of 262 million carats (FY 2008: 265 million carats gross)
- Withdrawal from Angolan exploration activities cuts annual exploration spend by US\$25m

Summary of results



	12 months to 30 June 2009 US\$ million	12 months to 30 June 2008 US\$ million
Revenue ¹	69.3	76.9
Mining and processing costs	(64.0)	(37.7)
Other direct income/(costs)	2.5	(0.4)
Profit from mining activity ²	7.8	38.8
Other operating income	3.2	1.1
Exploration expense ²	(13.7)	(9.5)
Corporate overhead ²	(5.9)	(4.9)
EBITDA ³	(8.6)	25.5
Impairments	(75.2)	–
Depreciation	(11.6)	(7.1)
Amortisation	(3.3)	(3.8)
Share-based expense	(2.3)	(1.6)
Unrealised foreign exchange gain/(loss)	13.4	(4.6)
Net finance (expense)/income	(6.3)	0.8
Profit/(loss) from discontinued operations	1.6	(1.4)
Tax credit/(charge)	3.4	(5.9)
Net (loss)/profit after tax – Group ⁴	(88.9)	1.9
Basic and diluted loss per share attributable to the equity holders of the parent company – cents ⁴	(49.37)	(3.93)
Cash at bank	11.05	37.4

Notes:

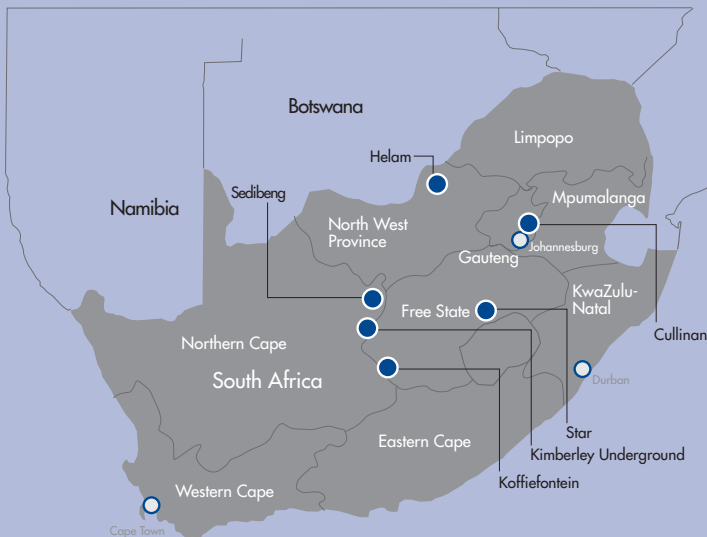
1. The results for the 2009 financial year are all for the full year other than in respect of the Cullinan mine (from 16 July 2008, the effective date of acquisition of the mine by the Petra Diamonds Cullinan Consortium) and the Williamson mine (from 10 November 2008, the effective date of the acquisition of a 75% interest in the mine).
2. Stated before depreciation, amortisation of intangibles, interest paid, foreign exchange gains and losses, asset impairment charges and share-based payments.
3. EBITDA disclosures are “adjusted EBITDA”, being stated before share based expense, foreign exchange gains and losses and asset impairment charges.
4. Stated after minority interests (BEE partners Cullinan, Koffiefontein and Sedibeng) of US\$1,931,222.

World-class mining assets

2 Tanzania



1 South Africa



A diversified portfolio of diamond mines in Africa

1. Cullinan:



- Source of spectacular diamonds, including the 'Cullinan' (world's largest at 3,106 carats)
- Only reliable source of very rare and valuable blue diamonds
- Underground kimberlite pipe mine currently at depth of 747 metres
- World's second largest resource of 204.6 million carats (including tailings)
- Production ramp up to over 1 million carats per annum in FY 2010
- Ten-year expansion plan to gradually increase annual production to 2.6 million carats
- 37% initial interest held (option to increase to up to 60% interest); 37% Al Rajhi Holdings W.L.L., 26% BEE partners (14% Thembinkosi Mining Investments (Pty) Ltd, 12% Petra Diamonds Employee Trust)



1. Koffiefontein:



- One of the world's top kimberlite diamond mines by average value per carat
- Produces exceptional white and coloured diamonds, particularly pinks
- Underground kimberlite pipe mine currently at depth of 490 metres
- Resource of 6.0 million carats
- Five-year plan to increase production to in excess of 110,000 carats
- 70% interest held; 30% BEE partner Re-Teng Diamonds (Pty) Limited

1. Kimberley Underground:



- Asset comprises three mines in close proximity: Bultfontein, Dutoitspan and Wesselton
- Historic source of large diamonds and fancy yellows
- Underground kimberlite mines between 845 metres and 995 metres deep
- Resource of 6.9 million carats
- Initial production of approx. 100,000 carats in the first full year, increasing to 180,000 carats in the second year
- Once acquisition completes: 74% interest held; 24% BEE partner Sedibeng Mining (Pty) Limited

1. Fissures:



- Asset portfolio comprises three mines: Helam, Sedibeng and Star
- Regularly produce exceptional white diamonds
- Underground kimberlite fissure mines between 600 and 750 metres deep
- Petra is world leader in specialist underground kimberlite fissure mining
- Resource of 4.7 million carats
- Plan to take production to in excess of 120,000 carats per annum
- 74.5% interest held in Sedibeng (BEE partners Sedibeng Mining (Pty) Limited and Bokone Properties (Pty) Limited); 100% interests in Helam and Star

2. Williamson:



- World's largest economic kimberlite by surface area at 146 hectares in size
- Opencast operation at 90 metres (deepest point)
- Major resource of 40 million carats
- Feasibility study currently underway – plan to build up operation to 600,000 carats per annum
- 75% interest held; 25% partner the Government of the United Republic of Tanzania

Chairman's statement



Adonis Pouroulis, Chairman

I am pleased to provide a review of Petra Diamonds' results for the 2009 financial year (the Period), a transformational period in which we increased Group production fivefold from 200,000 carats to over one million carats, a remarkable achievement set against the background of very challenging trading conditions in the diamond industry.

I am also very proud to report that on 24 September 2009 a historic diamond of 507.55 carats, together with stones of 168.00 carats, 58.50 and 53.30 carats, were recovered at the Cullinan mine in South Africa. We have, since we acquired the mine, stated our objectives and expectations at Cullinan and the management team can now show to shareholders the results of their efforts and unwavering focus. This extraordinary stone, together with the two very rare and valuable blues that were recovered last year, bears testimony to the unique quality of Cullinan. We look forward to reporting further such recoveries over the months and years to come.

Petra Diamonds operates a portfolio of six producing diamond mines. The Group's production has grown rapidly and substantially over the last two years and, excluding the "majors" (De Beers, Alrosa, BHP Billiton and Rio Tinto), Petra is now one of the world's largest diamond producers by carats and value. We also manage, outside the majors, the world's largest diamond resource base, with a total Group resource of 262 million carats.

Petra has displayed its ability to manage its enlarged operational base successfully, a key factor to this success being the strength of our management teams and their core operational expertise, which has been built up from many years' experience in the management of mines in Africa.

Focus on production

In just two years Petra has, due to the acquisition and integration of several major producing mines, transformed its profile and stature within the diamond market. As the Company has grown, our management and project focus has rightly shifted to our cash-generative production portfolio.

In line with this strategic focus, and in order to further effectively manage our cost base once the severity of the global economic downturn and its impact on the diamond market became apparent in the second half of 2008, the Board decided to dramatically scale down exploration activity and associated expenditure by:

- withdrawing from all exploration activities in Angola (the Alto Cuilo and Luangue projects);
- agreeing with our Kono joint venture partner, Stellar Diamonds (Stellar), that they would take over sole funding of the Kono project (later in the Period the project was placed on care and maintenance); and
- reducing Petra's annual exploration spend in Botswana to US\$500,000, down from US\$2 million previously.

Despite the external challenges presented by the global economic downturn, we acted decisively to reposition the Group's exploration activities and these decisions reduced Group exploration expenditure by approximately US\$25 million per annum.

- The 507 carat rough white diamond recovered at the Cullinan mine on 24 September 2009



This strategic decision to focus on cash-generative diamond production is important to Petra, given the value that can be realised via the development of our substantial resources base by focusing on our producing mines, as production will now be the value driver of the Group.

Cullinan – an iconic mine

A key highlight for the year was the successful acquisition (as a member of the Petra Diamonds Cullinan Consortium) and integration of the Cullinan mine, one of the world's most famous diamond mines and the world's only reliable source of highly prized blue diamonds.

At 507 carats, the white diamond recently recovered at Cullinan, which has not yet been named, joins a long list of illustrious gems to have been recovered at this celebrated mine. Cullinan has a special place in the history of diamonds as it remains the source of the world's largest gem diamond ever recovered, the 'Cullinan' at 3,106 carats rough. It has also produced a further two of the world's largest diamonds, the Golden Jubilee at 755 carats rough and the Centenary at 599 carats rough, and many other famous gems including the Taylor-Burton (69 carats polished).

We were also very encouraged to recover two significant blue diamonds during the year, of 39.19 and 26.58 carats respectively. The first blue realised a price of US\$8.8 million when sold as a rough stone in October 2008 and the second achieved US\$9.4 million when auctioned by Sotheby's Geneva as a polished stone in May 2009, a world record price per carat ever paid at auction and the highest price ever paid for a fancy vivid blue at auction.

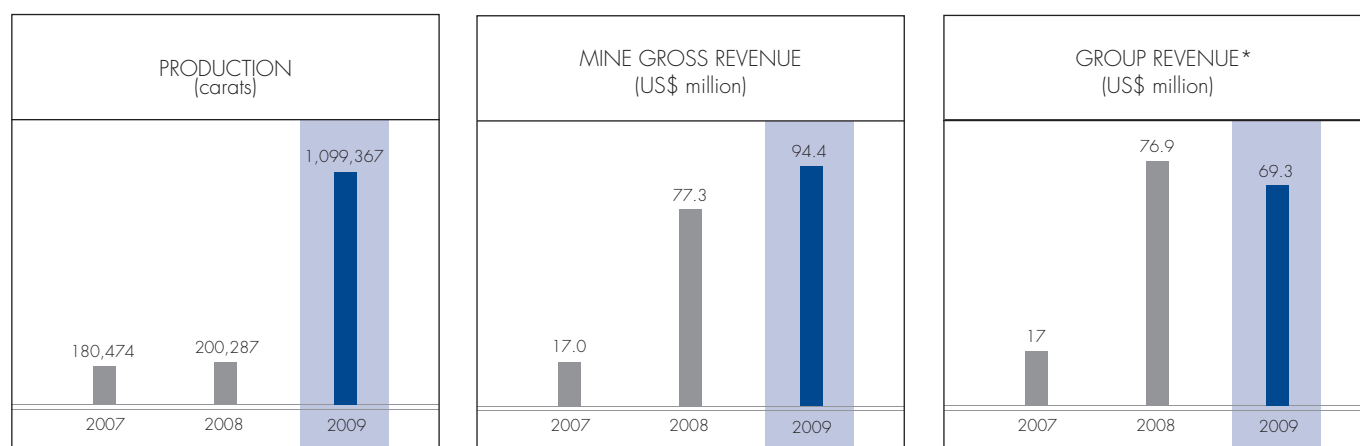
The second blue, which was named by the buyer 'The Star of Josephine', has joined the ranks of the highly valuable blue diamonds to be found in the history of this mine. We chose to work with Sotheby's on the sale and formed a strong and mutually valuable partnership with the auction house, which will be of value with regard to future sales of rare and important polished stones.

Targeting further production growth for 2010 onwards

A further notable achievement during the year was the acquisition of a 75% interest in the Williamson mine in Tanzania. Williamson is the world's largest economic open cast kimberlite diamond mine and Petra looks forward to working with its partner, the Government of the United Republic of Tanzania, to develop the mine to its full potential. Williamson produces high-quality gem diamonds, being famous for its 'Williamson Pinks'.

Petra is targeting further group production growth over the next few years and integral to this plan is a substantial upgrade of production capacity at Williamson, from around 2 million tonnes per annum (mtpa) to a potential 10 mtpa. Since the effective date of the acquisition in November 2008, Petra has been operating the mine whilst carrying out a feasibility study to establish the revised economics under Petra management. This study is important in terms of evaluating the future mine upgrade parameters.

Chairman's statement cont.



* The results for the 2009 financial year are all for the full year other than in respect of the Cullinan mine (from 16 July 2008, the effective date of acquisition of the mine by the Petra Diamonds Cullinan Consortium) and the Williamson mine (from 10 November 2008, the effective date of the acquisition of a 75% interest in the mine).

Despite an environment of lower diamond prices, we held two tenders of Williamson production at our newly opened diamond office in Antwerp. The average value attained of US\$126 per carat is an exceptional achievement in the circumstances and significantly exceeded management's expectations in these diamond market conditions, a very encouraging indicator for the mine's future in a more buoyant market. Management expects to achieve substantially higher values at Williamson as further plant and security improvements are introduced.

Petra is in the final stages of planning substantial production growth at its Cullinan mine with the current level of underground production of 2 mtpa expected to increase to 2.4 mtpa by the 2011 financial year and ramping up to 4 mtpa by 2019, by deepening the current mine. In addition, a tailings treatment plant is being designed, and this will unlock the value in the sizeable 165 million tonne tailings resources at Cullinan.

At Kimberley Underground we have continued to operate the three mines (Bultfontein, Dutoitspan and Wesselton) under care and maintenance whilst we await the required regulatory approvals from the South African Department of Mineral Resources. Whilst it has been a long process to complete this transaction due to the specifics of the mining right conversions and environmental requirements, approval is expected soon. Material hoisted during the care and maintenance period has been stockpiled and awaits treatment by the new plants, the first of which was commissioned in August.

When all approvals are received we will be able to immediately commence full scale diamond production. Kimberley Underground has produced some spectacular diamonds in its history and we are excited about the potential to enhance our high-quality output.

At Koffiefontein, the longer than anticipated time to achieve production "caving status" in newly opened blocks on 49 and 52 levels affected output in the year under review, but these issues have been resolved, production has largely returned to normal levels, and we will be completely back on track in the very near future. We have completed important changes to the production plant, which is now ready to receive increased tonnages both from underground, main plant tailings and potentially from the satellite Ebenhaezer pipe, where we are currently evaluating the economic potential.

Financing

Petra does not consider that cutting development capital expenditure (capex) programmes to a level where the future viability of the Group is affected, in an industry where there is a medium-term shortage of rough diamonds to the market, would be in the interests of shareholder value, and therefore we take a very balanced view with regard to the development of our medium and long-term capital projects.

Petra's treasury, US\$11.1 million at year end, whilst sufficient to fund the ongoing trading of the operations, does not allow for the medium term capital development of our mines, most materially Cullinan and Williamson. However, there is a high degree of flexibility as to how and when we commence the development programmes, and obviously the potential revenue from the sale of the 507 carat and other exceptional diamonds recovered on 24 September 2009 at Cullinan makes a

- The innovative and entrepreneurial drive at all levels of our Group continues to produce extraordinary results
- We take a very balanced view with regards to the development of our medium and long-term capital projects
- Throughout this difficult financial trading period, we have demonstrated that the Petra Group is built upon solid foundations, underscored as it is by a world-class mine portfolio

substantial difference to Cullinan's financing requirements. Whilst too soon to put a firm value on these stones, their combined sale revenue has the potential to make a substantial contribution to Cullinan's expansion capital for the next two years. With regards to the rest of the Group's development programmes (mainly Williamson) and working capital, our expectation at this time is a requirement of up to US\$30 million, and we are in discussions with development banks as to the project financing of Williamson, in order to minimise the issuance of any new Petra equity by way of a fund raising.

In summary, whilst Petra may undertake a small fundraising in the near future to top up its working capital treasury, we have a high degree of flexibility as to if and when we raise a more significant amount of money for capital development, and will make that decision based on market conditions at the time and the value we can deliver to shareholders by the development of our major mines and the enhanced production that would flow from these capital developments.

Management and partnerships

Whilst this has been a most challenging year, I would like to once again thank the Petra team, which has demonstrated exceptional commitment and determination to succeed against adversity. The innovative and entrepreneurial drive at all levels of our Group continues to produce extraordinary results, and it is most remarkable to have recorded these very special operational and corporate achievements during a year when we have had to contend with the most difficult trading conditions in the Company's history.

I would also like to thank our partners for their support during the year: The South African Department of Mineral Resources, the Government of the United Republic of Tanzania and our black economic empowerment (BEE) partners in South Africa – Thembinkosi Mining Investments, the Petra Diamonds Employee Trust, Sedibeng Mining, Bokone Properties and Re-Teng Diamonds.

The path to recovery

Throughout this difficult financial trading period, we have demonstrated that the Petra Group is built upon solid foundations, underscored as it is by a world-class mine portfolio. It is the Petra approach to our assets, with the integral focus on efficiencies and the maximisation of diamond recoveries, which has ensured their success and we are ideally placed to benefit as the diamond market continues its recovery.



Adonis Pouroulis
Chairman
9 November 2009



Johan Dippenaar, CEO

I am pleased to provide a review of what has been a remarkable year, during which Petra has again recorded a number of major wins, despite facing substantial external challenges.

The most significant achievement was reaching our goal to surpass one million carats production for the 2009 financial year, affirming Petra's place as an important global diamond producer. Setting and reaching tough but realistic operational targets is core to our method of doing business, and we have built up a solid track record of delivery.

Key to Petra's success is an innovative and entrepreneurial approach to our assets, which enables us to keep our mining costs low, whilst never compromising the quality or safety at our operations. As the global financial downturn took hold, our well-managed cost culture ensured that we were well prepared to withstand fluctuations in the diamond market, as demonstrated by the fact that we did not have to close any of our producing mining operations, despite an environment from October 2008 to April 2009 of substantially lower diamond prices.

Results and financial review

Petra Diamonds operates six diamond mines, being Cullinan, Koffiefontein and the three fissure mines (Helam, Sedibeng and Star) in South Africa, as well as the Williamson mine in Tanzania. The full year results comprise results from Cullinan (from 16 July 2008), Koffiefontein, the Fissure mines, the feasibility study at Williamson (from 11 November 2008) and the care and maintenance costs of Kimberley Underground (pre completion of this acquisition).

Petra has an effective 37% interest in Cullinan and in accordance with IFRS, the Group has proportionately consolidated 50% (joint venture interests held 50% Petra, 50% Al Rajhi Holdings W.L.L. (Al Rajhi)) of the results of the Cullinan mine, which after the deduction of 13% in respect of the BEE minority interests gives the 37% attributable to the Group.

Petra Group revenue for the Period of US\$69.3 million was recorded, 10% lower than the US\$76.9 million for 2008. Gross carat production increased substantially by 449% to 1,099,367 carats (2008: 200,287 carats), but the weakening of diamond prices in the second quarter of the Period had a major effect on average diamond prices and revenue. Had this adjustment to prices not occurred, Petra would have reported another substantial increase in revenue, and this observation bodes well for the future as diamond prices continue their recovery.

Despite the revenue being so affected by the weakening in diamond prices, sound control of mining costs meant that a profit from mining activity (before depreciation) of US\$7.8 million (2008: US\$38.8 million) was achieved, again a notable result given the rough diamond market and again reflecting strongly for the Group's prospects when a recovery in diamond prices takes place.

Adjusted EBITDA (stated before share-based expense, foreign exchange gains and losses and asset impairment charges) of US\$8.6 million loss (2008: US\$25.5 million profit) was impacted by Petra's decision to take up control and sole funding of the Alto Cuilo and Luangue joint ventures earlier in the year, following BHP Billiton's decision to withdraw. Petra withdrew from both projects effective

- Gross carat production increased substantially by 449% to 1,099,367 carats (2008: 200,287 carats), but the weakening of diamond prices in the second quarter of the Period had a major effect on average diamond prices and revenue
- Despite the revenue being so affected by the weakening in diamond prices, sound control of mining costs meant that a profit from mining activity (before depreciation) of US\$7.8 million (2008: US\$38.8 million) was achieved

31 December 2008 and all cash spend for the Period and withdrawal expenses have been fully accrued for in the exploration spend of US\$13.7 million.

The Group loss for the Period of US\$88.9 million (2008: US\$1.9 million profit) is largely due to the impairment charges as fully discussed below. The loss is stated after charging:

- impairment charges on Luangue, Alto Cuilo, Helam, Star and Kono of US\$75.2 million. The impairments are once off, all non-cash and the details are fully disclosed further down in this results section;
- depreciation of US\$11.6 million (2008: US\$7.1 million). The higher charge is due to the Cullinan and Williamson assets brought onto the balance sheet;
- amortisation of intangibles of US\$3.3 million (2008: US\$3.8 million), which is in respect of the Botswana prospecting licences. The licences are now recorded at the net amortised cost of US\$1.0 million in Petra's books, and this will be the final amortisation charge in the 2009/10 financial year;
- share-based expenses of US\$2.3 million (2008: US\$1.6 million);
- exchange gains of US\$13.4 million (2008: US\$4 million loss), the majority of which are due to unrealised foreign exchange gains on the annual restatement of foreign subsidiary inter-company loans;
- the profit on disposal of Calibrated Diamonds (US\$1.6 million), which the Group disposed of in September 2008 for a consideration of R47 million (US\$5.9 million), in line with the focus on the Group's core production activities; and
- a tax credit of US\$3.4 million, being tax payable of US\$2.6 million relating to Koffiefontein and Sedibeng, deferred tax credits for Kimberley Underground, Cullinan and Sedibeng of US\$2.6 million, a prior year deferred tax under provision of \$2.0 million on Koffiefontein, Sedibeng and Star and a deferred tax credit arising from the release of deferred tax liabilities recognised on the initial acquisition of Helam and Star of US\$5.4 million; this is a release as a result of the impairment of Helam and Star.

The Group prides itself in its well-managed cost culture, as clearly illustrated in the central corporate overhead expense of US\$5.9 million (2008: US\$4.9 million), remarkably low for a Group of Petra's size and asset spread, and especially taking into account our growth of the last two years. Although the central corporate, finance and administrative team is small and lean, it provides all of the required support to the business, as evidenced by our successful closure of many often complex transactions.

The costs of the Williamson feasibility study of US\$15.6 million have been offset against the diamond revenues of US\$9.4 million. The net balance of US\$6.2 million has been capitalised under IFRS6 as exploration and development costs.

Although debt has increased in Petra's balance sheet, this is largely due to the Petra share of the liability for the US\$80 million loan from Al Rajhi in respect of the Cullinan acquisition. The loan is ring-fenced to Cullinan and only repayable out of the future cash flows from the mine. The original loan made by Al Rajhi in July 2008 was US\$95 million, and US\$15 million has already been repaid.

As required in accordance with IAS 36 "Impairment of Assets", as announced when the interim results were published, the directors reviewed the carrying value of assets to determine whether their carrying value is higher than recoverable value. Recoverable value is estimated on a value in use basis by



calculating the present value of the future cash flows expected to be derived from the asset. An impairment charge of US\$75.2 million has been recognised in the Period and is comprised of the following:

Withdrawal from Luangue	US\$37.0 million
Withdrawal from Alto Cuilo, write down of interest in Moyoweno	US\$6.0 million
Impairment of Helam mine based on IAS36 review	US\$12.9 million
Impairment of Star mine based on IAS36 review	US\$10.8 million
Impairment of 51% interest in Kono project	US\$8.5 million

Luangue – due to the withdrawal from Luangue, effective 31 December 2008, the net investment in Luangue of US\$37 million has been fully impaired in the Period and there is no residual value in Petra's balance sheet. The investment in Luangue arose due to the acquisition of Frannor Investments Limited (which was the foreign partner in the Luangue concession contract) by Petra in 2007 in a US\$60 million all-share transaction, less an amount of US\$23 million paid to Petra by BHP Billiton to acquire a 25% interest in Frannor and associated costs. BHP Billiton's interests in Luangue reverted to Petra prior to Petra's withdrawal from Luangue.

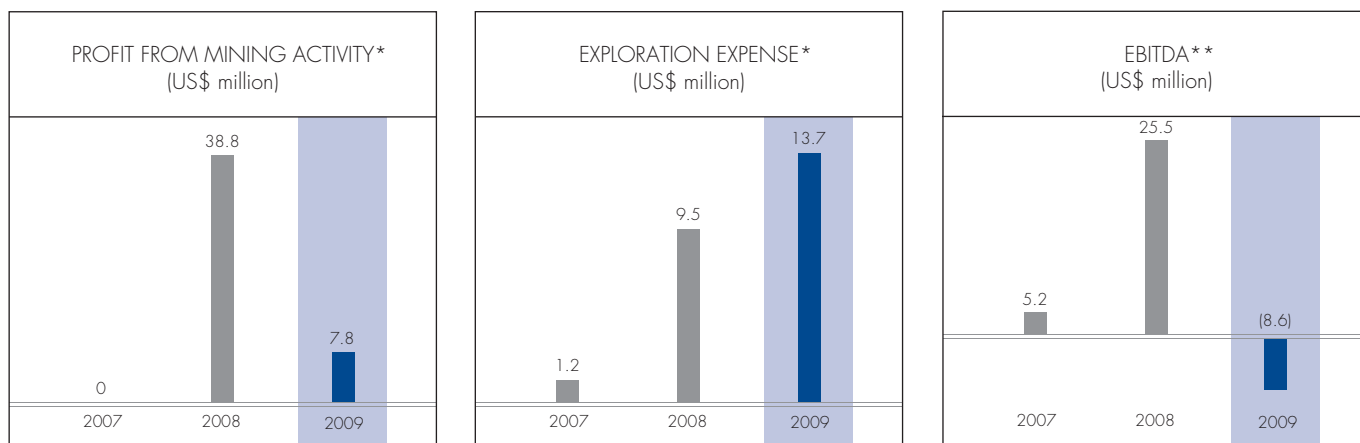
Alto Cuilo – Petra had previously acquired a 40% shareholding in Moyoweno, one of the other parties at Alto Cuilo exploration, for a cash consideration of US\$6 million. This interest in Moyoweno had increased Petra's interest in the Alto Cuilo kimberlite contract from 36% to 41.2%. Petra withdrew from Alto Cuilo effective 31 December 2008 and has therefore fully impaired the investment in Moyoweno, as it is not expected that there will be any value recovered from Moyoweno's residual interest in Alto Cuilo.

The impairments at Helam and Star follow Petra's announcement in December 2008 that it was undertaking operational reviews due to the weakening of rough diamond prices. Although it has been decided that the mines will not be put onto care and maintenance, but rather operated at lower levels of production, impairment charges still arose under the IAS 36 review.

The impairment charge for the Kono project is the 51% interest in that project that Petra held in its balance sheet. Although Petra is optimistic that the project will develop into a successful economic fissure mine, at current diamond prices and given Petra's decision to stop funding from 1 January 2009, the directors consider it more prudent to expense what has to date been capitalised exploration spend. Stellar, our JV partners at Kono, are now operating and sole funding the project and Petra continues to provide technical support.

Financing

Cash at bank at the Period end was US\$11.1 million (30 June 2008: US\$37.4 million). The lower cash balance was mainly due to several one-off payments such as Petra's contribution to the consortium funding of the Cullinan acquisition, the purchase of the 75% interest in Williamson, Kimberley Underground development/plant construction and cash exploration costs in Angola, which are no longer being incurred.



* Stated before depreciation, amortisation of intangibles, interest paid, foreign exchange gains and losses, asset impairment charges and share-based payments.

** EBITDA disclosures are "adjusted EBITDA", being stated before share based expense, foreign exchange gains and losses and asset impairment charges.

On 18 September 2009 Petra announced that the maturity date of the US\$20 million unsecured convertible bond that was issued to Al Rajhi on 18 September 2006 has been extended until 18 March 2011.

The details of the extension were:

- For the period from 19 September 2009 to 18 December 2009 only, a coupon of 9.5% per annum (payable in cash, calculated to the earlier of 18 December 2009, conversion by Al Rajhi, or repayment by Petra) will be applied on the US\$20 million principal bond amount.
- During the period from 19 September 2009 to 18 December 2009 the US\$20 million principal may be converted, at Al Rajhi's election, into Petra shares at a strike price of 85 pence per share.
- If Petra does not repay the US\$20 million principal by 18 December 2009 and Al Rajhi does not convert at the 85 pence per share as noted above, then the US\$20 million convertible bond will be automatically extended. The terms from 19 December will be that the convertible will be extended for an additional 15-month period, from 18 December 2009 until 18 March 2011, the total extension being 18 months. During this further 15-month period the convertible will carry no coupon, the strike price from 18 December 2009 will be 65 pence per share and Petra will grant to Al Rajhi warrants over six million shares, exercisable at 65 pence per share and exercisable until 18 March 2011. If Petra repays the US\$20 million principal after 18 December 2009 but before March 2011, or if Al Rajhi converts the convertible bond into Petra shares, the warrants will remain in place until 18 March 2011.

The warrants over two million Petra ordinary shares exercisable at a price of 130 pence, that were granted to Al Rajhi in 2006, expired on 5 October 2009.

Strength of the Rand

With our operations mainly in South Africa, but our diamond sales based in US Dollars, the volatility and movement in the Rand is a significant factor to the Group. In the Period under review, the Rand initially weakened significantly to a low of R11.85/US\$1 in October 2008 only to then claw its way back to R7.88/US\$1 by year-end 2009.

The diamond market

The difficulties facing the diamond market over the past 14 months or so have been well documented by independent commentators. We began our financial year with record high prices, as were being experienced across the commodities market as a whole. This high price environment came abruptly to an end when the global economic crisis took hold in September/October 2008, having an immediate, severe impact upon the rough diamond industry and causing average industry prices to fall by as much as 60% (as compared to the averages achieved in the last financial year).

The critical issue facing the market was lack of liquidity in the diamond pipeline, which relies on financial credit as its life blood, causing participants to destock their inventories, thus driving rough prices lower. Consumer confidence was likewise damaged by the developments in the global financial system, combined with wider economic uncertainty. However demand remained



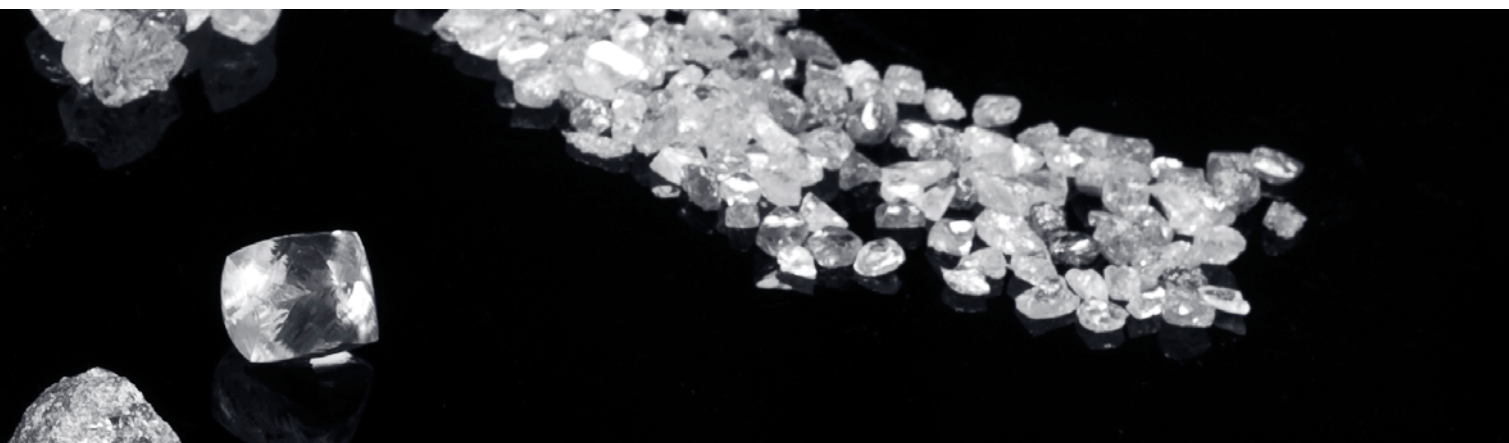
underpinned to a certain extent by the intrinsic link between diamonds and the jewellery used to celebrate bridal and other special occasions. Subsequently, Petra's rough diamond tenders throughout the year remained well attended and all goods on offer were sold, though at lower prices.

To counter lower prices and a lack of liquidity, the major producers responded with deep cuts in diamond supply, which served to set the market on the path to recovery. Prices achieved by Petra have recovered from the lows experienced in the first quarter of 2009 and, as at September 2009, our production was selling, on average, at 30% to 35% lower than the averages achieved for the year to June 2008. We remain cautiously optimistic that we have seen a bottom of the market and that, over the medium term, we will continue to see a further improvement in the prices of our rough production. However we remain mindful that the market recovery is likely to be susceptible to volatility.

Over the medium to long term, the fundamentals of the diamond industry are compelling, characterised as they are by growing demand and falling supply. World production this year is expected to be in the region of 115 million carats (source: RBC Capital Markets August 2009), down from 162 million carats, worth US\$12.7 billion in 2008 (source: Kimberley Process Certification Scheme) due to the supply cuts mentioned above. Whilst annual world production could have been considered to be around peak capacity in 2008, many of the world's largest producing diamond mines are already in decline. There has been no new major economic discovery over the last decade to replace these depleting resources and supply constraints will be exacerbated by delayed capital expenditure programmes and lack of funds for exploration.

There are now positive indicators that the worst of the economic downturn is behind us, with several major economies reporting that they have officially left recession and slight signs of improvement across the consumer confidence indices. In terms of global demand, although the US market continues to be the most important consumer of diamonds, it is evident that we will continue to see growth in emerging markets, notably China and India, where the urbanisation trend is set to deliver millions of new consumers to the middle classes. China has now become the world's third-largest diamond consumer, following the US and Japan, and it was recently reported that total diamond imports increased by 6.9% in the first half of 2009 compared to the same period last year (source: IDEX July 2009). Certainly demand from the Far East has held up very well over the summer and into autumn, with the strong presence of buyers from India and China noted at various trade fairs.

The effect of the global economic downturn upon a market already in flux has been far reaching, but we foresee a number of crucial benefits as the industry is forced to focus on efficiencies and rationalisation. At the rough diamond end of the pipeline, our area of expertise, world production is falling but demand is set to resume its growth. Faced with a constriction in global supply, our strategy to acquire producing diamond mines complemented by substantial resources will place us in a strong position when the supply constraints manifest themselves.



The Company has recently opened an office in Antwerp, the world diamond hub, and held two tenders (Williamson production) there in May and June 2009, with good prices being achieved. Petra will continue to hold tenders in both Johannesburg and Antwerp going forward. Tenders post period end have confirmed the much firmer trend in the market experienced in June 2009.

Production

Combined production and sales summary: Cullinan, Koffiefontein, Fissure Mines, Williamson and Kono

	Unit	Year ended 30 June 2009	Year ended 30 June 2008	Change
Production				
Diamonds produced (gross, 100% Cullinan*)	Carats	1,099,367	200,287	448.9%
Sales				
Revenue (gross, 100% Cullinan**)	US\$m	94.4	77.3	22.2%
Diamonds sold (gross, 100% Cullinan)	Carats	1,011,707	230,172	339.5%
Average price per carat***	US\$	93	336	(72.2%)

* Net group production for IFRS reporting (adjusted to 50% Cullinan consolidated before minorities), 655,069 carats.

** Net group revenue from mining for IFRS reporting (adjusted to 50% Cullinan consolidated before minorities), US\$68.7 million.

*** Decrease in average value per carat due to Cullinan production coming on stream at a lower average value per carat.

Group production for the Period was 1,099,367 carats, a transformational increase on the 200,287 carats achieved in the 2008 financial year. Surpassing one million carats annual production was a significant milestone for Petra, and we will now build on this platform as we further develop our world-class asset base.

We are busy finalising future expansion plans with regard to our producing mines and the various substantial tailings deposits, and delivering further production growth is a core objective for the Group. To this end, plans are in place to grow production to deliver two million carats per annum within the next five years. Further plans indicate that three million carats per annum will be produced by 2019, all from existing operations.



Cullinan – South Africa

Cullinan mine (gross numbers)

	Unit	Year ended 30 June 2009*	Year ended 30 June 2008	Change
Production				
Diamonds produced	Carats	888,595	n/a	n/a
Grade	Cpht	41.0	n/a	n/a
Sales				
Revenue	US\$m	51.2	n/a	n/a
Diamonds sold	Carats	780,663	n/a	n/a
Average price per carat**	US\$	66	n/a	n/a

* The Petra Diamonds Cullinan Consortium ("PDCC") completed the acquisition of the Cullinan mine on 16 July 2008 and therefore results are from that date.

** Prior to the fall in rough diamond prices, the first Cullinan post completion tender in September 2008 recorded US\$100 per carat.

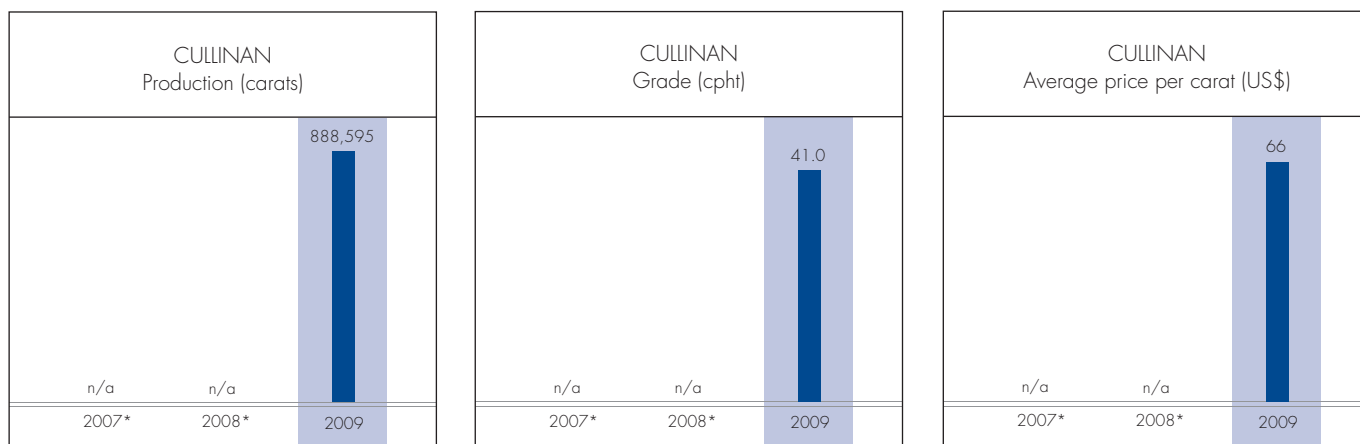
Petra currently has a 37% net interest in PDCC, which owns 100% of the Cullinan mine. The other members of the PDCC are Al Rajhi (37% initial interest) and PDCC's BEE partners (26% interest). Based on the performance of the mine and pre-agreed option payments, Petra can increase its interest in PDCC up to 60%.

The BEE partners are Thembinkosi Mining Investments (Pty) Ltd (14% interest) and a broad-based Petra Diamonds Employee Trust (12% interest).

We recorded for the Period just under a full year's production at the Cullinan mine, which was acquired by the Petra Diamonds Cullinan Consortium (PDCC) on 16 July 2008. Cullinan has produced many of the world's largest and most famous diamonds, and the mine once again made headlines around the world with the recovery of the two spectacular blue diamonds in the second half of 2008.

The potential of the second of these blue diamonds was immediately evident due to its internal clarity and the intensity of its colour, and Petra saw the opportunity to capture some of the downstream 'value-add' by taking the diamond from the rough to the polished stage. To maximise interest and public recognition for such an exceptional and rare gem, Petra partnered with Sotheby's auction house, which identified the stone, the 'Star of Josephine', as it is now known, as one of the most important blue diamonds ever to be offered for sale.

Petra produced 888,595 carats for the Period (16 July 2008 to 30 June 2009) at Cullinan, outperforming substantially against our initial target of between 600,000 and 750,000 carats. However revenues suffered due to the fall in rough diamond prices in September 2008, shortly after



* PDCC completed the acquisition of Cullinan mine on 16 July 2008.

Petra commenced operations at the mine. The 'special' stones recovered at Cullinan, particularly the two blue diamonds noted above, meant that the average value of production was enhanced and the mine recorded an average price for the 2009 financial year of US\$66 per carat. It is nevertheless encouraging to note that the first Cullinan tender in September 2008, before the collapse of prices, achieved US\$100 per carat, which was higher than our original expectations.

During the Period, the total on-mine unit cost totalled R169 (US\$19) per tonne. This cost per tonne was achieved due to increased production, lower overheads, Petra's flat management structures and in-sourcing of activities which were traditionally conducted by contractors. Capex for the year amounted to R108 million (US\$12 million), most of which was spent on the plant refurbishment programme.

The future of Cullinan

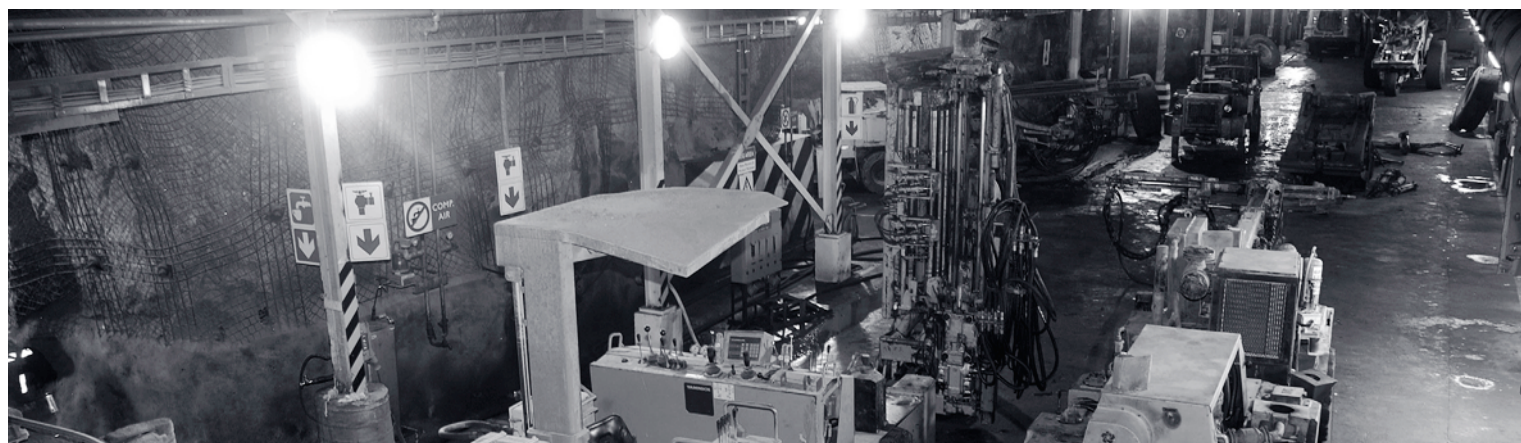
Mining

The current level of 1.99 mtpa will now be ramped up to our interim target of 2.4 mtpa (1.0 million carats) from underground mining to year 2014. To achieve this sustainable production over the next five years, new tunnels are being established on the 747 level for the AUC and the BA West blocks. In addition, "gap filler" tonnes are being derived from the BA 5 block on the 630 level, where previously abandoned areas have been rehabilitated.

Significant advances have been made in studies to take advantage of the 204 million carat resource base that exists at Cullinan. It is anticipated that running concurrently with the previously mentioned Capex programmes, an expansion programme to gain access to the first portions of the C-Cut will be put in place. This envisages upgrading (and simplifying) of the total material handling infrastructure which, amongst other things, includes the upgrading of existing winders and deepening of existing shafts for production from the 830 metre level so as to reach full production of 4 mtpa at an anticipated grade of 55 carats per hundred tonnes (cpht) to recover 2.2 million carats by 2019. The higher grade of 55 cpht is due to the mining of the higher grade western block at the deeper levels.

Processing

To process these enhanced run-of-mine (ROM) tonnes, significant capex has been undertaken in the plant, where we have made some major changes. A key change has been to move away from using grease as the sole recovery technique and x-ray diamond recovery machines have been installed and commissioned. With the installation of these machines, Petra is now able to recover most diamonds larger than 4mm by x-ray and the original grease recovery method has become the back-up rather than the primary method. These changes should further augment the recovery grade, which stabilised at 39.5 cpht ROM for the past financial year, as well as the value of diamonds retrieved, including the specials for which Cullinan is famous. Work on the refurbishment of the large diamond recovery plant has progressed well and is on track to be commissioned shortly. In addition, changes effected in the optical sort plant resulted in a full year average grade of 58.6 cpht.



Tailings

In order to bring to account the large tailings resource of 165 million tonnes (16.7 million carats), design work for a new tailings treatment facility is being finalised. This will cater for treatment of 1 million tonnes (100,000 carats) per annum by 2012, ramping up to 4 million tonnes (400,000 carats) per annum by 2014. Resources are sufficient to sustain this level of treatment for a period of 40 years.

This roll-out will result in the current level of diamond production of 888,595 carats increasing to 2.6 million carats per annum by 2019.

Funding

To achieve the above capex programmes, Petra's in-house planning shows that an estimated R2.9 billion (US\$357 million) (2009 money) will be spent over the 10-year life of the expansion programme until 2019.

Current cash flow estimates indicate that approximately US\$30 million of net capex funding will be required during the period to 2012, whereafter it is expected that the mine will generate sufficient cash flow to fund the remaining capex programme. This leaves Petra with the flexibility to consider various other funding mechanisms to ensure maximum cash flow to Petra's shareholders.

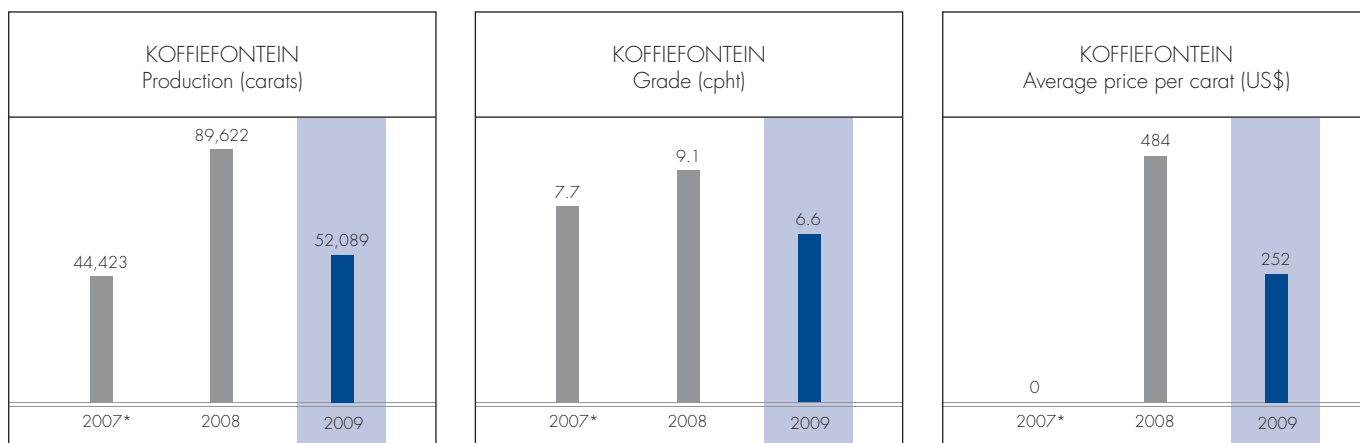
Koffiefontein – South Africa

Koffiefontein mine (gross numbers)

	Unit	Year ended 30 June 2009	Year ended 30 June 2008	Change
Production				
Diamonds produced	Carats	52,089	89,622	(41.9%)
Grade	Cpht	6.6	9.1	(27.5%)
Sales				
Revenue	US\$m	18.3	51.0	(64.0%)
Diamonds sold	Carats	72,809	105,479	(31.0%)
Average price per carat	US\$	252	484	(47.9%)

Petra has a 70% interest in the Koffiefontein mine; BEE Partners, Re-Teng Diamonds (Pty) Ltd 30%.

The Koffiefontein mine remains one of the world's top kimberlite mines by average value per carat, recording US\$252 for the 2009 financial year, despite the environment of lower diamond prices. This is in comparison to the 2008 world average of US\$78 per carat (source: Kimberley Process Certification Scheme).



* The Koffiefontein acquisition completed post period end of FY 2007 and therefore no diamond sales were made. However Petra was able to mine and stockpile diamonds during FY 2007 as part of its authorised care and maintenance activities.

A number of 'special' diamonds were recovered in the Period: a 74 carat white sold for over US\$1 million, a 53 carat white sold for US\$550,000, a 56 carat white diamond sold for US\$400,000 and a four carat pink sold for US\$226,666.

The number of carats produced for the Period reduced to 52,089, as compared to 89,622 in the 2008 financial year. This decrease was due to delays in bringing into production new sections of the front cave on 49 and 52 level. This delay resulted from the greater than expected competency of the kimberlite, which delayed the early achievement of hydraulic fracturing radius whereby natural caving is induced. As a consequence, more waste diluted, finer and lower grade ore was extracted from the more mature sections of the cave, reducing the recovered ROM grade.

Costs and capex were both in line with management expectations. The cash costs at Koffiefontein ran at approximately R96 (US\$10) per tonne, a level which (other than inflation based increases) we expect to maintain going forward. Capex for the Period was R42.4 million (US\$4.7 million).

Petra has carried out significant refurbishment of several sections of the plant, which is now capable of treating a consistent 1.5 million tonnes annually. This extra capacity will be used to treat either ore from the satellite Ebenhaezer pipe or tailings from the 'Eskom' dump. Therefore, a tailings conveyor belt of 1.5 kilometres has been constructed from the dump to the plant locality.

Many engineering projects have also been completed, most noteworthy of which has been the installation of two 1.6 MVA new power generating sets which allow for continued ventilation of the mine and thus continuous production during power outages.

The future of Koffiefontein

Current production levels of 948,000 tonnes per annum (tpa) will be maintained from the east and west extensions and the 52 level recovery section of the main pipe. Grades are expected to remain at current levels with a gradual increase to 8.7 cpht by the time the 58 level block comes into production. The programme to access the 58 level production area is well advanced. It is anticipated that annual tonnage production will exceed one million tonnes within three years and reach 1.2 mtpa within five years. By continuing the deepening process to the 68 level, production at 1.2 mtpa will sustain a life of mine in excess of 20 years, delivering 104,000 ROM carats per annum.

The 65 million tonnes (estimated 1.42 million carats) of tailings resource will be treated to fill the plant capacity to a total throughput of 1.6 mtpa, yielding in excess of 10,000 carats per annum over the life of mine. Further investigation will be conducted to establish the feasibility of a dedicated tailings treatment facility.

There is a resource of 30 million tonnes (1 million carats) available at Ebenhaezer, a large undeveloped opencast resource adjacent to the main kimberlite pipe. The limited tonnes treated confirm a grade in excess of 3 cpht with the occurrence of good quality pink diamonds. Some 240,000 tonnes have been included in the 2010 and 2011 mining plans. The results of the treatment



will assist in determining the optimal extraction rate, delivering diamonds in addition to the 114,000 carat production level stated above.

Total capex over the next ten years is estimated at R300 million (US\$37 million), all of which will be funded from operational cash flows from the mine.

Kimberley Underground mines – South Africa

Kimberley Underground comprises Wesselton, Dutoitspan and Bultfontein. These mines were integral to the economic development of South Africa as their output effectively financed development of the nascent gold industry, and their quality is evident in that they were kept in operation by De Beers until 2005. The mines are renowned, amongst other things, for the historical production of large and fancy yellow diamonds, including the famous yellow Oppenheimer diamond which was 253.7 carats rough.

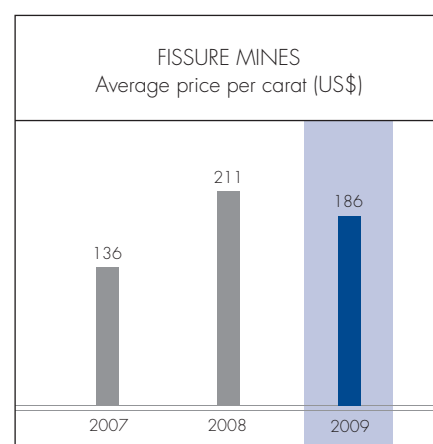
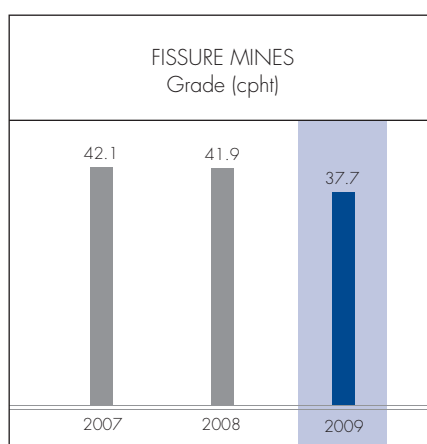
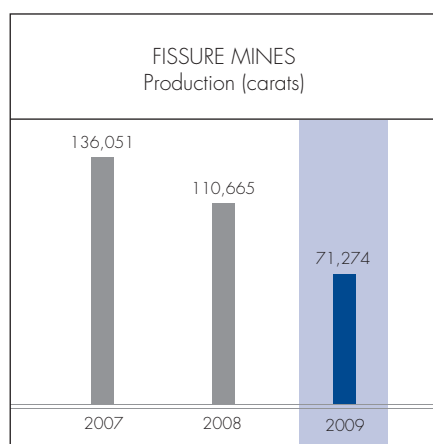
Petra first assumed operational control of the mines in September 2007, when the agreement to acquire Kimberley Underground was reached with De Beers. The Company is currently operating the assets under care and maintenance until all mining approvals are received from the South African Department of Mineral Resources.

The care and maintenance period has been invaluable as it has enabled Petra to complete a large proportion of the necessary preparations in order to ramp up to full production. During this period, Petra's intensive rehabilitation work underground involved re-establishing the draw points, underground tunnels and drifts, extensive refurbishment of winches, cables, pump stations and winders. This enabled the Company to extract ore for stockpiling which by the end of the Period totalled some 286,000 tonnes of ore (in excess of 40,000 carats). All three mines are now ready to commence production, and will be ramped up to our business plan levels of 1 mtpa after the licences are granted.

During the care and maintenance period, we have been custom-building a new plant at the Joint Shaft area, servicing both Bultfontein and Dutoitspan. Considerable cost savings are delivered to the Group by carrying out such construction work in-house wherever possible, and some innovative design concepts were incorporated by the Petra engineering team in order to cater for the larger and high value diamonds known to occur at these mines. The first plant has been undergoing commissioning trials, with all systems working well, and the second plant, to be constructed at Wesselton mine, is anticipated to be operational by the end of 2010.

To date, approximately R151 million (US\$16.7 million) has been spent on the construction of the plant at Joint Shaft, underground refurbishment and other capital. Care and maintenance costs over the Period amounted to approximately R19 million (US\$2.1 million). Future capex includes approximately R180 million (US\$22.5 million) for the underground development at both Dutoitspan and Wesselton to access new production areas and the construction of a further diamond recovery plant at Wesselton shaft.

Petra will for the first year operate Kimberley Underground at around 100,000 carats per annum, increasing to 180,000 carats from the second full year. Our current mine plan, which envisages



production of 1 mtpa for at least 12 years, will be revisited and probably revised upwards in due course. Large amounts of the resource are not included in the current life of mine plan; some of these areas have been earmarked for possible re-sampling and inclusion in future mining plans.

With the re-opening of Kimberley Underground, Petra has created over 400 new jobs and secured a sustainable and prosperous future for one of South Africa's most famous mining assets.

Fissure mines – South Africa

Fissure mines (Sedibeng, Star, Helam) – (gross numbers)

	Unit	Year ended 30 June 2009	Year ended 30 June 2008	Change
Production				
Diamonds produced	Carats	71,274	110,665	(35.6%)
Grade	Cpht	37.7	41.9	(10.0%)
Sales				
Revenue	US\$m	15.3	26.3	(42.0%)
Diamonds sold	Carats	82,126	124,693	(34.1%)
Average price per carat	US\$	186	211	(11.9%)

Petra has a 100% interest in the Helam and Star mines, and a 74.5% interest in the Sedibeng mine (BEE partners: Sedibeng Mining (Pty) Ltd, Bokone Properties (Pty) Ltd 25.5%).

At the three fissure mines – Helam, Sedibeng and Star – our focus for the Period shifted from volume of carats produced to optimisation of revenues by placing emphasis on grade and final recovery. This ensured that the average value per carat of US\$186 achieved for the Period was relatively unaffected by the slump in the market, in comparison to the US\$211 average value achieved in the 2008 financial year, and the fissure mines remain high value producers in comparison to the world average. A number of exceptional diamonds were recovered in the Period, including a 126.69 carat diamond which sold for US\$5.25 million.

Production for the year was lower at 71,274 carats, in line with Petra's decision to operate the Helam and Star mines at decreased levels of production due to the difficult diamond market conditions experienced in the Period. Staff reductions at all three fissure mines were undertaken during the year. At Helam and Star this was achieved via a retrenchment programme, with a concomitant reduction of approximately 50% in staff levels. At the Sedibeng mine, no retrenchments were necessary but strict application of non-replacement due to attrition has resulted in a decrease of staff levels, whilst maintaining full production. A significant number of employees at the fissure operations also availed themselves of the voluntary separation packages offered.



At the Star and Helam mines, the restructuring processes carried out in the Period were appropriate given that several years of capital investment have laid the platform for the mines to become less labour intensive. As a result, at the Star mine the main shaft has been commissioned to 16 level and the existing sub-vertical shaft has been decommissioned. Similarly, at Helam, the main John shaft has been commissioned to 23 level and the east and west sub-shafts have been decommissioned. Also, at Helam the existing Edward sub-shaft has undergone an upgrade and is now capable of hoisting ore from 26 level. The abovementioned alterations have assisted both these mines to be able to run as cash-positive operations in the future, even though initially at reduced tonnages.

At the Sedibeng mine, the major emphasis (amongst many other alterations) has been the deepening of the Dancarl shaft. Here, the pilot hole drilling and reaming of the shaft from 16 to 21 level has been completed. The slyping of the shaft to full dimensions has progressed well and is approximately 20% complete.

Our current life of mine plans incorporate Sedibeng at 12 years, Star at 19 years and Helam at 22 years. Diamond production is estimated at 126,000 carats for 2010 and increasing to 165,000 carats by 2015. Thereafter it will remain stable until 2022 when Sedibeng is depleted, with production gradually dropping off. The Sedibeng life of mine is based on the current resource statement which only accounts for six levels and can be increased once new levels are added on.

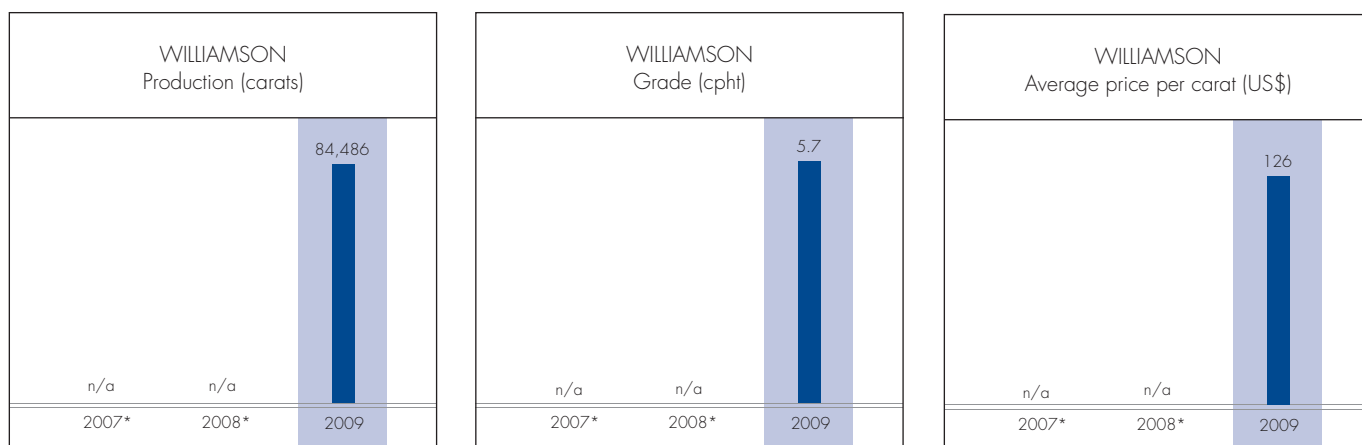
On-mine costs were adversely affected by the separation packages paid to employees. The cash operating unit cost across the fissure mines amounted to R550 per tonne (US\$61 per tonne). Management is confident that the unit cost will be improved upon in 2010 as a result of savings due to the reduction of staff, as well as improved production performances from these mines.

Williamson – Tanzania

Williamson mine (gross numbers)

	Unit	Year ended 30 June 2009 [*]	Year ended 30 June 2008	Change
Bulk sampling				
Diamonds produced	Carats	84,486	n/a	n/a
Grade	Cpht	5.7	n/a	n/a
Sales				
Revenue	US\$M	9.4	n/a	n/a
Diamonds sold	Carats	75,045	n/a	n/a
Average price per carat	US\$	126	n/a	n/a

^{*} Petra completed the acquisition of its interest in the Williamson mine effective 10 November 2008 and therefore results are from that date. Petra has a 75% interest in the Williamson mine, Government of the United Republic of Tanzania 25%.



* Petra Diamonds completed the acquisition of a 75% interest in the Williamson mine effective 10 November 2008.

On 10 November 2008, Petra completed the acquisition of a 75% stake in Tanzania's renowned Williamson mine from De Beers for a cash consideration of US\$10 million. The transaction was in line with Petra's strategy to acquire major producing mines, and Williamson is complemented by a substantial and valuable resource base of some 40 million carats.

At 146 hectares, Williamson is the largest kimberlite pipe ever to be mined economically, having been operated continuously as an open pit mine for almost 70 years. The mine regularly produces large, high-quality stones and is a source of rare and extremely valuable fancy pink diamonds, such as the Williamson Pink, a 54.5 carat rough diamond which was recovered in 1947.

The Williamson mine is a large open-pit operation (maximum present mining depth of 90 metres) with a very low stripping ratio. The infrastructure acquired comprised of the open-pit mine feeding the main plant with an approximate capacity of 3.2 mtpa. Since November 2008 Petra has, in line with its initial strategy, been undertaking a feasibility study in order to establish the new economics of the mine, including grade, value per carat, cost per tonne and overall production capacity of the infrastructure.

For the period from November 2008 to June 2009, 1.5 million tonnes of ore were extracted from the pit. The only facility to treat the ore during this feasibility study was the plant currently in place, and this treatment yielded an average ROM grade of 5.65 cpht at a bottom cut of 1.6 mm. 84,486 carats were recovered from the feasibility testing operations in the period November 2008 to June 2009.

The value of the parcels sold thus far has averaged US\$126 per carat which is an exceptional achievement and almost equivalent to our expectations before the diamond market fell in September/October 2008. Petra was also very encouraged to recover a 47.15 carat Type II white diamond in the Period, which was sold in June 2009 for US\$637,000, illustrating the potential for high value production from this mine.

The future of Williamson

The following conditions are unique to Williamson:

- an immensely large resource located within an open pit lending itself to economies of scale;
- low stripping ratio;
- a soft ore that lends itself to autogenous milling; and
- the ore contains sufficient grinding material in the form of granite.

Petra is of the opinion that the appropriate expansion plan for the Williamson mine is to increase throughput to between 7.5 and 10 mtpa, yielding an estimated annual production of some 500,000 to 600,000 carats and a mine life of 19 years, whilst targeting unit operating costs of US\$9 per tonne. This will only take mining to a depth of 205 metres below surface, extracting just 170 million tonnes of the 992 million tonnes total resource.

Also, Petra estimates that there are at least 40 million tonnes of main plant tailings material at the mine. Whilst further work needs to be done, earlier bulk sampling programmes totalling 122,000 tonnes



have returned an average grade in excess of 3 cph with an average diamond size of 0.36 carats and 50% of the stones recovered were above 0.75 carats. At this stage, the treatment of the tailings resource is not included in the life of mine plan.

The expansion programme will include:

- the re-shaping of the open pit to cater for a 10 mtpa extraction rate;
- the installation of an autogenous mill to maximise liberation of the clay-rich RVK material; and
- an enhanced diamond recovery system catering for Type II diamonds.

The current plant will be refurbished for initial limited production prior to the commissioning of the mill, whereafter it will be utilised to treat the 40 million tonnes tailings resource.

The autogenous mill has been manufactured, paid for from Petra treasury (capital cost US\$5 million) and is in the process of being delivered to site. The capex programme is envisaged to be completed within a three-year period following final approval by the Williamson board and the Tanzanian mining authorities. During the initial stage of the programme, it is anticipated that no production will be undertaken from the main pit due to the re-shaping of the pit and the refurbishment of the current plant.

The total capex for this programme is estimated at US\$45 million to US\$50 million. It is envisaged at this stage that this will be funded by a mixture of development agency project finance together with a contribution from Petra's treasury. Advanced stage financial modelling indicates the anticipated payback period to be between two and three years.

Exploration

In November 2008, a strategic review of the Group's exploration activities was carried out. The review took into account the global weakness in financial markets, the appropriate risk-weighted allocation of capital across Petra's assets, and the medium term production and revenue growth that could be achieved by investment into the Group's world class production portfolio, as compared with continued spend on early stage exploration.

Petra announced the results of this review in January 2009 and the decision was made to relinquish Petra's capital intensive exploration projects, namely the Alto Cuilo and Luangue projects in Angola, and substantially reduce the programme and commensurate spend in Botswana. At the same time Petra's joint venture partner at Kono in Sierra Leone, Stellar, elected to assume sole funding of the project. These measures combined to deliver US\$25 million in annual savings, against planned exploration expenditure, to the Group.

Kalahari Diamonds – Botswana

Petra's only remaining exploration spend of US\$500,000 per annum is now allocated to Botswana. Despite the reduced funding directed to our Botswana exploration programme, we have made significant progress. During the past year we have discovered three new kimberlites



(BK1 South – Orapa field, Ki Sek 1- Kikao field, and Kx 36 – new field) which have been petrographically described as either having moderate or high diamond-bearing potential. However, all three kimberlites are relatively small, having geophysically interpreted sizes of less than five hectares. All three kimberlites have returned promising mineral chemistry data whilst Kx 36 has also been proven to be diamondiferous.

In addition, mineral chemistry and micro-diamond investigation of the two kimberlites in our Jwaneng project area have been received. Mineral chemistry analysis of the DK 6 kimberlite, which is geophysically estimated to be 1.5 hectares in size, indicates that it is diamondiferous. This has been supported by micro-diamond results, suggesting a grade of 16 cpht.

Since the decision was made to redirect our exploration expenditures, the latter half of the financial year has been used by our Botswana division as a period of consolidation. As a result, large tracts of well explored ground have been relinquished and significant tracts of new ground have been applied for. During the first half of the 2010 financial year, this consolidation process will continue, but we are in a strong position having the advantage of our extensive geophysical database, integrated with our mineral chemistry database. Our considerable expertise and years of local knowledge and research also ensures that we are at the forefront of diamond exploration in Botswana.

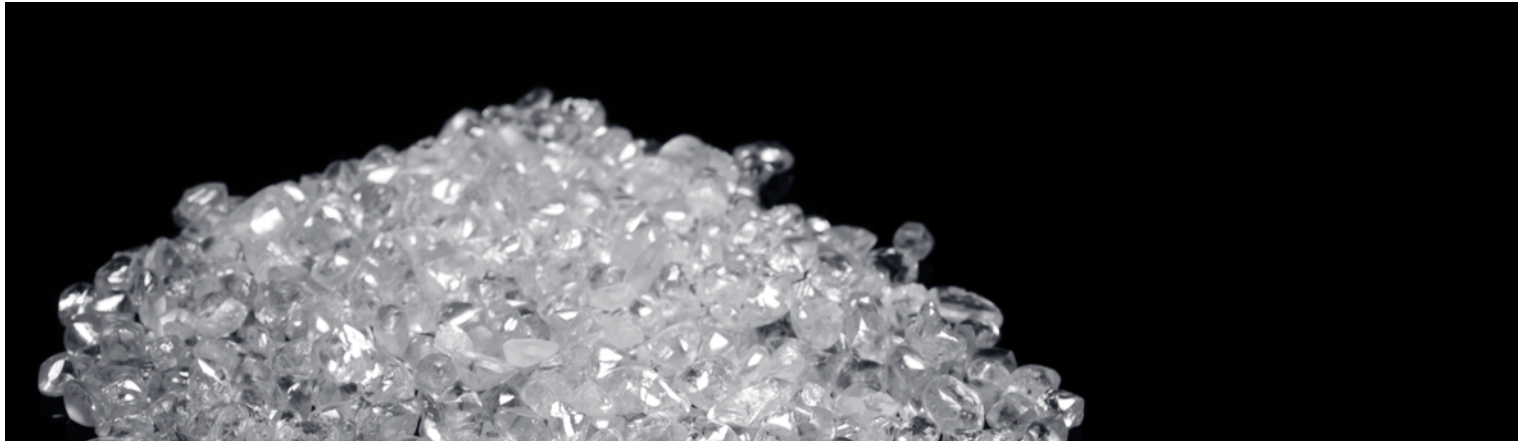
Kono – Sierra Leone

Kono project

	Unit	Year ended 30 June 2009*	Year ended 30 June 2008	Change
Production				
Diamonds produced	Carats	2,923	n/a	n/a
Grade	Cpht	40.0	n/a	n/a
Sales				
Revenue	US\$m	0.1	n/a	n/a
Diamonds sold	Carats	1,064	n/a	n/a
Average price per carat	US\$	128	n/a	n/a

* Results above reflect only those results pre 31 December 2008, the period during which Petra was still funding and exercising management control of the project.

In May 2009, we made a decision with our joint venture partner Stellar to place the Kono kimberlite fissure project on temporary care and maintenance. This decision will be reviewed by both parties when the rough diamond market improves sufficiently to achieve a more reasonable sales value for the Kono trial mining production.



The Kono project is currently sole-funded by Stellar and is at an advanced stage of exploration, with underground trial mining having been undertaken at the Pol-K and Bardu kimberlites. Despite the encouraging grades and diamond quality encountered at Kono, it was not considered sustainable to maintain the development and trial mining until diamond prices return to a more appropriate level.

A total of 4,213 carats of diamonds have been produced from trial mining at Kono to date. Of these, the Pol-K shaft has yielded 3,209 carats and the Bardu shaft 867 carats. The balance came from other kimberlites that were tested, but have not yet been developed further.

In September 2008 the first, small parcels of 810 carats from Pol-K and 253 carats from Bardu were sold at average prices of US\$152 and US\$52 per carat respectively, or a combined average of US\$128 per carat. In May 2009, a sale of 2,694 carats was completed, represented by Pol-K (2,163 carats) and Bardu (531 carats). This parcel realised an average of only US\$46 per carat, a significant discount to the September 2008 sale and symptomatic of the weakness of the diamond market. In June 2009 a smaller parcel of 271 carats was sold for an average of US\$85 per carat, indicating slightly improved market conditions.

The Kono project is a joint venture between Petra (51%) and Stellar (49%). Petra has until 31 December 2009 to elect to refund Stellar for the 51% of the exploration incurred since 1 January 2009 or alternatively to dilute its corresponding interest in Kono. The project has no carrying value in Petra's balance sheet and therefore there are no impairments to be recognised by Petra with regards to the care and maintenance decision.

Challenges

Petra's low cost culture is mainly pressured by the following two external challenges:

Rising costs

Inflationary pressures on costs can mainly be ascribed to electricity prices increasing significantly in excess of South African inflation, with the National Energy Regulator recently approving a price increase in excess of 30% to the local electricity provider. Petra's electricity accounted for approximately 10% of cash on-mine cost for the Period under review. In addition, recent wage settlements of between 6% and 10% also added to the upward pressure on operating unit costs as labour accounts for approximately 45% of cash on-mine costs at the pipe mines and 65% of the cash on-mine costs at the fissure mines. Various alternatives are being considered and implemented to further improve operating efficiencies across all operations.

Energy

The high profile power shortages that struck South Africa in the 2008 financial year largely abated in the Period under review. However, as mentioned above, the increasing cost of electricity in South Africa is adding pressure on mining companies to look at more energy efficient processes in their operations.



Black Economic Empowerment

Petra is committed to the tenets and objectives of BEE legislation in South Africa. As a way to further stimulate diversification of mineral ownership in South Africa, we have entered into partnerships with various different BEE groups, including a number of BEE consortiums. This ensures that diverse minority groups, such as women's empowerment groups, can also participate in the ownership structure. I would like to thank each of our valued BEE partners for their contribution in what has been a remarkable year for the Group operationally – namely Thembinkosi Mining Investments (Pty) Limited, Sedibeng Mining (Pty) Limited, the Petra Diamonds Employee Trust, Bokone Properties (Pty) Limited and Re-Teng Diamonds (Pty) Limited.

Outlook

I would like to extend my thanks to our Board, management team and all of our employees for the tremendous efforts which have resulted in the delivery of superior operational results.

With world diamond production falling but demand set to resume its growth, our strategy to acquire producing diamond mines complemented by substantial resources will place us in a strong position as the shortfall emerges.

Petra is now one of the few sizeable quoted diamond companies and we believe our evident growth profile offers an attractive proposition for those who believe that the diamond industry will recover and eventually emerge stronger than before.

Johan Dippenaar
Chief Executive Officer
9 November 2009

Reserves and resources



Jim Davidson, Technical Director

Petra Diamonds manages the world's largest diamond resource base outside of the two majors, De Beers and Alrosa, with a total of 262 million carats. The compilation of such a significant resource was a major achievement and underpins Petra's stature as an important and growing rough diamond supplier.

It is Petra's strategy to utilise the Group's resource base optimally in order to ensure maximum mine lives at each of its operations. The scale of this major resource also provides flexibility with regards to expanding production and Petra has plans in place to substantially increase output, most notably at the Cullinan and Williamson mines.

No new resources have been added to Petra's resource statement of September 2008, and the Group's total carat base remains virtually unchanged. The most significant changes to the resource statement were due to:

- depletion by production at the individual operations; and
- a reduction in the reserve grade at Cullinan due to the re-introduction of the historical modifying factors relating to the current Cullinan plant. Reserve grades will be re-assessed upwards once plant improvements have been finalised.

The following table summarises the reserves and resources status of Petra's various operations as at 30 June 2009:

Summary of reserves and resources by status – total combined operations

Category	Gross			Net attributable		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
Diamond reserves per asset						
Proven	19.266	7.19	1.385	13.819	8.41	1.162
Probable	40.256	23.63	9.514	24.156	21.69	5.241
Sub-total	59.522	18.31	10.899	37.975	16.86	6.402
Diamond resources per asset						
Measured	–	–	–	–	–	–
Indicated	363.683	51.89	188.699	175.144	41.22	72.201
Inferred	1,208.946	5.18	62.655	838.742	4.89	41.049
Sub-total	1,572.629	15.98	251.354	1,013.886	11.17	113.250
Total carat base			262.253			119.652

"cpht" – carats per hundred tonnes; "Mcts" – millions of carats

- The compilation of a 262 million carat resource was a major achievement and underpins Petra's stature as an important and growing rough diamond supplier
- No new resources have been added to Petra's resource statement of September 2008, and the Group's total carat base remains virtually unchanged

The reserves and resources status of each of Petra's operations as at 30 June 2009 are listed below:

Summary of reserves and resources by status – Cullinan

Category	Gross			Net attributable		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
Diamond reserves per asset						
Proven	–	–	–	–	–	–
Probable	14.533	38.27	5.562	5.377	38.27	2.058
Sub-total	14.533	38.27	5.562	5.377	38.27	2.058
Diamond resources per asset						
Measured	–	–	–	–	–	–
Indicated	255.144	71.44	182.279	94.403	71.44	67.443
Inferred	166.447	10.04	16.716	61.585	10.04	6.185
Sub-total	421.591	47.20	198.994	155.989	47.20	73.628
Total			204.556			75.686

Resource tonnes and grade based on block cave depletion modelling, and include external waste.

Reserve carats and grades are factorised as per the following plant liberation factors: "Brown" kimberlite 75.8%, "Grey" kimberlite 71.4%, and Hypabyssal kimberlite 71.8%.

Resource bottom cut-off: 1mm

Reserve bottom cut off: 1.2mm

Summary of reserves and resources by status – Koffiefontein

Category	Gross			Net attributable		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
Diamond reserves per asset						
Proven	17.660	3.50	0.619	12.362	3.50	0.433
Probable	18.482	8.76	1.618	12.938	8.76	1.133
Sub-total	36.143	6.19	2.237	25.300	6.19	1.566
Diamond resources per asset						
Measured	–	–	–	–	–	–
Indicated	12.440	7.84	0.976	8.708	7.84	0.683
Inferred	90.417	3.04	2.751	63.292	3.04	1.926
Sub-total	102.857	3.62	3.727	72.000	3.62	2.609
Total			5.964			4.175

Resource bottom cut-off (Koffiefontein underground and Ebenhaezer): 0.5mm

Resource bottom cut-off (Eskom tailings): 1mm

Reserve bottom cut-off: 1.2mm

Reserves and resources cont.



Summary of reserves and resources by status – Kimberley Underground

Category	Gross			Net attributable		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
Diamond reserves per asset						
Proven	–	–	–	–	–	–
Probable	5.006	19.94	0.998	3.705	19.94	0.739
Sub-total	5.006	19.94	0.998	3.705	19.94	0.739
Diamond resources per asset						
Measured	–	–	–	–	–	–
Indicated	4.146	20.22	0.839	3.068	20.22	0.620
Inferred	50.113	10.27	5.147	37.084	10.27	3.809
Sub-total	54.259	11.03	5.986	40.152	11.03	4.429
Total			6.984			5.168

Resource bottom cut-off (Dutoitspan West Extension): 1 mm

Resource bottom cut-off (all other underground blocks): 0.5mm

Reserve bottom cut-off: 1.2mm

Summary of reserves and resources by status – Williamson

Category	Gross			Net attributable		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
Diamond reserves per asset						
Proven	–	–	–	–	–	–
Probable	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–
Diamond resources per asset						
Measured	–	–	–	–	–	–
Indicated	91.952	5.01	4.606	68.964	5.01	3.455
Inferred	900.481	3.94	35.457	675.361	3.94	26.593
Sub-total	992.433	4.04	40.064	744.325	4.04	30.048
Total			40.064			30.048

Resource bottom cut-off: 1mm



Summary of reserves and resources by status – Fissure mines combined (Helam, Sedibeng, Star)

Category	Gross			Net attributable		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
Diamond reserves per asset						
Proven	1.606	47.70	0.766	1.457	50.02	0.729
Probable	2.235	59.76	1.335	2.137	61.35	1.311
Sub-total	3.840	54.72	2.101	3.594	56.76	2.040
Diamond resources per asset						
Measured	–	–	–	–	–	–
Indicated	–	–	–	–	–	–
Inferred	1.488	173.57	2.583	1.421	178.50	2.536
Sub-total	1.488	173.57	2.583	1.421	178.50	2.536
Total			4.684			4.575

Resource bottom cut-off: 1mm

Reserve bottom cut-off: 1.2mm

Measured resources are classified as 1 level below current workings, or where a block is bounded above and below by current workings

Indicated resources are classified as 2 levels below measured resources

Inferred resources are classified as 3 levels below indicated resources

Measured and indicated resources have been converted to reserves by applying historically derived external dilution and in-stope loss factors to resource tonnages and grades.

General notes on reporting criteria

1. Resources are reported exclusive of reserves.
2. Tonnes are reported as millions. Contained diamonds are reported as millions of carats (mcts)
3. Tonnes are metric tonnes, and are rounded to the nearest 1,000 tonnes. Carats are rounded to the nearest 1,000 carats. Rounding off of numbers may result in minor computational discrepancies.
4. Resource tonnages and grades are reported exclusive of internal waste, unless where otherwise stated.
5. Reserve tonnages and grades are reported inclusive of external waste, mining and geological losses and plant modifying factors. Reserve carats will be less than resource carats on conversion and this has been taken into account in the applicable statements.

Notes

The annual reserve and resource statements are 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 is the qualified person for the purposes of the AIM guidance note on Mining, Oil and Gas companies (2006). Jim Davidson has over 30 years of relevant experience in the diamond industry and is a full-time employee of Petra.

All resources and reserves have been independently verified by Patrick Bartlett, Pr.Sci. Nat. (reg. No. 400060/87), a competent person with over 30 years of relevant experience in the diamond mining industry. Reserves and resources have been reported in accordance with the South African code for the reporting of mineral reserves and mineral resources (SAMREC 2007).

Board of Directors



Johan Dippenaar

Adonis Pouroulis

David Abery

Jim Davidson

Directors

Adonis Pouroulis

Executive Chairman

Adonis Pouroulis, aged 39, is a mining entrepreneur whose expertise lies in the discovery and exploration of mineral resources such as diamonds, gold, platinum, coal and base metals - including iron ore, copper and bauxite - and bringing these assets into production. Mr Pouroulis founded Petra Diamonds in 1997 and it became the first diamond company to float on AIM. Mr Pouroulis has, with his fellow directors, built Petra into one of the world's largest diamond producers by carats and value (excluding the majors) with a portfolio of six diamond mines in Africa.

Johan Dippenaar

Chief Executive Officer

Johan Dippenaar (CA), aged 52, has nearly 20 years' experience in the leadership and management of diamond mining companies. Prior to his appointment as Chief Executive Officer (CEO) of Petra, he was CEO of Crown Diamonds which merged with Petra in 2005. Mr Dippenaar and his colleagues have led Petra through a period of extraordinary growth, during which the Company reached agreement to acquire four major mines from De Beers. Petra now has a production base of global significance as well as a world-class diamond resource base. Mr Dippenaar is a chartered accountant by profession and a member of the South African Institute of Chartered Accountants.

David Abery

Finance Director

David Abery (ACA), aged 47, is a Chartered Accountant (ICAEW), who brings to Petra extensive experience as a Chief Financial Officer in both the South African and UK business environments, as well as an in-depth knowledge of AIM. Mr Abery has been integral to the structuring and deliverance of strategic group corporate development at Petra, as well as the instigation of a number of innovative financing mechanisms. Mr Abery is an instrumental member of the Petra team, driving strategic and commercial business development and linking in closely with the London market.



Jim Davidson
Technical Director

Jim Davidson, aged 64, is an acknowledged world authority on kimberlite geology and exploration, having spent in excess of 30 years associated with diamond exploration and mining, of which 20 years have included mine management in South Africa. As Head of Diamond Exploration in Southern Africa for BP Minerals (subsequently Rio Tinto) in the 1980's, Mr Davidson pioneered research into kimberlite indicator mineral chemistry and microdiamond analysis, thereby establishing criteria for the prediction of diamond grade based on these parameters, and set up an international database of kimberlites/lamproites before doing inter-group disseminations on this subject matter. He is a qualified geologist and a member of the Geological Society of South Africa and registered with the SACNASP.

Non-executive directors

Charles Segall

Charles Segall, aged 68, is a director of the Atlantic Trust Company Limited of South Africa where he specialises in providing trustee services. He is admitted as an attorney of the High Court of South Africa. He is the Chairman of Petra's Audit and Remuneration committees.

Volker Ruffer

Volker Ruffer, aged 70, consults for KPMG Frankfurt where he specialises in international tax planning, mergers, acquisitions and company re-organisations. He was previously managing partner from 1972 to 1994. He holds a Master's degree in business administration from the University of Munster, Germany. He is a member of Petra's Audit and Remuneration committees.



Corporate social responsibility

Petra has plans in place for long-life, sustainable operations at each of our producing mines, and the most important socio-economic contribution we can make is the provision of secure employment to our workforce, which now encompasses some 4,000 people in South Africa and Tanzania. The Company is cognisant that poverty alleviation and local economic development are important priorities in Africa and we are also aware that, as mining operations have finite lives, our contribution to the local, host communities needs to deliver sustainable initiatives.

We have a range of projects in place at all of our mining operations which strive to impact positively upon the lives of our employees and their families. These projects are selectively chosen to provide assistance where it is most needed and are operated in a way to stimulate local development, rather than act purely as charitable donations. In the 2009 financial year, Petra provided support and assistance to a diverse range of initiatives/institutions such as: small, medium and micro enterprises (SMME) and skills development, local sports centres, local jewellery school, orphan care project, food parcels for local NGO programmes, centre for people with disabilities, local primary school, local crèche and youth centres. Support does not always have to be of a financial nature; sometimes people devoting their time and spirit can produce even greater returns.

Training

A key objective for the Company is the aim to nurture and develop our skills-base internally. The Petra culture offers an environment of progression and we provide various training programmes to help our employees advance their careers. Given the wide range of activities carried out by the Group internally, ranging from mining, construction and engineering to sorting and marketing, there are numerous opportunities for employees to gain diverse practical experience.

In the year under review, Petra commenced a Leadership Development Programme in South Africa in order to foster and encourage the new management team leaders of tomorrow within our own workforce. The implementation of this programme brought many new experiences and challenges, but it was a success thanks to the dedication and enthusiasm of the team. The candidates completed courses across a range of important subjects, from time and stress management and computer training to effective communication and personal leadership skills. Petra now looks forward to the next intake of leadership candidates and is working on expanding certain areas of the programme, such as the provision of individual tutoring in order to help customise the development component.

In addition, Petra is actively engaged with the Mining Qualifications Authority (MQA) in South Africa, the mining industry's recognised Sector Education and Training Authority (SETA). Training and development initiatives provide our employees with the skills to improve not only their efficiency and safety in their working environment but also their ability to progress within the Company. Petra provides support to local Adult Basic Education and Training (ABET) facilities, which in turn provide a service to our employees and the local communities.

Petra Diamonds is committed to the highest ethical and corporate governance standards, and conducts its operations in a way that is mindful of their potential economic, social and environmental impacts on society. The Company's transparent operations ensure that all diamonds are fully traceable and guaranteed of ethical origin, and we only commit to working in countries which are members of the Kimberley Process.

Safety

The safety and health of employees is a priority for the Company. In addition to appropriate risk management processes, Petra has various strategies and systems, as well as training, in place to ensure that working places are safe and that employees are equipped to work safely. Petra encourages the active participation of employees and their representatives in safety and health issues.

Petra has maintained an excellent health and safety record for the 2009 financial year, demonstrating the particular importance we place upon the promotion of a zero harm culture in our workplaces. The Lost Time Injury Frequency Rate (LTIFR) for the 2009 financial year was 0.76 and the LTIFR for each of the Group's operations is listed below.

	2009	2008
Cullinan ¹	0.13	n/a
Koffiefontein ²	0.76	0.05
Kimberley Underground ³	n/a	n/a
Williamson ⁴	0.13	n/a
Helam	0.4	1.39
Sedibeng	2.96	4.64
Star	0.2	0.008

The current number of years of fatality free shifts is listed below:

	2009	2008
Cullinan ¹	1	n/a
Koffiefontein ²	2	1
Kimberley Underground ³	n/a	n/a
Williamson ⁴	1	n/a
Helam	5	4
Sedibeng	9	8
Star	5	4
Total	18	17



1 The Petra Diamonds Cullinan Consortium acquired the Cullinan mine in July 2008 – zero fatalities since Petra acquisition

2 Petra acquired 70% of the Koffiefontein mine in July 2007 – zero fatalities since Petra acquisition

3 Petra has agreed to acquire 74% of the Kimberley Underground mines; the acquisition is expected to complete soon

4 Petra completed the acquisition of 75% of the Williamson mine in November 2008 – zero fatalities since Petra acquisition



Health

HIV/AIDS remains a significant area of concern to companies, employees and communities in both South Africa and Tanzania. In the main, Petra's HIV/AIDS programme is a preventative one, with a strong focus on creating awareness, and there are several peer educator training and safety awareness programmes in place across our operations. At the Cullinan mine we have a comprehensive HIV/AIDS programme in place, with voluntary counselling, testing and anti-retroviral treatment available to employees. This programme provides an ideal model which we will eventually be able to replicate across our other South African operations.

At the Williamson mine in Tanzania, we inherited an HIV/AIDS management programme which was initiated in February 2006 to serve Mwadui and the immediately surrounding villages. Anti-retroviral treatment started in August 2006 and we have a dedicated care and treatment clinic in place.

Environmental practices

Petra Diamonds places a great deal of emphasis on environmental stewardship throughout the life cycle of its operations – from exploration to closure. We comply with the environmental regulations in the countries in which we operate and implement environmental management and auditing systems based on good practice.

Petra's adherence to South African environmental laws, regulations and requirements means that we are committed to limiting the negative environmental impacts associated with diamond mining activities. In particular, the Mineral Resources and Petroleum Development Act (MPRDA) of 2002 and the National Environmental Management Act (NEMA) of 1998 are both used as guidelines in our commitment to following national as well as international standards of best practice. For example, Cullinan is certified as being ISO14001 compliant, which means that the most stringent environmental procedures and practices are implemented and there is a steady drive for continual improvement. Based on a regular schedule, this certification is assessed by both internal as well as independent auditors – Shangoni Management Services and Swiss Certification respectively.

Water monitoring is currently in operation at all of our mines and rehabilitation is being implemented, taking into account the life cycle of the mines' waste rock dumps. One such project that is currently in place is at Star Diamonds, while another project is being carried out at Cullinan to determine which angles, seed mixes and soil types are the best for rehabilitation. The first results for this project will be available later this year for analysis.



Aside from these projects, the people at Koffiefontein have taken it upon themselves to germinate Camel Thorn seedlings in the hope of replacing alien and invasive species of flora with these indigenous plants. Koffiefontein and Helam have also been on a drive to rid their respective mining areas of alien and invasive plant species that not only use up water resources but also inhibit the growth of other indigenous plants. At Williamson, the mine is running a tree nursery with a capacity to raise 500,000 seedlings per year. A total of 75,000 seedlings were distributed to the neighbouring village, schools and institutions in the 2009 financial year.

Exploration

Petra is currently carrying out a small but focused exploration programme in Botswana. Our projects there are at an early stage in their development and therefore are not labour or capital intensive. The exploration teams do not remain in one area for any length of time and their main focus is on ensuring that the work done impacts as little as possible on the surrounding environment. Diamond mining is well-established in Botswana and Petra works closely with the Botswana Government and the Department of Wildlife and Tourism to ensure that all legislation is complied with and the necessary permits obtained for its exploration activities.

In the year under review, Petra organised a tour for a group of students from the University of Botswana to the Cullinan mine, devoting time and resources to ensure that this was a valuable learning experience for all participants.

Directors' report

The Directors present their Report together with the audited financial statements of the Group for the year ended 30 June 2009.

Principal activities

Petra Diamonds is an international diamond mining group, focused on the continent of Africa. The Group operates five diamond mines in South Africa – Cullinan, Koffiefontein and the fissure mines, namely Helam, Sedibeng and Star – as well as one mine in Tanzania - the Williamson mine. The Group also has exploration assets in Botswana. Petra's objective is to continue to grow production, developing its stature as a leading rough diamond producer in all of the countries in which it operates.

Business review

A detailed review of the Group's operations and finances for the year and events subsequent to the year end are set out in the Chairman's Statement on pages 6 to 9 and the Chief Executive Officer's Review on pages 10 to 27, and in note 30 to the financial statements.

Results and dividends

The Group's loss for the year amounted to US\$88,934,785 (2008: profit US\$1,978,300). The Directors do not recommend the payment of a dividend for the year (2008: US\$ nil).

Board of Directors and their interests

The interests of the Directors and their families in the issued share capital of the Company (other than in respect of options to acquire ordinary shares which are detailed in the Directors' remuneration report on pages 41 to 43 and note 19 to the financial statements) were as follows:

	Number of shares at 30 June 2009	Number of shares at 30 June 2008
A Pouroulis	9,113,122	7,735,000
V Ruffer	2,407,122	2,407,122
J Dippenaar	640,000	640,000
J Davidson	640,000	640,000
D Abery	1,528,122	150,000
C Segall	1,380,122	2,000

7,735,000 ordinary shares in the Company are held by a trust of which A Pouroulis is a beneficiary.

4,134,366 ordinary shares in the Company are held by a trust of which A Pouroulis, D Abery and C Segall are equal beneficiaries.

There were no changes in Directors' share interests between the year end and the date of this Report.

An option was granted on 25 June 2004 to J Dippenaar and J Davidson to acquire the game farm situated on and around the Helam mine for R2,500,000 (US\$317,174). The option expires on 15 October 2011.

Share capital

Details of changes to share capital during the year can be found in note 19 to the financial statements.

Substantial shareholdings

At 14 October 2009 the following interests in the ordinary shares of the Company represented more than 3% of the issued share capital (other than interests set out above in the Board of Directors' interests).

Significant shareholders		
	Number of ordinary shares	Percentage of issued share capital
Saad Investments Company Limited	81,010,794	44.03
JP Morgan Asset Management U.K. Limited	17,643,200	9.59
Al Rajhi Holdings W.L.L.	16,585,000	9.01
Directors	15,708,488	8.54

Employees

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

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

Creditors' payment policy

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

Financial instruments

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

Going concern

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

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Bermuda governing the preparation and dissemination of the financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Bermuda Companies Act 1981. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market (AIM). The directors have chosen to prepare financial statements for the Company in accordance with IFRS.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of

Directors' report cont.

financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the Directors to:


- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Auditors

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

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

In accordance with Section 89 of the Bermuda Companies Act, a resolution to confirm the appointment of BDO LLP as auditors of the Company is to be proposed at the Annual General Meeting to be held on 17 December 2009.



By order of the Board

David Abery

Director

9 November 2009

Directors' remuneration report

The Remuneration Committee is responsible for determining the remuneration and incentive packages for the executive Directors and senior management. The employment terms for executive Directors and senior management are designed to attract and retain individuals of the right calibre. Incentives are structured so as to align their interests with those of the shareholders by rewarding executive Directors and senior management for enhancing shareholder value.

Remuneration policy

The remuneration policy aims to attract and retain executives who are incentivised to achieve performance therefore serving the best interests of the shareholders.

Base salaries

The policy of the Board is to pay base salaries which are competitive with those paid to executives in organisations of similar size and market sector.

Performance-related bonuses

In order to retain and incentivise the executive Directors and senior management, performance-related bonuses are awarded on the achievement of performance criteria that are approved by the Remuneration Committee. It is the policy of the Board that the performance criteria of all such bonuses should be relevant and stretching.

Share options

The Board believes that the granting of share incentives encourages a broad alignment of the interests of the executive Directors and senior management with the earnings and asset growth of the Company to the mutual benefit of both shareholders and participants. As at 30 June 2009 the following options for employees were in place to subscribe for ordinary shares in the Company.

Directors' remuneration report cont.

	Exercise price (pence)	Date of grant	Expiry date	At	At
				30 June 2009	30 June 2008
Adonis Pouroulis	44.0	5 September 2003	5 September 2013	500,000	500,000
	85.0	16 June 2005	16 June 2015	250,000	250,000
	79.5	31 May 2006	31 May 2016	250,000	250,000
	156.0	2 March 2007	2 March 2017	–	300,000
	125.0	7 December 2007	7 December 2017	–	300,000
	27.5	12 March 2009	12 March 2019	250,000	–
David Abery	44.0	5 September 2003	5 September 2013	500,000	500,000
	85.0	16 June 2005	16 June 2015	250,000	250,000
	79.5	31 May 2006	31 May 2016	250,000	250,000
	156.0	2 March 2007	2 March 2017	–	300,000
	125.0	7 December 2007	7 December 2017	–	300,000
	27.5	12 March 2009	12 March 2019	750,000	–
Johan Dippenaar	85.0	16 June 2005	16 June 2015	750,000	750,000
	79.5	31 May 2006	31 May 2016	250,000	250,000
	156.0	2 March 2007	2 March 2017	–	300,000
	125.0	7 December 2007	7 December 2017	–	300,000
	27.5	12 March 2009	12 March 2019	750,000	–
Jim Davidson	85.0	16 June 2005	16 June 2015	750,000	750,000
	79.5	31 May 2006	31 May 2016	250,000	250,000
	156.0	2 March 2007	2 March 2017	–	300,000
	125.0	7 December 2007	7 December 2017	–	300,000
	27.5	12 March 2009	12 March 2019	750,000	–
Senior management	44.0	5 September 2003	5 September 2013	192,000	192,000
	56.75	13 September 2004	13 September 2014	50,000	50,000
	46.50	24 September 2004	24 September 2014	238,875	238,875
	56.50	28 January 2005	28 January 2015	72,500	72,500
	65.75	27 November 2005	27 November 2015	423,334	423,334
	79.5	31 May 2006	31 May 2016	460,000	460,000
	96.0	31 July 2006	31 July 2016	553,625	553,625
	122.5	31 October 2006	31 October 2016	–	200,000
	134.5	24 November 2006	24 November 2016	–	1,000,000
	156.0	2 March 2007	2 March 2017	–	1,210,000
	125.0	7 December 2007	7 December 2017	–	1,800,000
	27.5	12 March 2009	12 March 2019	5,865,000	–

The following share options were cancelled during the year.

	Exercise price (pence)	Date of grant	Date of cancellation	Number of
				options cancelled
Directors	156.0	2 March 2007	12 March 2009*	1,200,000
	125.0	7 December 2007	12 March 2009*	1,200,000
Senior management	122.5	31 October 2006	12 March 2009*	200,000
	134.5	24 November 2006	23 September 2008**	1,000,000
	156.0	2 March 2007	12 March 2009*	1,210,000
	125.0	7 December 2007	12 March 2009*	1,800,000

* These share options were cancelled by agreement between the Company and each option holder. The Board and the Remuneration Committee decided that the exercise prices provided little incentive to the option holder.

** These share options were cancelled on the date the Company disposed of its interest in Calibrated Diamonds Investment Holdings (Pty) Limited and its subsidiaries, when the relevant employees therefore left the employ of the Petra Group.

Directors' remuneration

The following table gives a breakdown of the remuneration of the individual Directors who held office during the year ended 30 June 2009.

	Base remuneration US\$	Performance- related bonus US\$	Share-based allocations* US\$	2009 Total US\$	2008 Total US\$
Executive Directors					
A Pouroulis	193,908	39,650	346,077	579,635	649,004
D Abery	269,743	110,309	484,508	864,560	800,989
J Dippenaar	269,743	110,309	484,508	864,560	800,989
J Davidson	269,743	110,309	484,508	864,560	800,989
	1,003,137	370,577	1,799,601	3,173,315	3,051,971

	Fees US\$	Performance- related bonus US\$	Other US\$	2009 Total US\$	2008 Total US\$
Non-executive Directors**					
C Segall #	40,398	–	–	40,398	50,078
V Ruffer #	8,080	–	–	8,080	10,016
	48,478	–	–	48,478	60,094

* On initial grant the estimated option fair value is recognised as an employee expense in line with IFRS2 and spread over the period during which the employee becomes unconditionally entitled to the options. On cancellation the remaining option fair value not previously expensed is expensed in full. This is a non-cash charge.

** The Board determines the non-executive Directors' fees in the absence of the relevant non-executive Director.

Members of the Remuneration and Audit Committees.

It is estimated that under arrangements currently in force, the aggregate base remuneration and benefits to be paid to the executive and non-executive Directors for the financial year end 30 June 2010 will be US\$1.1 million.



By order of the Board

David Abery

Director

9 November 2009

Corporate governance statement

Effective corporate governance is a priority of the Board and outlined below are details of how the Company has applied the principles of corporate governance as set out in the Combined Code (the Code). Under the rules of the Alternative Investment Market (AIM) the Company is not required to comply with the Code and the Board considers that the size of the Group does not warrant compliance with all of the Code's requirements. The Board fully supports the principles on which the Code is based and considers that the Company has complied with a number of key requirements.

Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior management, establishing goals for management and monitoring the achievement of these goals, and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

Board process

To assist in the execution of its responsibilities, the Board has established an Executive Committee to manage the Company on a day-to-day basis. Members of this Committee are A Pouroulis, J Dippenaar, D Abery and J Davidson. Members of this committee meet informally from time to time and no minutes are kept of proceedings. The full Board holds scheduled meetings, and any extraordinary meetings at such other times as may be necessary to address any significant matters that may arise. In between meetings, decisions are adopted by way of written resolutions. The agenda for scheduled meetings is prepared in conjunction with the Chairman, Chief Executive Officer and Finance Director. Standing items include the Chief Executive Officer's report, Finance Director's report, financial reports, strategic matters, governance and compliance. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to operations, for contact with a wider group of employees. Details of the Board's procedures in respect to each of these areas are further outlined below.

Director education

The Group educates new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning the performance of the Directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Composition of the Board

The composition of the Board is determined using the following principles:

The Board should comprise Directors with a broad range of expertise both nationally and internationally.

Directors appointed by the Board are subject to election by shareholders at the following Annual General Meeting and thereafter Directors are subject to re-election at least every three years.

The Board has accepted the following definition of an independent Director: "An independent Director is a director who is not a member of management (a non-executive director) and who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another Group member;
- is not a significant consultant, supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;

- has no significant contractual relationship with the Company or another Group member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company."

The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities and then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Corporate governance statement

The Board consists of four executive directors and two non-executive directors. While the Board is not considered independent for the purpose of the definition above, the Board considers that the composition is appropriate given the size of the Company. In particular, the Board is of the opinion that this composition gives the necessary mix of industry specific and broad business experience necessary for the effective governance of the Company, for setting strategic direction, and for creating shareholder value. The executive directors are responsible for the day-to-day running of the Group.

All executive and non-executive directors may take independent advice, at the expense of the Company, if considered necessary in the performance of their duties. Directors are expected to bring an independent judgement to bear on issues of strategy, performance, resource and standards of conduct.

Nomination Committee

The Board has not established a Nomination Committee as the Board considers a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole. The Board assesses the experience, knowledge and expertise of potential directors before any appointment is made and adheres to the principle of establishing a board comprising directors with a blend of skills, experience and attributes appropriate to the Company and its business. The main criterion for the appointment of directors is an ability to add value to the Company and its business. All directors appointed by the Board are subject to election by shareholders at the following Annual General Meeting of the Company. The Board will review the utility of a Nomination Committee as it enters the next stage of its development, and one will be established if and when considered appropriate by the Board.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. The Board has developed policies to assist directors to disclose potential conflicts of interest.

Director dealings in company shares

Company policy prohibits directors and senior management from dealing in shares or exercising options whilst in possession of price sensitive information, except in unusual circumstances. Directors and senior management must notify and get approval from the Chairman of the Board before they deal in shares or exercise options in the Company.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Group's expense.

Corporate governance statement cont.

Remuneration of non-executive directors

When setting fees and other compensation for non-executive directors, the Board takes independent advice and applies international benchmarks. Director's fees cover all main Board activities and membership of committees. Further information is contained in the Directors' remuneration report on page 41.

Audit Committee

The Audit Committee comprises Charles Segall and Volker Ruffer (both being non-executive directors) and is chaired by Charles Segall. The Committee may, if considered necessary, take independent advice at the expense of the Company. The Committee makes recommendations to the Board on the appointment of the external auditors, their independence and the level of their fees; it reviews the findings of the external auditors and ensures appropriate action is taken by management; it reviews the Group's interim and annual financial statements prior to submission to the Board; it reviews the Group's statement on internal control systems, considers the effectiveness of internal financial controls and any internal audit resource, making recommendations for changes if appropriate, and institutes and reviews special projects and investigations on any matter as it sees fit.

Remuneration Committee

The Remuneration Committee comprises Charles Segall and Volker Ruffer (both being non-executive directors) and is chaired by Charles Segall. The Committee may, if considered necessary, take independent advice at the expense of the Company. The main responsibilities of the Remuneration Committee are to determine on behalf of the Board and shareholders the overall policy for executive remuneration; to determine the base salary, benefits, performance related bonus and any equity participation schemes (including share options) for each of the executive directors and other senior management of the Group; and to approve all directors' service contracts. The Committee ensures that a significant proportion of the executive directors' remuneration is directly related to the performance of the Group.

Internal control framework

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. It should be recognised that such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Company in achieving its business objectives. The Combined Code requires that the effectiveness of the system of internal control be reviewed by the directors, including financial, operational and risk management. In September 1999 the Turnbull report was published which offered guidance to directors on complying with the internal control requirements of the Combined Code.

Although the Board considers that the size of the Group does not warrant compliance with all the Code's requirements, the Board has implemented a reporting structure, as detailed below, to review all aspects of internal control and will continue to develop the process throughout the 2010 financial year.

Financial reporting – the Company reports to shareholders half-yearly and annually, as required by the AIM Listing Rules. The Chief Executive Officer and Finance Director state to the Board that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards. They also state the Company's financial reports are founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board and that this system is operating efficiently and effectively in all material respects.

Internal audit – the Group has established an internal audit function during the year. The Board ensures compliance with the internal controls and risk management procedures previously mentioned.

Continuous disclosure – the Company has a policy, based on existing policies and practices as a company quoted on the AIM market, that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information will be disclosed to AIM in accordance with the continuous disclosure requirements of the AIM Listing Rules.

Risk profile – the Group has not established a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Group's

operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board will draw on the expertise of appropriate external consultants to assist in dealing with or mitigating risk. Major risks arise from such matters as actions by competitors, government policy changes, the cost and supply of energy in South Africa, the impact of exchange rate movements on diamond sales, a significant fall in the price of rough diamonds, difficulties in sourcing goods and services, environment, occupational health and safety, financial reporting, and the purchase, development and use of information systems.

Overview of the risk management system – the Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing operational, financial reporting and compliance risks for the Group.

Risk management and compliance and control – the Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities.

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

- Operating unit controls – operating units confirm compliance with financial controls and procedures including information system controls.
- Functional speciality reporting – key areas subject to regular reporting to the Board include operations, safety, environment and legal matters.

Practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- financial exposures are controlled, including the potential use of derivatives;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed; and
- financial reporting accuracy and compliance with the financial reporting regulatory framework.

Environmental regulation – the Group's operations are subject to significant environmental regulation under international law and the laws of the jurisdictions in which the Group's operations are based in relation to its exploration and mining activities. The Group's exploration and mining activities are concentrated in Africa. The Group has an Environmental Management Programme in place for each prospecting and mining permit. The Group is committed to achieving a high standard of environmental performance. The Board is responsible for the regular monitoring on environmental exposures and compliance with environmental regulations. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

Ethical standards – all directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer issues arising from their employment.

Code of conduct – the Group has established a documented Code of Conduct. The Group has adopted certain induction procedures to inform newly appointed directors, managers and employees of their rights and their duty to act with utmost integrity and objectivity. The Code of Conduct is designed to guide compliance with legal and other obligations to the Company's stakeholders.

Performance assessment – the Company has adopted self-evaluation processes to measure Board performance. The performance of all directors is assessed through analysis, review and specific discussion by the Board of issues relating to individual director's attendance at and involvement in Board meetings, interaction with management, performance of allocated tasks and any other matters identified by the Board or other directors. Any significant issues identified are actioned by the Board on an ongoing basis.

The evaluation of key executives is carried out by the Chief Executive Officer via ongoing monitoring of management performance. The Company has established an Employee Share Option Scheme, whereby it can issue options to eligible employees to subscribe for shares in the Company.

Corporate governance statement cont.

Communication with shareholders

Whilst the Board has not formally documented the Group's continuous disclosure procedures, the Board, as part of its usual role, provides shareholders with information using comprehensive continuous disclosure processes which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to AIM, posting them on the Company's website, and issuing media releases. In summary, the continuous disclosure processes operate as follows:

- The Finance Director is responsible for all communications with AIM. Matters that may have an effect on the price of the Company's securities will be advised to AIM on the day they are discovered. Senior executives monitor all areas of the Company's internal and external environment.
- The Annual Report is distributed to all shareholders. The Board ensures that the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, as well as all required disclosures.
- All announcements made to the market, and related information (including information provided to analysts and the media), are released to AIM and placed on the Company's website.
- The full texts of notices of meetings and associated explanatory material are placed on the Company's website, along with the results of such meetings. All documents that are released publicly will be made available on the Group's website at www.petradiamonds.com. The Board encourages full participation of shareholders at shareholders' meetings to ensure a high level of accountability and identification with the Group's strategy and goals. The shareholders are requested to vote on the appointment of Directors and changes to the Company's bye-laws (constitution). Copies of the bye-laws are available to any shareholder who requests them. The Board ensures that the external auditors attend the Company's Annual General Meeting and other meetings where it is appropriate to do so.

External auditors

The Executive Directors review the performance of the external auditors on an annual basis and normally meet with them during the year to:

- Discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact on the financial statements and to review the fees proposed for the audit work to be performed.
- Review the periodic reports prior to lodgment and release, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results.
- Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
- Review the draft financial report and recommend Board approval of the financial report.
- As required, to organise, review and report on any special reviews or investigations deemed necessary by the Board.

Independent auditors' report

To the shareholders of Petra Diamonds Limited

We have audited the Group financial statements ("the financial statements") of Petra Diamonds Limited for the year ended 30 June 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with applicable law and IFRS as adopted by the European Union. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the report to consider whether it is consistent with the audited financial statements. The other information comprises The Star of Josephine's journey, Corporate profile, Highlights, World-class mining assets, Chairman's statement, CEO's review, Reserves and resources, Board of Directors, Sustainability, Directors' report, Directors' remuneration report and Corporate governance statement. Our responsibilities do not extend to any other information.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the Group financial statements give a true and fair view, in accordance with applicable law and IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 June 2009 and of its loss for the year then ended.



BDO LLP

Chartered Accountants

London

United Kingdom

9 November 2009

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 2009

	Notes	2009 US\$	2008 US\$
Revenue		69,291,900	76,974,897
Other income		3,235,682	1,150,513
Total income		72,527,582	78,125,410
Mining and processing costs	4a	(72,954,900)	(43,498,407)
Other direct income	4b	2,591,158	319,192
Exploration expenditure	5	(19,736,982)	(14,484,792)
Corporate expenditure	6	(8,298,391)	(7,416,575)
Impairment charges	7	(75,274,714)	–
Total costs		(173,673,829)	(65,080,582)
Financial income		20,759,852	3,081,991
Financial expense		(13,530,988)	(6,833,796)
Net financing income/(costs)	8	7,228,864	(3,751,805)
(Loss)/profit before tax		(93,917,383)	9,293,023
Income tax credit/(expense)	9	3,424,624	(5,925,821)
(Loss)/profit for the year from continuing operations		(90,492,759)	3,367,202
Profit/(loss) on discontinued operations (net of tax)	34	1,557,974	(1,388,902)
(Loss)/profit for the year		(88,934,785)	1,978,300
Attributable to:			
Equity holders of the parent company		(90,866,007)	(7,209,338)
Minority interest		1,931,222	9,187,638
		(88,934,785)	1,978,300
Loss per share attributable to the equity holders of the parent during the year:			
From continuing operations			
Basic loss per share attributable – US cents	11	(50.23)	(3.17)
Diluted loss per share attributable – US cents	11	(50.23)	(3.17)
From continuing and discontinued operations			
Basic loss per share attributable – US cents	11	(49.38)	(3.93)
Diluted loss per share attributable – US cents	11	(49.38)	(3.93)

The notes on pages 54 to 98 form part of these financial statements.

Consolidated statement of recognised income and expense

For the year ended 30 June 2009

	Notes	2009 US\$	2008 US\$
Exchange differences on translation of foreign operations		(17,026,322)	(3,351,183)
Profit/(loss) on hedges recognised directly in equity		138,299	(138,299)
Net loss recognised directly in equity		(16,888,023)	(3,489,482)
(Loss)/profit for the year		(88,934,785)	1,978,300
Distribution paid to minorities		(994,651)	–
Total recognised income and expense for the year	20	(106,817,459)	(1,511,182)
Attributable to:			
Equity holders of the parent company		(107,754,030)	(10,698,820)
Minority interest (net of distribution paid)		936,571	9,187,638
		(106,817,459)	(1,511,182)

The notes on pages 54 to 98 form part of these financial statements.

Consolidated balance sheet

As at 30 June 2009

	Notes	2009 US\$	Restated 2008 US\$
Assets			
Non-current assets			
Property, plant and equipment	12	176,736,536	90,902,372
Intangible assets	13	1,031,900	41,781,946
Investment in associates	14	–	6,636,292
Loans and other receivables	17	19,637,999	138,177
Total non-current assets		197,406,435	139,458,787
Current assets			
Inventories	16	14,794,341	11,778,572
Trade and other receivables	17	18,923,102	40,115,305
Cash and cash equivalents	18	11,058,285	37,469,370
Non-current assets classified as held for sale	34	–	3,681,868
Total current assets		44,775,728	93,045,115
Total assets		242,182,163	232,503,902
Equity and liabilities			
Equity			
Share capital	19	33,519,068	33,519,068
Share premium account	20	212,897,937	212,897,937
Foreign currency translation reserve	20	(6,931,002)	9,538,638
Hedging reserve	20	–	(138,299)
Share-based payment reserve	20	1,816,726	3,142,465
Other reserves	20	4,003,682	4,016,968
Accumulated loss	20	(197,541,526)	(109,766,931)
Attributable to equity holders of the parent company		47,764,885	153,209,846
Minority interest		9,589,063	9,187,638
Total equity		57,353,948	162,397,484
Liabilities			
Non-current liabilities			
Loans and borrowings	22	44,258,418	1,859,679
Trade and other payables	23	19,073,118	4,898,336
Provisions	24	26,045,900	12,140,783
Deferred tax liabilities	25	7,359,359	13,041,589
Total non-current liabilities		96,736,795	31,940,387
Current liabilities			
Loans and borrowings	22	57,410,619	19,854,722
Trade and other payables	23	12,983,253	12,564,790
Derivative financial liabilities	23	–	138,299
Current tax payable	23	2,782,000	1,420,783
Liabilities directly associated with non-current assets classified as held for sale	34	–	81,646
Provisions	24	14,915,548	4,105,791
Total current liabilities		88,091,420	38,166,031
Total liabilities		184,828,215	70,106,418
Total equity and liabilities		242,182,163	232,503,902

The notes on pages 54 to 98 form part of the financial statements.

The financial statements were approved and authorised for issue by the Directors on 9 November 2009.

Consolidated cash flow statement

For the year ended 30 June 2009

	2009 US\$	2008 US\$
(Loss)/profit before taxation for the year from continuing and discontinued operations	(92,359,409)	7,904,121
Depreciation of property plant and equipment – exploration	2,698,153	1,159,072
Depreciation of property plant and equipment – mining	8,928,718	5,772,464
Depreciation of property plant and equipment – other	74,679	142,017
Amortisation of intangible assets	3,286,243	3,803,634
Write-off of investment held for sale	–	96,593
Impairment charge on assets	75,274,714	–
Profit on sale of subsidiary	(7,993)	–
Loss on sale of property plant and equipment	232,659	3,047
Increase in provisions	8,858,426	–
Finance income	(3,498,077)	(2,484,965)
Finance expense	9,592,093	2,239,386
Present value adjustment of rehabilitation provision – accretion	–	133,277
Present value adjustment of rehabilitation provision – change in assumptions	(4,628,882)	–
Share-based payment provision	2,322,355	1,629,783
Foreign exchange (gain)/loss	(13,498,002)	4,594,410
Operating (loss)/profit before working capital changes	2,724,323	24,992,839
Decrease/(increase) in trade and other receivables	25,199,020	(25,292,582)
(Decrease)/increase in trade and other payables	(10,671,040)	4,810,330
Decrease/(increase) in inventories	807,228	(2,878,040)
Cash generated from operations	12,610,885	1,632,547
Finance expense	(6,637,728)	(862,335)
Taxation paid	(1,420,783)	–
Net cash (utilised in)/generated from operating activities	4,552,374	770,212
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	389,408	919,655
Proceeds from sale of intangibles	–	22,354,768
Disposal of subsidiary net of cash	1,407,222	–
Acquisition of subsidiary net of cash	(8,765,000)	–
Acquisition of assets at Cullinan net of cash	(62,500,000)	–
Finance income	3,498,077	2,484,965
Increase in long term receivables	(19,499,822)	–
Acquisition of investment in associate	–	(6,636,292)
Acquisition of property, plant and equipment	(38,820,618)	(16,664,852)
Development expenditure	(2,117,500)	(4,211,646)
Net cash utilised in investing activities	(126,408,233)	(1,753,402)
Cash flows from financing activities		
Net proceeds from the issuance of share capital	–	2,966,654
Increase in non-current borrowings	58,011,313	416,466
Increase/(decrease) in current borrowings	37,555,897	(9,197,589)
Net cash generated from/(utilised in) financing activities	95,567,210	(5,814,469)
Net decrease in cash and cash equivalents	(26,288,649)	(6,797,659)
Cash and cash equivalents at beginning of the year	37,469,370	44,124,829
Effect of exchange rate fluctuations on cash held	(122,436)	142,200
Cash and cash equivalents at end of the year	11,058,285	37,469,370

The notes on pages 54 to 98 form part of the financial statements.

Significant non-cash flow transactions which are not reflected in the cash flow statement are set out in note 32.

Notes to the annual financial statements

For the year ended 30 June 2009

1. Accounting policies

Petra Diamonds Limited ("Petra", or "the Company", or "the Group") is registered and domiciled in Bermuda. The financial statements incorporate the principal accounting policies set out below, which are except as noted below, consistent with those adopted in the previous financial statements.

1.1 Basis of preparation

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

The presentation of the income statement has been amended, with corresponding changes to comparative disclosure, to give a presentation of income statement items comparable with industry peer groups.

Going concern

As set out in the Chairman's statement, Petra's treasury, US\$11.1 million at year end, whilst sufficient to fund the ongoing trading of the operations, does not allow for the medium-term capital development of our mines. However, the directors believe there is a high degree of flexibility as to how and when the development programmes are commenced. The potential revenue from recent exceptional diamonds recovered makes a substantial difference to Cullinan's financing requirements.

Petra may undertake a small fundraising in the near future to top up its working capital treasury, the directors' believe there is a high degree of flexibility as to if and when we raise a more significant amount of money for capital development. As a result 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.

1.2 New standards and interpretations applied

The IASB has issued the following new standards, amendments to published standards and interpretations to existing standards with effective dates prior to 1 July 2008 which have been adopted by the Group for the first time this year:

Amendments to IFRS 7 and IAS 39 Reclassification of Financial Instruments – effective from 1 July 2008. Amendments are still to be endorsed by the EU. There was no impact on the Group's accounts from the adoption of this IFRS and IAS.

IFRIC 13, Customer Loyalty Programmes – effective for accounting periods beginning on or after 1 July 2008. There was no impact on the Group's accounts from the adoption of this IFRIC.

Amendment to IFRIC 12 Service Concession Agreements – effective for accounting periods beginning on or after 1 January 2008. This IFRS has not had any impact on the financial statements of the Group.

Amendment to IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – effective for accounting periods beginning on or after 1 January 2008. IAS 19 has been adopted for the first time this year following the acquisition of Cullinan (see notes 1.17 and 3a).

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 2009 or later periods and which the Group has decided not to adopt early. These are:

Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate – effective for accounting periods beginning on or after 1 January 2009. This is not expected to have any impact on the financial statements of the Group.

Revised IFRS 1 First-Time Adoption of International Financial Reporting – effective for accounting periods beginning on or after 1 January 2009. This revision will not have any impact on the financial statements of the Group, as the Group has already adopted IFRS.

Amendment to IFRS 2, Share-based payments: vesting conditions and cancellations – effective for accounting periods beginning on or after 1 January 2009. This IFRS is not expected to have a significant impact on the financial statements of the Group.

Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27, Consolidated and separate financial statements – both effective for accounting periods beginning on or after 1 July 2009. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts.

IFRS 8, Operating Segments – effective for accounting periods beginning on or after 1 January 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.

Amendments to IFRIC 9 and IAS 39 Embedded Derivatives – effective for accounting periods beginning on or after 30 June 2009. These amendments are still to be endorsed by the EU. Management is currently assessing the impact of the amendment on the Group financial statements.

IFRIC 15, Agreements for the Construction of Real Estate – effective for accounting periods beginning on or after 1 January 2009. This IFRIC is not applicable to the Group as it is not operating in the real estate sector.

IFRIC 17, Distributions of Non-cash Assets to Owners – effective for accounting periods beginning on or after 1 July 2009. Management is currently assessing the impact of IFRIC 16 on the Group financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation – effective for accounting periods beginning on or after 1 October 2008. This is not expected to have any impact on the financial statements of the Group.

1. Accounting policies (continued)

1.2 New standards and interpretations applied (continued)

New standards and interpretations not yet effective (continued)

IFRIC 18, Transfer of Assets from Customers – effective for accounting periods beginning on or after 1 July 2009. IFRIC 18 is still to be endorsed by the EU. Management is currently assessing the impact of IFRIC 18 on the Group financial statements.

Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation – effective for accounting periods beginning on or after 1 January 2009. The amendment will be applicable for the year ending 30 June 2010. Management is currently assessing the impact of the amendment on the Group financial statements.

IAS 23, Borrowing Costs (revised) – effective for accounting periods beginning on or after 1 January 2009. Management is currently assessing the impact of the amendment on the Group financial statements.

Amendments to IAS 27 Consolidated and Separate Financial Statements – effective for accounting periods beginning on or after 1 July 2009. Management is currently assessing the impact of the amendment on the Group financial statements.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation – effective for accounting periods beginning on or after 1 January 2009. This is not expected to have any impact on the financial statements of the Group.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement of Eligible Hedged Items – effective from 1 July 2009. Management is currently assessing the impact of IAS 39 on the Group financial statements.

Improvements to IFRS – effective for accounting periods beginning on or after 1 January 2009. The amendments take various forms, including the clarification of the requirements of IFRS and the elimination of inconsistencies between Standards. This is not expected to have a significant impact on the financial statements of the Group.

Improvements to IFRS – effective for accounting periods beginning on or after 1 January 2010. This improvements project is still to be endorsed by the EU. The amendments take various forms, including the clarification of the requirements of IFRS and the elimination of inconsistencies between Standards. Management is currently assessing the impact of the Amendment on the accounts.

Currency reporting

The functional currency of the Company is US Dollars and the functional currency of the Group's business transactions in Angola, Botswana and Sierra Leone is US Dollars. The functional currency of the South African operations is South African Rand (ZAR), reference to transactions in South African Rand (ZAR) in the annual report is denoted by an R. The Group financial statements are presented in US Dollars.

1.3 Basis of consolidation

Subsidiaries

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

Associates

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

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

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

Transactions eliminated on consolidation

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

Notes to the annual financial statements cont.

For the year ended 30 June 2009

1. Accounting policies (continued)

1.3 Basis of consolidation (continued)

Jointly controlled entities

Joint ventures are those entities in which the Group holds a long term interest and which are jointly controlled by the Group and one or more joint venture partners under a contractual arrangement. The Group's interest in such jointly controlled entities is accounted for by proportionate consolidation. Under this method the Group includes its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line by line basis with similar items in the Group's financial statements.

Cullinan Investment Holdings Limited

The Group has used the gross method of proportional consolidation and therefore reflects 50% of the Cullinan operating results, assets, and liabilities and a 13% minority interest. Inter-company accounts and transactions are eliminated on consolidation. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other joint venture partners. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately. The results of joint ventures are included from the effective dates of acquisition and up to the effective dates of disposal.

1.4 Property, plant and equipment

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

The depreciation rates are as follows:

Mining assets:

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

Exploration and other assets:

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

Mineral properties for the Group's operating mines, Cullinan, Helam, Koffiefontein Mine JV, Sedibeng Mine JV, Star and Williamson are based on current life of mine plans. The useful life of the mines is between 12 and 22 years.

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 realised. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

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

Repairs and maintenance which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income.

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

Capitalised expenditure in respect of Kimberley Underground mines

The Group has capitalised costs of US\$8.7m during the year ended 30 June 2009 (30 June 2008: US\$3.2m) in relation to the Kimberley Underground mines. The acquisition of the Kimberley Underground mines is subject to conditions precedent and since 14 September 2007 the Group has maintained the mine under a care and maintenance agreement with De Beers. During that period expenditure has been incurred to bring the mining assets back into a condition in which it can be utilised for mining and production. This expenditure is considered to be capital in nature and has been capitalised on the basis that the future economic benefits of the mining assets are expected to flow to the Group. To date, expenditure of approximately US\$16.7m has been capitalised and should the acquisition not be approved, then the capitalised expenditure will be impaired and expensed to the income statement. The Group also considers that it is exercising control over the assets, although De Beers maintains a presence on site until such time as the final regulatory approvals are received.

1. Accounting policies (continued)

1.4 Property, plant and equipment (continued)

The agreement is conditional upon the remaining conditions as set out fully in note 3(c).

The expenditure incurred is capitalised on the basis that it is common practice for transaction costs incurred in respect of business combinations to be capitalised where the business combination has not completed by the balance sheet date and by analogy to IAS 11 (Construction contracts) which permits costs incurred in respect of future activity to be capitalised where it is probable that those costs will be recovered.

1.5 Leases

Finance leases

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

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

Operating leases

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

1.6 Exploration and evaluation costs

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

Exploration and evaluation expenditure on brownfield sites, being those adjacent to deposits already being mined or where the economic feasibility of existing deposits has yet to be proven, is capitalised within mineral deposits.

1.7 Intangible assets

Mineral rights are capitalised at cost and are amortised on a unit of production basis for operating mines. Amortisation is included within cost of sales or exploration expenditure as appropriate.

Project farm-ins

Where the Group enters into an agreement with a third party for the third party to fund specific expenditure for the exploration and evaluation or development of a licence area, any consideration received by the Group in entering into that agreement is treated as a disposal of part of the Group's interest in that licence.

The consideration received is therefore credited against the expenditure previously capitalised by the Group in respect of the licence. If the consideration received is greater than the expenditure already made by the Group, the excess credit is taken to the income statement.

This policy is in accordance with industry practice for oil and gas and mining companies entering into such project farm-in arrangements.

1.8 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet 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 net selling price and its value in use.

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

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

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

Notes to the annual financial statements cont.

For the year ended 30 June 2009

1. Accounting policies (continued)

1.9 Financial instruments

Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises only in-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the consolidated income statement. The Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The assets arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets including cash and cash equivalents. 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.

Financial liabilities

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

Fair value through profit or loss

This category comprises only out-of-the-money derivatives (see financial assets for in-the-money derivatives). The liabilities are carried in the balance sheet at fair value with changes in fair value recognised in the consolidated income statement.

Other liabilities

Trade payables and other short-term monetary liabilities

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

Interest-bearing borrowings

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

See note 1.20 in respect of convertible debt financial instruments.

Hedging instruments

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. On the date that relevant derivative contracts are entered into, the Group designates the derivative for hedge accounting. During the year the Group has only entered into hedges of forecast transactions (cash flow hedges). The Group formally assesses, at inception and on an on-going basis, whether the derivatives are highly effective in offsetting changes in the fair value or cash flows of the hedged item. Changes in the fair value of a derivative that is effective in offsetting changes in the cash flow of the hedged item, and that is designated and qualifies as a cash flow hedge, are recognised directly in equity. Changes in fair value of derivatives that do not qualify for hedge accounting are recognised in the 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 cash flow hedge, which has been designated for hedge accounting, is taken to the income statement. The Group had no hedging instruments as at 30 June 2009.

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 cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. As at 30 June 2009 there were no impairment provisions against financial assets (30 June 2008: US\$nil).

1. Accounting policies (continued)

1.10 Revenue

Revenue comprises net invoiced diamond sales to customers excluding VAT. Revenue is 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.

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

1.11 Finance and other income

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

1.12 Tax

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

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

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

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

1.13 Provisions

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

Decommissioning, mine closure and environmental rehabilitation

The estimated cost of decommissioning, mine closure and environmental rehabilitation is 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. Annual increases in the provision, as a result of the change in the net present value, are charged to the income statement. 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.

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

1.14 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are recorded at rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited to, or charged against, income.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

1. Accounting policies (continued)

1.14 Foreign currency (continued)

Financial statements of foreign entities

Assets and liabilities of foreign entities are translated at rates of exchange ruling at the financial year-end; and income and expenditure and cash flow items are translated at rates of exchange ruling at the date of the transaction. Goodwill and 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 balance sheet date. Exchange differences arising from the translation of foreign entities are taken directly to a foreign currency translation reserve.

Foreign operations

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

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

1.15 Short-term employee benefits

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

1.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, investments in money market instruments, and net of bank overdrafts, all of which are available for use by the Group unless otherwise stated. The accounting policy for cash and cash equivalents is stated in note 1.9.

1.17 Employee pension schemes

Defined contribution scheme

Obligations for contributions to defined contribution provident schemes are recognised as an expense in the income statement as incurred.

Defined benefit scheme

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

Actuarial gains and losses are recognised to the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in equity over the expected average remaining service lives of participating employees (or any other systematic method chosen by the reporting Company). Actuarial gains or losses within the corridor are not recognised.

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

1.18 Share-based payments

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

1. Accounting policies (continued)

1.19 Inventories

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

1.20 Convertible note

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments and accordingly a split between debt and equity is recorded in the Group's financial statements. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the fair value over the present value of the future cash flows, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest rate method. Also see interest-bearing borrowings set out in note 1.9.

1.21 Segment reporting

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

1.22 Borrowing costs

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

1.23 Critical assumptions and judgements

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

Judgements:

Exploration and evaluation costs

Judgement is applied by management in determining whether exploration and evaluation expenditure should be capitalised or expensed. Management exercise judgement based on the results of economic evaluations, pre-feasibility or feasibility studies as set out in note 1.7. The carrying value of intangible assets (excluding non-current assets classified as held for sale), which includes capitalised exploration and evaluation expenditure, at the balance sheet date is US\$1,031,900 (30 June 2008: US\$41,781,946).

Life of mine and ore reserves

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

Impairment reviews

While conducting an impairment review of its assets, the Group exercises judgement in making assumptions about future rough diamond prices, ore reserves, rehabilitation costs, feasibility studies, future development, capitalisation of pre-acquisition costs at Kimberley Underground mines and production costs. Changes in estimates used can result in significant changes to the income statement. The policy in respect of impairment reviews is set out in note 1.8 and details of impairment reviews carried out during the year are set out in note 7.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

1. Accounting policies (continued)

1.23 Critical assumptions and judgements (continued)

Judgements (continued):

Capitalisation of pre-acquisition costs at Kimberley Underground mines

Judgement is applied by management in determining whether pre-acquisition expenditure should be capitalised or expensed. Management exercises judgement based on: whether the Group exercises control over the asset, a consideration of guidance from IAS 11, and an assessment of the nature of the expenditure which has been incurred to bring the mining asset back into a condition in which it can be utilised for mining and production. Based on management's judgements, expenditure is considered to be capital in nature and is capitalised on the basis that the future economic benefits of the mining assets are expected to flow to the Group. All other costs are expensed as care and maintenance costs. The Group has capitalised and expensed pre-acquisition costs during the year as set out in note 1.4.

Assumptions and estimates:

Investments

The assessment of the recoverable amount of investments in associates engaged in mineral exploration requires significant judgements based on the availability of information and estimated economic viability of exploration projects. The carrying value of investments at the balance sheet date is US\$nil (30 June 2008: US\$6,636,292).

Provision for rehabilitation

Significant estimates and assumptions are made in determining the amount attributable to rehabilitation provisions. These deal with uncertainties such as the legal and regulatory framework, timing and future costs. In determining the amount attributable to rehabilitation provisions, management used a discount rate of 8.9% (30 June 2008: 9.1%), a life of mine of 12 to 22 years (30 June 2008: 12 to 18 years) and an inflation rate of 6.9% (30 June 2008: 6.5%). The carrying value of rehabilitation provisions at the balance sheet date is US\$26,045,900 (30 June 2008: US\$12,140,783).

Valuation of share options

In determining the fair value of share-based payments made during the year to employees, a number of assumptions have been made by management. The details of these assumptions are set out in note 29. The total charge to the income statement in respect of share-based payments for the year is US\$2,322,355 (30 June 2008: US\$1,629,783).

Valuation of components of compound instruments

Judgement is applied by management in determining the fair value of the debt and equity portion of compound instruments. In determining the fair value, management exercises judgement in making assumptions about the duration of the instrument, the risk free interest rate at the time of issuing the compound instrument and the risk premium for compound instruments of a similar nature. The total charge to the income statement in respect of interest accreted for compound instruments for the year is US\$1,406,721 (30 June 2008: US\$1,310,191). The equity portion of compound instruments reflected in the Group's financial statements is US\$4,003,682 (30 June 2008: US\$4,016,968).

1.24 Prior year adjustment to share capital and share premium

During the year, the Group changed its accounting policy in respect of the translation of share capital and share premium into US Dollars. Under the previous accounting policy, share capital and share premium were translated into US Dollars at the closing rate on the reporting date and unrealised exchange gains and losses were reflected in the foreign currency translation reserve. Under the revised accounting policy, transactions on share capital and share premium accounts are to be converted at the prevailing US Dollar/Sterling spot rate at the date of the transaction, ie they are translated at the historic rate and accordingly no exchange gains or losses will arise on these balances in future. The adjustment has no impact on net assets or (loss)/profit before and after tax.

The revised accounting policy better reflects the substance of the share capital and share premium US Dollar balances of the Group.

A prior year adjustment has been raised to state the share capital and share premium at historic exchange rates.

	Share capital US\$	Share premium account US\$	Foreign currency translation reserve US\$
At 1 July 2008 as previously stated	36,698,062	228,745,618	(9,488,037)
Prior year adjustment	(3,178,994)	(15,847,681)	19,026,675
Restated balance at 1 July 2008	33,519,068	212,897,937	9,538,638

2. Segment information

Segment information is presented in respect of the Group's business and geographical segments. The primary format is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. 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 period to acquire segment assets that are expected to be used for more than one period. Inter-segment comprise transactions between group companies that are eliminated on consolidation. The results are not materially affected by seasonal variations.

Business and Geographical segments

The Group activities for the year comprised the following business segments:

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

Exploration – exploration activities in Angola, Botswana, Sierra Leone and South Africa. The Group exited from exploration activities in Angola in December 2008.

Beneficiation – cutting and polishing of rough diamonds. The Group exited from the beneficiation segment when it sold its interest in Calibrated Diamonds (Pty) Ltd in September 2008. The results from beneficiation activities represent those activities disclosed under discontinued operations as disclosed in note 34.

	Mining	Exploration	Beneficiation	Inter-segment	Consolidated
	2009	2009	2009	2009	2009
Business segments	US\$	US\$	US\$	US\$	US\$
Revenue	68,679,184	612,716	975,893	(975,893)	69,291,900
Segment result	(4,275,718)	(5,445,461)	(896)	–	(9,722,075)
Operating (loss)/profit	(8,241,272)	(23,081,293)	(992,781)	5,470,987	(26,844,359)
Impairments	(23,232,101)	(52,042,613)	–	–	(75,274,714)
Profit on sale of assets	–	–	2,530,800	–	2,530,800
Financial income	12,180,118	14,022,614	20,453	(5,463,333)	20,759,852
Financial expense	(13,231,927)	(5,764,562)	(498)	5,465,999	(13,530,988)
Income tax credit/(expense)	4,121,676	(697,052)	–	–	3,424,624
Minority interest	(1,931,222)	–	–	–	(1,931,222)
(Loss)/profit for the year	(31,433,219)	(66,464,415)	1,557,974	5,473,653	(90,866,007)
Segment assets	335,155,932	474,724,955	–	(567,698,724)	242,182,163
Total assets	335,155,932	474,724,955	–	(567,698,724)	242,182,163
Segment liabilities	120,525,614	82,265,682	–	(17,963,081)	184,828,215
Total liabilities	120,525,614	82,265,682	–	(17,963,081)	184,828,215
Cash flows from operations	(7,957,799)	4,767,932	(416,845)	–	(3,606,712)
Cash flows from investing	(129,687,169)	10,813,700	1,087	–	(118,872,382)
Cash flows from financing	42,199,385	51,199,114	2,545,486	–	95,943,985
Capital expenditure	39,559,876	1,378,242	–	–	40,938,118
Impairment losses	23,232,101	52,042,613	–	–	75,274,714
Share-based payments	522,754	1,799,601	–	–	2,322,355
Depreciation and amortisation	8,928,718	6,058,180	895	–	14,987,793

Notes to the annual financial statements cont.

For the year ended 30 June 2009

2. Segment information (continued)

	Angola	Botswana	Sierra Leone	South Africa	Tanzania	Jersey	Consolidated
Geographical	2009	2009	2009	2009	2009	2009	2009
segments	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Revenue	–	–	282,103	59,561,510	9,448,287	–	69,291,900
Segment assets	1,610,091	1,233,793	–	194,088,078	29,068,199	16,182,002	242,182,163
Segment liabilities	2,822,391	53,974	–	110,872,144	18,452,546	52,627,160	184,828,215
Cash flows from operations	(5,392,229)	(1,414,408)	(696,190)	20,508,657	(8,710,838)	(7,901,704)	(3,606,712)
Cash flows from investing	(1,110,930)	(32,607)	(3,003,326)	(71,091,696)	(45,492,434)	1,858,611	(118,872,382)
Cash flows from financing	–	–	–	64,113,698	31,830,287	–	95,943,985
Impairment losses	44,206,808	–	7,835,805	23,232,101	–	–	75,274,714
Share-based payments	–	–	–	522,754	–	1,799,601	2,322,355
Capital expenditure	1,117,882	37,925	3,003,326	25,364,173	11,378,119	39,693	40,938,118

	Mining	Exploration	Beneficiation	Inter-segment	Consolidated
	2008	2008	2008	2008	2008
Business segments	US\$	US\$	US\$	US\$	US\$
Revenue	77,295,691	–	827,039	(1,147,833)	76,974,897
Segment result	37,199,561	(5,010,511)	(188,579)	(1,817,805)	30,182,666
Operating profit/(loss)	28,727,290	(14,113,915)	(1,292,899)	(1,664,550)	11,655,926
Impairments	–	–	–	–	–
Profit on sale of assets	–	–	–	–	–
Financial income	752,464	2,407,773	12,534	(90,780)	3,081,991
Financial expense	(812,956)	(5,912,303)	(108,537)	–	(6,833,796)
Income tax expense	(5,925,821)	–	–	–	(5,925,821)
Minority interest	(9,187,638)	–	–	–	(9,187,638)
Profit/(loss) for year	13,553,339	(17,618,445)	(1,388,902)	(1,755,330)	(7,209,338)
Segment assets	95,818,569	132,552,544	4,132,789	–	232,503,902
Total assets	95,818,569	132,552,544	4,132,789	–	232,503,902
Segment liabilities	54,144,288	15,880,484	81,646	–	70,106,418
Total liabilities	54,144,288	15,880,484	81,646	–	70,106,418
Cash flows from operations	39,420,437	(33,604,992)	(5,045,233)	–	770,212
Cash flows from investing	(14,262,677)	12,496,741	12,534	–	(1,753,402)
Cash flows from financing	(13,419,335)	2,966,654	4,638,212	–	(5,814,469)
Capital expenditure	15,397,513	5,333,003	145,982	–	20,876,498
Share-based payments	857,587	772,196	–	–	1,629,783
Depreciation and amortisation	5,772,464	5,010,511	94,212	–	10,877,187

	Angola	Botswana	Sierra Leone	South Africa	Tanzania	Jersey	Consolidated
Geographical	2008	2008	2008	2008	2008	2008	2008
segments	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Revenue	–	–	–	76,974,897	–	–	76,974,897
Segment assets	46,006,982	5,085,096	13,450,364	117,915,289	–	50,046,171	232,503,902
Segment liabilities	1,570,231	114,656	5,172,288	42,239,954	–	21,009,289	70,106,418
Cash flows from operations	(7,822,959)	9,423	(423,744)	14,510,668	–	(5,503,176)	770,212
Cash flows from investing	9,517	(93,807)	(4,211,646)	(13,556,961)	–	16,099,495	(1,753,402)
Cash flows from financing	–	84,384	4,211,646	(9,834,485)	–	(276,014)	(5,814,469)
Share-based payments	–	–	–	857,587	–	772,196	1,629,783
Capital expenditure	–	103,449	4,211,646	16,561,403	–	–	20,876,498

The Group commenced activities in Tanzania effective 10 November 2008 with the acquisition of Willcroft Company Limited, which owns a 75% equity interest in Williamson Diamonds Limited. Therefore there are no comparative numbers for the year ended 30 June 2008 related to the Tanzanian operations.

3. Acquisitions and disposals

(a) Investment in Cullinan Diamond Mine ("Cullinan")

On 15 July 2008 Petra Diamonds Limited, as a member of the Petra Diamonds Cullinan Consortium ("PDCC"), acquired Cullinan for a consideration of ZAR1 billion (US\$125 million as at date of payment), from De Beers Consolidated Mines Limited ("De Beers"). The members of PDCC are Petra Diamonds Limited (37% interest), Al Rajhi Holdings W.L.L (37% interest) and PDCC's Black Economic Empowerment partners (26% interest). Petra's share of the consideration was R370 million (US\$40.0 million as at date of payment) for an effective stake in Cullinan of 37%.

Effect of the acquisition

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

	Book values	Fair value adjustments	Fair values
Cullinan Diamond Mine net assets at acquisition date:	US\$	US\$	US\$
Fair value of net assets of entity acquired			
Mining property, plant & equipment	119,886,470	12,165,393	132,051,863
Land	3,247,650	–	3,247,650
Mineral properties	–	8,013,467	8,013,467
Trade and other receivables	9,630	–	9,630
Inventory	1,417,993	–	1,417,993
Environmental liabilities	(13,789,405)	–	(13,789,405)
Employee related liabilities	(3,902,661)	–	(3,902,661)
Trade and other payables	(2,048,537)	–	(2,048,537)
Consideration amount satisfied in cash	104,821,140	20,178,860	125,000,000
Petra on acquisition share of net assets acquired (37%)			46,250,000

The fair value adjustment of US\$20,178,860 arose as a result of the premium attributable to the mining property, plant and equipment and mineral properties purchased from De Beers. The Group has a 50% interest in and jointly controls Cullinan Investment Holdings Limited ("CIHL"). CIHL has a 74% interest in and controls the Cullinan operations; CIHL consolidates the Cullinan operations within its books and reflects a 26% minority interest. The Group has used the gross method of proportional consolidation and therefore reflects 50% of the Cullinan operating results, assets, and liabilities and a 13% minority interest. The net interest attributable to the Group is 37%, as stated above.

(b) Acquisition of subsidiary Williamson Diamond Mine ("Williamson")

On 10 November 2008 Petra acquired the entire share capital of Willcroft Company Limited ("Willcroft") from Cheviot Holdings ("Cheviot"), a wholly owned subsidiary of De Beers Société Anonyme for a cash consideration of US\$10 million. The total cash consideration of US\$10 million was funded entirely from Petra's internal cash resources.

Willcroft owns 75% of Williamson Diamonds Limited, the sole owner and operator of the Williamson mine and the Government of the United Republic of Tanzania owns the remaining 25%. The results of Willcroft are consolidated into the Group accounts. The Group reflects within its accounts 100% of Williamson Diamonds Limited operating results, assets and liabilities and a 25% minority interest in attributable profits where applicable. In the 8 months to 30 June 2009, Williamson incurred a loss of US\$2,791,736. If the acquisition had occurred on 1 July 2008, the Group's loss for the period ending 30 June 2009 would have increased by US\$6,850,948.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

3. Acquisitions and disposals (continued)

(b) Acquisition of subsidiary Williamson Diamond Mine ("Williamson") (continued)

Effect of the acquisition

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

	Book values	Fair value adjustments	Fair values
Williamson Diamond Mine net assets at acquisition date:	US\$	US\$	US\$
Fair value of net assets of entity acquired			
Mining property, plant & equipment	18,799,000	–	18,799,000
Mineral properties	–	5,751,200	5,751,200
Trade and other receivables	4,841,000	(839,000)	4,002,000
Inventory	6,899,000	(3,785,000)	3,114,000
Cash assets	1,235,000	–	1,235,000
Deferred tax	–	(1,327,200)	(1,327,200)
Environmental liabilities	(11,032,000)	–	(11,032,000)
Trade and other payables	(8,322,000)	(2,220,000)	(10,542,000)
Inter-group loans	(97,992,000)	97,992,000	–
Consideration amount satisfied in cash	(85,572,000)	95,572,000	10,000,000

The fair value adjustment of US\$5,751,200 to mineral properties arose as a result of the premium attributable to the mineral properties purchased (grossed up for deferred taxation) from De Beers Société Anonyme. The fair value adjustment to other receivables reflects VAT that is unlikely to be recovered. The fair value adjustment to inventory is to write down the value to its fair value. The fair value adjustment to other payables is to provide for taxes that had not been properly provided. The fair value adjustment of US\$97,992,000 arose as a result of inter-group loans acquired from Cheviot on acquisition of Willcroft for which there is no future external liability.

Since acquisition the Company has embarked on a feasibility study at the Williamson mine through an intensive bulk sampling programme with a view to better understanding the ore-body. This is being done to optimise the design of the treatment plant to further increase production in the future. To date all direct costs net of associated revenue have been capitalised towards the Williamson mine expansion project. The results of the feasibility will be published in due course.

(c) Acquisition of Kimberley Underground Mines assets

On 14 September 2007, the Company entered into a conditional agreement with De Beers Consolidated Mines Limited ("De Beers") to acquire the mining and associated assets previously used by De Beers in the operation of the Kimberley Underground diamond mines ("Kimberley Underground"), which are situated near Kimberley, South Africa.

The consideration is R78.5 million (US\$9.9 million). The consideration is to be settled by Petra assuming De Beers' rehabilitation obligations with regards to Kimberley Underground of R63.5 million (US\$8.0 million), and the payment in cash by Petra to De Beers of R15 million (US\$1.9 million). An extension letter has been signed by the Company and De Beers to allow additional time to satisfy the conditions precedent within the agreement. De Beers have confirmed their on-going commitment to the sale of Kimberley Underground assets.

The acquisition has not been completed as at 30 June 2009 as the agreement is conditional upon the remaining conditions (the old order mining right held by De Beers has been converted and registered as a new order mining right):

- (i) the amendment of the new order mining right to subdivide the Kimberley Underground mines from other rights to be retained by De Beers;
- (ii) the Department of Mineral Resources ("DMR") consenting to the cession to Petra of the new order mining right in respect of Kimberley Underground;
- (iii) the DMR consenting to the cession, transfer and delegation of the rehabilitation obligations and liabilities in respect of Kimberley Underground from De Beers to Petra;
- (iv) other related sale assets being sub-divided as required, and all regulatory approvals or consents being obtained in that regard;
- (v) issue of appropriate guarantees to De Beers; and
- (vi) all other regulatory approvals as may be required.

Fair values of the assets and liabilities have not been disclosed as the agreement has not yet been completed. For the period ending 30 June 2009, care and maintenance costs of R18,962,677 (US\$2,095,687) have been expensed, costs related to ore stock piles of R22,621,737 (US\$2,870,014) and fixed assets costs of R46,141,466 (US\$5,853,956), have been included in inventory and fixed assets respectively.

	2009 US\$	2008 US\$
4(a). Mining and processing costs		
Raw materials and consumables used	34,372,937	13,418,304
Employee expenses	30,528,913	21,800,743
Depreciation of mining assets	8,928,747	5,772,464
Changes in inventory of finished goods	(875,697)	2,506,896
	72,954,900	43,498,407
4(b). Other direct (income)/cost		
Loss on disposal of fixed assets	232,659	–
Retrenchment costs	935,083	–
Care and maintenance	2,095,694	413,300
Rehabilitation liability revaluation – change in assumptions	(4,628,882)	–
Other mining income	(1,225,712)	(732,492)
	(2,591,158)	(319,192)
5. Exploration expenditure		
Employee expenses	4,117,807	2,434,245
Depreciation of exploration assets	2,698,153	1,159,072
Amortisation of intangible assets	5,899,888	3,803,634
Drilling and air survey expenses	1,040,570	3,476,973
Equipment hire	262,648	245,243
Other exploration expenses	5,717,916	3,365,625
	19,736,982	14,484,792
6. Corporate expenditure		
Auditors' remuneration		
– audit services	373,184	315,325
– other services	–	5,002
Depreciation of property, plant and equipment	74,662	142,017
Operating lease rentals – buildings	184,705	127,225
Staff costs	2,370,616	2,847,418
Write-off of investment held for sale	–	96,593
Other charges	2,972,869	2,253,212
Share-based payments		
– directors	1,799,601	772,196
– senior management	522,754	857,587
	8,298,391	7,416,575

In addition to the above, the audit fee payable in 2010 in respect of the 2009 audit by the Group to its current auditors is US\$413,000.

All share-based payments are in respect of equity settled share option schemes as stated in note 29.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

7. Impairment of investments and operational assets

In accordance with IAS 36 "Impairment of Assets", when events or changes in market conditions indicate that tangible or intangible assets may be impaired, such assets are reviewed in detail to determine whether their carrying value is higher than their recoverable value, which could lead to recording an impairment loss (recoverable value is the higher of value in use and fair value less costs to sell). Value in use is estimated by calculating the present value of the future cash flows expected to be derived from the asset. Fair value less costs to sell is based on the most reliable information available (market statistics, recent transactions, etc.) The discounted cash flow basis has been used to calculate a value in use for the mining operations.

When determining recoverable values of investments and property, plant and equipment, assumptions and estimates are made, based primarily on market outlooks, obsolescence and sale or liquidation disposal values. Any change in these assumptions can have a significant effect on the recoverable amount and could lead to a revision of recorded impairment losses. Impairment losses of US\$75,274,714 have been recorded in 2009, (2008: US\$ nil).

Investment impaired	Asset class	Book value	Impairment adjustment	Carrying value
40% equity interest in Moyoweno – Angolan registered company with a 13% interest in the Alto Cuilo kimberlite exploration contract (Note 1)	Investment	US\$6,000,000	US\$6,000,000	US\$ –
39% equity interest in the Project Luangue kimberlite exploration project (Note 2)	Intangible asset- prospecting licence	US\$37,041,906	US\$37,041,906	US\$ –
Kono project (Sierra Leone)	Property, plant and equipment	US\$8,537,908	US\$8,537,908	US\$ –
Helam Mining (Pty) Limited (Note 3)	Property, plant and equipment	US\$28,230,939	US\$12,906,362	US\$16,095,950*
	Mineral properties		US\$6,275,966	
	UG development		US\$3,802,773	
	Buildings		US\$216,495	
	Mining property, plant and equipment		US\$2,611,128	
Star Diamond Mine (Pty) Limited (Note 3)	Property, plant and equipment	US\$16,197,524	US\$10,788,538	US\$5,408,986
	Mineral properties		US\$5,140,275	
	UG development		US\$3,101,718	
	Buildings		US\$1,147,520	
	Mining property, plant and equipment		US\$1,399,025	
Total			US\$75,274,714	

Note 1 – On 13 May 2008 Petra announced the transfer of BHP Billiton's 75% interest in the Alto Cuilo Joint Venture to Petra, with the Company taking control of the project with effect from 1 April 2008. The consideration price of US\$1 was paid for the acquisition of BHP Billiton's 75% interest in the Alto Cuilo Joint Venture; no value was assigned to the assets acquired due to the Group's decision to withdraw from its exploration projects in Angola.

On 19 December 2008, Petra announced that based on the results achieved and the global weakness in financial markets that it had decided to withdraw from the Alto Cuilo project (effective end December 2008). Care and maintenance is not an option that is permissible under the Angolan contractual conditions, so Petra therefore decided to withdraw completely and its interest in Alto Cuilo will now revert (at no cost) to Endiama.

Due to the withdrawal from Angola the Company has impaired its 40% equity interest in Organizações Moyoweno – Comércio Geral, Lda. ("Moyoweno"), an Angolan registered company, in the Company's balance sheet to US\$ nil. Moyoweno's sole asset is a 13% interest in the Alto Cuilo kimberlite exploration contract.

Note 2 – On 13 May 2008 Petra announced the transfer of BHP Billiton's 25% interest in the Luangue Joint Venture to Petra, with the Company assuming the exploration funding obligations of the project with effect from 1 May 2008. The consideration price of US\$1 was paid for the acquisition of BHP Billiton's 25% interest in the Luangue Joint Venture; no value was assigned to the assets acquired due to the Groups decision to withdraw from its exploration projects in Angola. Similar to the Alto Cuilo project, Petra announced at the time of BHP Billiton's withdrawal that it would monitor the ongoing exploration results with regards to further investment.

On 2 February 2009 Petra announced that it had decided, based on the ongoing exploration results and global weakness in financial markets, to withdraw from the Luangue project (effective end December 2008). As with Alto Cuilo, care and maintenance was not an option permissible under the Angolan contractual conditions, so Petra's interest in Luangue will revert to Endiama.

Note 3 – the mining operations recoverable amount estimated on a discounted cash flow basis at a discount rate of 12% and cost escalation based on the current South African inflation rate.

* The Group's project division is housed in Helam Mining (Pty) Limited. Included in the carrying value of US\$16,095,950 is Group project related work in progress of US\$9,805,610. Had these amounts not been included, Helam's carrying value would be US\$6,290,340.

7. Impairment of investments and operational assets (continued)

7.1 Impairment testing assumptions

a) Helam Mining (Pty) Ltd and Star Diamond Mine (Pty) Ltd

The key assumptions used in determining the recoverable value calculations are listed in the table below:

Key assumptions	Explanation
1. Recoverable value of reserves and resources	Economically recoverable reserves and resources are based on management's expectations based on the availability of reserves at mine sites and technical studies undertaken in-house and third party specialists. Refer to 6. below for further information.
2. Diamond prices	Long-term diamond prices are based on prevailing market conditions and the last available diamond tender price. The US\$/carat price range used in the calculations was US\$40 – US\$120.
3. Discount rate	The discount rate used represents the after tax risk free rate per the RSA Government bonds adjusted for market risk and volatility.
4. Inflation rate	Long-term inflation rates of 2.5% to 10% per annum were used for US\$ diamond prices. Long term inflation rate of 3.5% above the prevailing US inflation rate was used for opex and capex valuations.
5. Exchange rates	Exchange rates are based on external market consensus and after considering long term market expectations. The US\$/ZAR exchange rate range used commenced at R9,50; further devaluing at 3.5% per annum (2009 – R9.50; 2010 – R9.8023; 2011 – R10.1142).
6. Life of mine	Star Diamond Mine (Pty) Ltd – 19 years life of mine; total extractable resource 1.155mt at extraction rate of 63ktpa. Helam Mining (Pty) Ltd – +20 years life of mine; total extractable resource 2.6mt at extraction rate of 125ktpa.
7. Stay in business capital expenditure	Management have estimated the timing of the capital expenditure based on the Group's current and future financing plans for each operation.
8. Valuation basis	Discounted present value of future cash flows.

b) Moyoweno and Project Luangue

The key assumption and factor used in determining the recoverable value of Moyoweno and Project Luangue was the Group's decision to withdraw from all its exploration projects and investments in Angola.

c) Kono project (Sierra Leone)

The impairment charge for the Kono project is the 51% interest in that project that the Group held in its balance sheet. Although the Group is optimistic that the project will develop into a successful economic fissure mine, at current diamond prices and given the Group's decision to stop funding from 1 January 2009, the directors have considered the uncertainties relating to the project and made the prudent decision to provide against all costs incurred to date. The project is currently on care and maintenance.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

7. Impairment of investments and operational assets (continued)

7.2 Impairment tests – other mining operations

The Group performs impairment testing on an annual basis of all operations and when there are potential indicators which may require impairment. In addition to Helam Mining (Pty) Ltd and Star Diamond Mine (Pty) Ltd, the Group also performed impairment testing for Cullinan Diamond Mine (Pty) Ltd, Koffiefontein Empowerment Joint Venture, Kimberley Underground Mines Joint Venture, Sedibeng Mine Joint Venture and Williamson Diamonds Ltd. The results of the impairment testing performed did not indicate any additional impairments on the remaining mining operations. The key assumptions used in determining the recoverable value calculations are listed in the table below:

Key assumptions	Explanation
1. Recoverable value of reserves and resources	Economically recoverable reserves and resources are based on management's expectations based on the availability of reserves at mine sites and technical studies undertaken in-house and third party specialists. Refer to 6. below for further information.
2. Diamond prices	Long-term diamond prices are based on prevailing market conditions and the last available diamond tender price. The US\$/carat price range used in the calculations was US\$40 – US\$255.
3. Discount rate	The discount rate used for the South African operations represents the after tax risk free rate per the RSA Government bonds adjusted for market risk and volatility. The discount rate used for Williamson Diamonds Ltd represents the after tax risk free rate per the Tanzanian Government bonds adjusted for market risk and volatility.
4. Inflation rate	Long-term inflation rates of 2.5% to 10% per annum were used for US\$ diamond prices. Long-term inflation rate of 3.5% above the prevailing US inflation rate was used for opex and capex valuations.
5. Exchange rates	Exchange rates are based on external market consensus and after considering long term market expectations. The US\$/ZAR exchange rate range used commenced at R9.50; further devaluing at 3.5% per annum (2009 – R9.50; 2010 – R9.8023; 2011 – R10.1142).
6. Life of mine	Cullinan – 22 years life of mine; total extractable resource 71.6mt at extraction rate of 3.254mtpa. Koffiefontein – +20 years life of mine; total extractable resource 23.5mt at extraction rate of 1.2mtpa. Kimberley Mines – 12 years life of mine; in line with DCF models done at acquisition (pending finalisation) Sedibeng – 12 years life of mine; total extractable resource 1.448mt at extraction rate of 126ktpa. Williamson Diamonds Ltd – 19 years life of mine: total extractable resource 992mt at extraction rate of 7.5 – 10mtpa.
7. Stay in business capital expenditure	Management have estimated the timing of the capital expenditure based on the Group's current and future financing plans for each operation.
8. Valuation basis	Cullinan – discounted present value of future cash flows. Koffiefontein – discounted present value of future cash flows. Kimberley Mines – discounted present value of future cash flows. Sedibeng – discounted present value of future cash flows. Williamson Diamonds Ltd – open market acquisition price.

	2009 US\$	2008 US\$
8. Net financing income/(costs)		
Interest expense on bank loans and overdrafts	(682,476)	(861,563)
Other debt finance costs	(7,479,134)	(1,377,823)
Unwinding of present value adjustment for rehabilitation costs	(1,068,593)	–
Realised foreign exchange losses on settlement of foreign exchange contracts	(361,891)	–
Unrealised foreign exchange losses	(3,938,894)	(4,594,410)
Financial expense	(13,530,988)	(6,833,796)
Realised foreign exchange gains on settlement of foreign exchange contracts	83,631	597,026
Other unrealised foreign exchange gains	17,436,895	–
Interest received on loans and other receivables	2,084,817	52,561
Interest received on bank deposits	1,154,509	2,432,404
Financial income	20,759,852	3,081,991
	7,228,864	(3,751,805)
9 Taxation		
Current taxation		
– Current tax expense	(2,782,000)	(1,420,783)
Deferred taxation		
– Current period	6,206,624	(4,505,038)
	3,424,624	(5,925,821)

	%	2009 US\$	%	2008 US\$
Reconciliation of tax rate (Loss)/profit before taxation from continuing and discontinued operations		(92,359,409)		7,904,121
Tax at Bermudan corporate rate effects of:	–	–	–	–
Tax rates in foreign jurisdictions	12.85	11,867,844	(84.21)	(6,656,197)
Non-deductible expenses	(6.97)	(6,437,682)	8.50	671,753
Adjustment in respect of prior periods	(1.46)	(1,344,712)	–	–
Assessed losses utilised	1.61	1,486,223	–	–
Temporary differences	(0.81)	(747,164)	–	–
Assessed loss not utilised	(8.24)	(7,606,509)	57.74	4,563,661
Current tax charge	(3.02)	(2,782,000)	(17.97)	(1,420,783)
Deferred tax movement	6.72	6,206,624	(57.00)	(4,505,038)
Total tax credit/(charge)	3.70	3,424,624	(74.97)	(5,925,821)

During the year, the Group realised a taxation benefit of previously unrecognised tax losses which reduced the current taxation payable by US\$16,919. Previously the Group did not recognise the tax losses as deferred tax assets.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

10. Directors and employees remuneration

Staff costs (excluding the non-executive Directors) during the year were as follows:

	2009 US\$	2008 US\$
Wages and salaries – mining	30,528,913	21,800,743
Wages and salaries – exploration	4,117,807	2,434,245
Wages and salaries – administration	2,327,414	2,838,638
Social security costs	30,659	8,780
Provident fund costs	12,543	–
	37,017,336	27,082,406

	Number	Number
The number of employees at the various mining and exploration operations (excluding the non-executive Directors) of the Group at the end of the period was 3,519 (2008:2,842), employed as follows:		
Mining and exploration	3,419	2,702
Administration	100	122
	3,519	2,824

Remuneration in respect of executive and non-executive Directors was as follows:

	Base remuneration US\$	Performance-related bonus US\$	Share-based allocations US\$	2009 Total US\$	2008 Total US\$
Executive Directors					
A Pouroulis	193,908	39,650	346,077	579,635	649,004
D Abery	269,743	110,309	484,508	864,560	800,989
J Dippenaar	269,743	110,309	484,508	864,560	800,989
J Davidson	269,743	110,309	484,508	864,560	800,989
	1,003,137	370,577	1,799,601	3,173,315	3,051,971

	Fees US\$	2009 Total US\$	2008 Total US\$
Non-executive Directors			
C Segall	40,398	40,398	50,078
V Ruffer	8,080	8,080	10,016
	48,478	48,478	60,094

The IFRS 2 charge relating to key management for the year was US\$1,799,601 (30 June 2008: US\$772,196). See note 29 in respect of share-based payments.

	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	2009	2009	2009	2008	2008	2008
	US\$	US\$	US\$	US\$	US\$	US\$

11. Loss per share

Numerator

(Loss)/profit for the year

(92,423,981)	1,557,974	(90,866,007)	(5,820,436)	(1,388,902)	(7,209,338)
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Denominator

Weighted average
number of ordinary
shares used in
basic EPS

As at 1 July

184,005,523	184,005,523	184,005,523	181,448,193	181,448,193	181,448,193
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Effect of shares issued
during the period

–	–	–	1,813,457	1,813,457	1,813,457
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As at 30 June

184,005,523	184,005,523	184,005,523	183,261,650	183,261,650	183,261,650
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	Shares	Shares	Shares	Shares	Shares	Shares
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Weighted average number
of ordinary shares in issue
used in diluted EPS

184,005,523	184,005,523	184,005,523	183,261,650	183,261,650	183,261,650
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	US cents	US cents	US cents	US cents	US cents	US cents
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Basic (loss)/profit per
share – cents

(50.23)	0.85	(49.38)	(3.17)	(0.76)	(3.93)
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Diluted (loss)/profit
per share – cents

(50.23)	0.86	(49.38)	(3.17)	(0.76)	(3.93)
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Due to the Group's loss for the year, the diluted loss per share is the same as the basic loss per share. The number of potentially dilutive ordinary shares, in respect of employee share options, the convertible bond and warrants is 24,452,000. These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

12. Property, plant and equipment

	Plant and machinery mining assets US\$***	Plant and machinery exploration assets US\$	Computers and office equipment exploration assets US\$	Motor vehicles exploration assets US\$	Mineral properties mining assets US\$**	Assets under construction mining assets US\$	Assets advanced to project Alto Cuilo US\$	Total US\$
Cost								
Balance at 1 July 2007	55,892,069	1,539,974	574,094	178,599	34,858,884	–	5,503,412	98,547,032
Exchange differences	(5,148,676)	(33,480)	(97,064)	(24,132)	(3,528,582)	–	–	(8,831,934)
Business combination	–	–	–	–	–	–	–	–
Additions	13,293,201	110,244	725,861	145,633	3,041,544	3,274,415	285,600	20,876,498
Disposals	–	(80,738)	–	(28,396)	–	–	–	(109,134)
Transfer to non-current assets classified as held for sale	–	(317,629)	(118,608)	(47,762)	–	–	–	(483,999)
Balance at 30 June 2008	64,036,594	1,218,371	1,084,283	223,942	34,371,846	3,274,415	5,789,012	109,998,463
Balance at 1 July 2008	64,036,594	1,218,371	1,084,283	223,942	34,371,846	3,274,415	5,789,012	109,998,463
Exchange differences	(1,247,530)	(8,128)	(9,678)	(1,690)	(36,434)	1,881,787	–	578,327
Business combination	86,448,757	–	–	–	9,757,933	–	–	96,206,690
Feasibility production revenue*	–	–	–	–	(9,448,287)	–	–	(9,448,287)
Feasibility production expenditure*	–	–	–	–	15,613,287	–	–	15,613,287
Additions	22,083,722	7,222	253,138	–	–	13,282,874	1,117,882	36,744,838
Disposals	(490,030)	–	(263,238)	–	–	–	–	(753,268)
Transfer to non-current liabilities as set off against JV partner loan	(7,632,277)	–	–	–	–	–	–	(7,632,277)
Impairment charge	(20,332,136)	–	–	–	(11,206,821)	–	(756,202)	(32,295,159)
Balance at 30 June 2009	142,867,100	1,217,465	1,064,505	222,252	39,051,524	18,439,076	6,150,692	209,012,614
Depreciation								
Balance at 1 July 2007	5,639,941	94,566	145,798	69,303	5,954,279	–	1,770,434	13,674,321
Exchange differences	(700,996)	(25,599)	(23,638)	(11,918)	(563,793)	–	–	(1,325,944)
Disposals	–	–	–	–	–	–	–	–
Provided in the year	4,148,626	64,022	89,363	57,343	1,623,839	–	1,090,361	7,073,554
Transfer to non-current assets classified as held for sale	–	(234,659)	(76,953)	(14,228)	–	–	–	(325,840)
Balance at 30 June 2008	9,087,571	(101,670)	134,570	100,500	7,014,325	–	2,860,795	19,096,091
Balance at 1 July 2008	9,087,571	(101,670)	134,570	100,500	7,014,325	–	2,860,795	19,096,091
Exchange differences	1,446,052	4,492	16,259	1,434	104,307	–	–	1,572,544
Disposals	(93,919)	–	(188)	–	–	–	–	(94,107)
Provided in the year	8,004,955	18,649	90,832	12,087	865,551	–	2,709,476	11,701,550
Balance at 30 June 2009	18,444,659	(78,529)	241,473	114,021	7,984,183	–	5,570,271	32,276,078
Net book value								
At 30 June 2008	54,949,022	1,320,041	949,713	123,442	27,357,521	3,274,415	2,928,217	90,902,372
At 30 June 2009	124,422,441	1,295,994	823,032	108,231	31,067,341	18,439,076	580,421	176,736,536

* Feasibility production expenditure and revenue are in respect of the Williamson Diamond mine feasibility study as disclosed in note 3.

** Mineral properties are in respect of various mines within the Group and the useful life, based on life of mine plans, is disclosed in note 1.4.

*** The mining assets at the Koffiefontein mine have been secured against the loan facility disclosed in note 22 (iv).

	Intellectual property US\$	Prospecting licences US\$	Total US\$
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13. Intangible assets

Cost

Balance at 1 July 2007	3,488,824	75,971,741	79,460,565
Exchange differences	34,884	1,002,409	1,037,293
Transfer to non-current assets classified as held for sale	(3,523,708)	–	(3,523,708)
Disposals	–	(25,362,074)	(25,362,074)
Balance at 30 June 2008	–	51,612,076	51,612,076

Balance at 1 July 2008	–	51,612,076	51,612,076
Exchange differences	–	(53,774)	(53,774)
Transfer to non-current assets classified as held for sale	–	–	–
Impairment of Project Luangue	–	(37,041,906)	(37,041,906)
Disposals	–	–	–
Balance at 30 June 2009	–	14,516,396	14,516,396

Amortisation

Balance at 1 July 2007	–	(6,644,133)	(6,644,133)
Exchange differences	–	1,136,460	1,136,460
Provided in the year	–	(4,322,457)	(4,322,457)
Balance at 30 June 2008	–	(9,830,130)	(9,830,130)

Balance at 1 July 2008	–	(9,830,130)	(9,830,130)
Exchange differences	–	(368,123)	(368,123)
Provided in the year	–	(3,286,243)	(3,286,243)
Balance at 30 June 2009	–	(13,484,496)	(13,484,496)

Net book value

At 30 June 2008	–	41,781,946	41,781,946
At 30 June 2009	–	1,031,900	1,031,900

Country	Project	Development	Period years	2009 Amount US\$	2008 Amount US\$
Prospecting licences and intellectual property					
Prospecting licences:					
Angola*	Luangue	Early stage	–	–	37,095,679
Botswana	Kalahari	Early stage	4	1,031,900	4,686,267
Intellectual property:					
South Africa^				–	–
Net book value at 30 June				1,031,900	41,781,946

* Prospecting licences at Project Luangue have been fully impaired during the current year as a result of the Group's decision to withdraw from all exploration projects in Angola.

^ During the prior year, intellectual property was transferred to current assets as non-current assets classified as held for sale as a result of the disposal by the Company of its entire shareholding in Calibrated Diamonds Investment Holdings (Pty) Ltd in September 2008.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

14. Investments in associates and joint ventures

Interests in associates

At year end the Group had interests in the following companies:

	Country	2009	2008
Namibia Mining House (Pty) Ltd	Namibia	35.0%	35.0%
Nabera Mining (Pty) Ltd	South Africa	29.5%	29.5%
Organizações Moyoweno – Comércio Geral Lda	Angola	40.0%	40.0%
Petra Diamonds Alto Cuilo Ltd	British Virgin Islands	–	25.0%

On 13 May 2008 the Company announced the transfer of BHP Billiton's 75% interest in the Alto Cuilo Joint Venture to Petra, with the Company taking control of the project with effect from 1 April 2008. Petra Diamonds Alto Cuilo Limited is now considered a wholly owned subsidiary of the Company and as such is disclosed in note 33.

Summary of financial statements of associates:

	Assets	Liabilities	Equity	Revenues	Loss after tax
2009					
Namibia Mining House (Pty) Ltd	–	–	–	–	–
Nabera Mining (Pty) Ltd	3,353	(875,667)	872,314	–	(46,865)
Organizações Moyoweno – Comércio Geral Lda	809,773	(400,000)	(409,773)	–	(105,912)
Petra Diamonds Alto Cuilo Ltd	–	–	–	–	–
2008					
Namibia Mining House (Pty) Ltd	–	–	–	–	–
Nabera Mining (Pty) Ltd	3,878	(958,675)	954,797	–	(49,894)
Organizações Moyoweno – Comércio Geral Lda	809,773	(400,000)	(409,773)	–	(105,912)
Petra Diamonds Alto Cuilo Ltd	83,787,015	(93,292,890)	9,505,876	–	(8,561,113)

	2009 US\$	2008 US\$
If the investments in associates had been included at cost, they would have been included at the following amounts:		
Cost	27,089,334	27,089,334
Amounts written off	(21,089,334)	(20,453,042)
Impairment provision	(6,000,000)	–
Net book amount	–	6,636,292

The above amounts relate to the initial investment by the Group in Petra Diamonds Alto Cuilo Limited, Namibia Mining House (Pty) Limited, Nabera Mining (Pty) Limited and Organizações Moyoweno – Comércio Geral Lda ("Moyoweno"). Moyoweno's financial year end is 31 December, the statutory reporting period for companies based in Angola, and its primary asset is a 13% investment in the Alto Cuilo project in Angola. Interim financial information of Moyoweno has been used as at year end for the Group. The investments in Moyoweno and Petra Diamonds Alto Cuilo Limited have been impaired in full as disclosed in note 7.

14. Investments in associates and joint ventures (continued)

Interest in joint ventures

Name of joint venture	Effective percentage 2009 %	Effective percentage 2008 %	Nature of business	Country of incorporation	Functional currency
Cullinan Investment Holdings Ltd	50	–	Investment in diamond mining operations	British Virgin Islands	US\$

The Group has a 50% interest in and jointly controls Cullinan Investment Holdings Limited ("CIHL"). CIHL has a 74% interest in and controls the Cullinan operations; CIHL consolidates the Cullinan operations within its books and reflects a 26% minority interest. The Group has used the gross method of proportional consolidation and therefore reflects 50% of the Cullinan operating results, assets, and liabilities and a 13% minority interest. The net interest attributable to the Group is 37%. The Group's shares in CIHL have been pledged as security for the loan disclosed in note 22(vi).

The following is the Group's interest in the balance sheet and income statement of the joint venture as extracted from their financial statements:

	2009 US\$	2008 US\$
Balance sheet information		
Non-current assets	93,462,579	–
Current assets	23,612,148	–
Total assets	117,074,727	–
Non-current liabilities	66,810,742	–
Current liabilities	8,725,535	–
Total liabilities	75,536,277	–
Total shareholders' equity	41,538,450	–
Total equity and liabilities	117,074,727	–
Income statement information		
Revenue	25,621,034	–
Expenses	(23,477,616)	–
	2,143,418	–
Net financing costs	(3,030,991)	–
	(887,573)	–
Taxation	2,360,102	–
Net loss	1,472,529	–
The Group's interest in the joint venture's approved capital projects and contingent liabilities at 30 June 2009 amounted to US\$12,433,000 and US\$nil respectively.		
15. Available for sale financial assets		
Balance at 1 July	–	70,136
Acquisition	–	26,038
Impairment	–	(96,174)
Balance at 30 June	–	–

Notes to the annual financial statements cont.

For the year ended 30 June 2009

	2009 US\$	2008 US\$
16. Inventories		
Diamonds held for resale	6,488,501	6,406,901
Work in progress stockpiles	4,166,249	3,168,560
Consumables and stores	4,556,237	2,203,111
Livestock	104,027	–
	15,315,014	11,778,572
Provision for impairment of slow moving consumables and stores	(520,673)	–
	14,794,341	11,778,572
17. Trade and other receivables		
Current		
Trade receivables	3,250,005	13,184,323
Other receivables*	8,472,910	19,108,026
Prepayments^	7,200,187	7,822,956
	18,923,102	40,115,305
Non-current		
Rehabilitation guarantee#	136,443	138,177
Amounts receivable from associates	19,501,556	–
	19,637,999	138,177
<p>* Included within other receivables are amounts related to funding advanced to joint venture Black Economic Empowerment partners on the Koffiefontein Mine assets of US\$3,895,140 (30 June 2008: US\$4,518,998), rehabilitation deposits for Cullinan Diamond Mine (Pty) Ltd of US\$2,113,716 (30 June 2008: US\$10,429,031) and Value Added Tax refunds of US\$2,304,856 (30 June 2008: US\$1,065,206) receivable.</p> <p>^ Included within prepayments is US\$6 million (30 June 2008: US\$4 million) relating to a deposit paid for further investment in the Group's South African projects</p> <p># The rehabilitation guarantee comprises an insurance risk policy which will be recovered upon the successful rehabilitation of the Sedibeng Diamond Mine operation.</p> <p>The carrying values of these loans and receivables are denominated in the following currencies:</p>		
Botswana pula	17,253	43,767
Pound sterling	6,670,125	9,100,008
South African rand	5,410,731	30,343,353
US Dollars	6,824,993	628,177
	18,923,102	40,115,305
The financial assets classified as loans and receivables included in receivables are as follows:		
Current trade receivables	3,250,005	13,184,323
Non-current trade receivables	19,637,999	138,177
	22,888,004	13,322,500
<p>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 2 days of awarding the rough diamond sales tender to the successful bidder. No other receivables are considered to be past due or impaired.</p> <p>The carrying values of these loans and receivables are denominated in the following currencies:</p>		
Botswana pula	2,362	18,573
Pound sterling	4,783,247	4,649,171
South African rand	23,632,854	26,512,656
US Dollars	2,942,451	1,250,126
	31,360,914	32,430,526

18. Cash and cash equivalents

Unsecured cash at bank and on hand
Secured cash at bank

	2009 US\$	2008 US\$
Unsecured cash at bank and on hand	6,686,320	19,789,232
Secured cash at bank	4,371,965	17,680,138
	11,058,285	37,469,370

As security for the Group's rehabilitation obligations at Helam Mining (Pty) Ltd ("Helam"), Star Diamond Mine (Pty) Ltd, Sedibeng Mine JV and Sedibeng Mining (Pty) Ltd the Company has ceded US\$4,371,965 (30 June 2008: US\$17,680,138) in a fixed deposit. The rehabilitation guarantees are disclosed under note 24.

A controlled entity, Helam, has a R10,000,000 (US\$1,268,697) (30 June 2008: R10,000,000 (US\$1,278,347)) overdraft facility with First National Bank, a division of FirstRand Bank Limited. At year end the overdraft, which forms part of the above cash balances, was drawn down to R8,474,420 (US\$1,075,147) (30 June 2008: R8,388,169 (US\$1,072,299)). The overdraft has been set-off against other cash balances held with First National Bank as it forms part of the Group's operational cash balances. The weighted average interest rate for the overdraft as at 30 June 2009 is 10.47% (30 June 2008: 16.65%).

19. Issued capital

	Number of shares	2009 US\$	Number of shares	2008 US\$
Authorised				
Ordinary shares of 10p each				
As at 1 July 2008 and 30 June 2009	300,000,000	60,117,000	300,000,000	60,117,000
Issued and fully paid				
At 1 July	184,005,523	36,698,062	181,448,191	36,360,403
Retranslation of allotments prior periods	–	(3,178,994)	–	(3,363,034)
Restated at 1 July	184,005,523	33,519,068	181,448,191	32,997,369
Allotments during the year	–	–	2,557,332	521,699
At 30 June	184,005,523	33,519,068	184,005,523	33,519,068

There were no allotments during the year. During the year, the Group changed its accounting policy in respect of the translation of share capital and share premium into US Dollars, resulting in a prior year adjustment, as disclosed in note 1.24.

Allotments during the prior year were in respect of 2,500,000 shares issued for the exercise of 2,500,000 warrants held over ordinary shares by Photon Global Ltd and the exercise of 57,332 share options held by employees.

Warrants

Holder	Expiry	Exercise price	2009 Number of warrants	2008 Number of warrants
Al Rajhi Holdings W.L.L.	18 September 2009	130p	2,000,000	2,000,000

The warrants held by Al Rajhi Holdings W.L.L expired on 5 October 2009. The Black-Scholes methodology as outlined in IFRS 2 has been used to value the options and warrants, as set out in note 29.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

19. Issued capital (continued)

Employee share options

Holder	Shares	Exercise price	Expiry
Directors			
A Pouroulis	500,000	44.0p	5 September 2013
	250,000	85.0p	16 June 2015
	250,000	79.5p	31 May 2016
	250,000	27.5p	12 March 2019
D Abery	500,000	44.0p	5 September 2013
	250,000	85.0p	16 June 2015
	250,000	79.5p	31 May 2016
	750,000	27.5p	12 March 2019
J Dippenaar	750,000	85.0p	16 June 2015
	250,000	79.5p	31 May 2016
	750,000	27.5p	12 March 2019
J Davidson	750,000	85.0p	16 June 2015
	250,000	79.5p	31 May 2016
	750,000	27.5p	12 March 2019
Senior Management			
	192,000	44.0p	5 September 2013
	50,000	56.75p	13 September 2014
	238,875	46.5p	24 September 2014
	72,500	56.5p	28 January 2015
	423,334	65.75p	27 November 2015
	460,000	79.5p	31 May 2016
	553,625	96p	31 July 2016
	5,865,000	27.5p	12 March 2019
Total	14,355,334		

The details of cancellations and the movement in director and senior management share options is disclosed in the Directors' remuneration report on page 42 of the financial statements.

20. Capital and reserves

	Share capital US\$	Share premium account US\$	Foreign currency translation reserve US\$	Hedging reserve US\$	Share-based payment reserve US\$	Other reserves US\$	Accumulated loss US\$	Total US\$	Minority interest US\$	Total US\$
At 1 July 2007	36,360,403	227,366,888	(6,136,854)	–	1,527,000	4,003,682	(102,557,593)	160,563,526	–	160,563,526
Retranslation of prior periods	(3,363,034)	(16,981,440)	20,344,474	–	–	–	–	–	–	–
Restated balance at 1 July	32,997,369	210,385,448	14,207,620	–	1,527,000	4,003,682	(102,557,593)	160,563,526	–	160,563,526
Exchange differences recognised directly in equity	–	–	(3,351,183)	(138,299)	–	–	–	(3,489,482)	–	(3,489,482)
Net income recognised directly in equity	–	–	(3,351,183)	(138,299)	–	–	–	(3,489,482)	–	(3,489,482)
Profit/(loss) for the year	–	–	–	–	–	–	(7,209,338)	(7,209,338)	9,187,638	1,978,300
Total recognised income and expense for the year	–	–	(3,351,183)	(138,299)	–	–	(7,209,338)	(10,698,820)	9,187,638	(1,511,182)
Equity settled share-based payments	–	–	–	–	1,622,704	–	–	1,622,704	–	1,622,704
Exchange differences	–	–	(1,317,799)	–	(7,239)	13,286	–	(1,311,752)	–	(1,311,752)
Allotments during the year	521,699	2,512,489	–	–	–	–	–	3,034,188	–	3,034,188
At 30 June 2008	33,519,068	212,897,937	9,538,638	(138,299)	3,142,465	4,016,968	(109,766,931)	153,209,846	9,187,638	162,397,484
At 1 July 2008 as previously reported	36,698,062	228,745,618	(9,488,037)	(138,299)	3,142,465	4,016,968	(109,766,931)	153,209,846	9,187,638	162,397,484
Retranslation of prior periods	(3,178,994)	(15,847,681)	19,026,675	–	–	–	–	–	–	–
Restated balance at 1 July	33,519,068	212,897,937	9,538,638	(138,299)	3,142,465	4,016,968	(109,766,931)	153,209,846	9,187,638	162,397,484
Hedging reserve transferred between reserves	–	–	–	138,299	–	–	–	138,299	–	138,299
Exchange differences recognised directly in equity	–	–	(16,469,640)	–	(556,682)	–	–	(17,026,322)	–	(17,026,322)
Net income recognised directly in equity	–	–	(16,469,640)	138,299	(556,682)	–	–	(16,888,023)	–	(16,888,023)
(Loss)/profit for the year	–	–	–	–	–	–	(90,866,007)	(90,866,007)	1,931,222	(88,934,785)
Minority share of dividend paid by subsidiary	–	–	–	–	–	–	–	–	(994,651)	(994,651)
Total recognised income and expense for the year	–	–	(16,469,640)	138,299	(556,682)	–	(90,866,007)	(107,754,030)	936,571	(106,817,459)
Equity settled share-based payments transfer between reserves	–	–	–	–	(3,091,412)	–	3,091,412	–	–	–
Equity settled share-based payments	–	–	–	–	2,322,355	–	–	2,322,355	–	2,322,355
Exchange differences	–	–	–	–	–	(13,286)	–	(13,286)	(535,146)	(548,432)
At 30 June 2009	33,519,068	212,897,937	(6,931,002)	–	1,816,726	4,003,682	(197,541,526)	47,764,885	9,589,063	57,353,948

Share capital

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

Share premium reserve

The share premium reserve comprises the excess value recognised from the issue of ordinary shares at par.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of foreign entities.

Hedging reserve

The hedging reserve comprises the change in the fair value of derivative contracts which qualify as effective and are designated cash flow hedges.

Share-based payment reserve

The share-based payment reserve comprises the fair value of employee options as measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

Other reserves

The other reserves comprise the equity portion of the interest free convertible bond and the fair value of the 2,000,000 warrants issued with the convertible bond.

Accumulated loss

The accumulated loss comprises the Company's cumulative accounting losses incurred since incorporation.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

21. Reconciliation of movement in equity attributable to equity holders of parent company

	2009 US\$	2008 US\$
Opening shareholders' funds	153,209,846	160,563,526
Net income recognised in equity	(17,026,322)	(3,489,482)
Loss for the year	(90,866,007)	(7,209,338)
Movement in share-based payment reserve	2,322,355	1,622,704
New share capital issued	–	2,966,654
Transfer between reserves	138,299	–
Exchange differences	(13,286)	(1,244,218)
Net movement in shareholders' funds	(105,444,961)	(7,353,680)
Closing shareholders' funds	47,764,885	153,209,846

22. Interest bearing loans and borrowings

Current

Bank loan – secured (i)	38,470	31,170
Bank loan – secured (ii)	589,464	1,028,957
Bank loan – secured (iii)	523,338	567,738
Bank loan – secured (iv)	8,093,021	–
Bank loan – secured (v)	3,109,549	–
Loan – secured (vi)	9,300,856	–
Convertible note – unsecured (vii)	19,628,495	18,221,774
Loan unsecured (viii)	2,598,547	–
Loan unsecured (ix)	9,777,185	–
Loan unsecured (x)	3,751,694	–
Lease and installment purchase liabilities (xi)	–	5,083
	57,410,619	19,854,722

Non-current

Bank loan – secured (i)	116,973	158,935
Bank loan – secured (ii)	444,709	780,090
Bank loan – secured (iii)	–	564,172
Joint venture partner loans (xii)	43,288,766	–
Associate loans	407,970	356,482
	44,258,418	1,859,679

(i) Bank loans – secured

First National Bank

Helam has a term loan facility with First National Bank and at year end an amount of R1,225,217 (US\$155,443) (30 June 2008: R1,487,151 (US\$190,109)) was drawn on the loan, R303,224 (US\$38,470) (30 June 2008: R243,864 (US\$31,170)) payable within the next 12 months and R921,993 (US\$116,973) (30 June 2008: R1,243,287 (US\$158,935)) payable over a period of four years. The effective interest rate for the term loan at 30 June 2009 was 10.47% and the final installment is due on 30 November 2012.

The above facilities are secured against properties of Helam for up to R7,850,000 (US\$995,927) (30 June 2008: R7,850,000 (US\$1,003,503)) and a R8,000,000 (US\$1,014,957) (30 June 2008: R8,000,000 (US\$1,022,677)) general notarial bond over moveable assets along with unlimited letters of suretyship from Star Diamonds (Pty) Ltd and Messina Diamonds (Pty) Ltd and a letter of joint suretyship for R2,000,000 (US\$253,739) (30 June 2008: R2,000,000 (US\$255,669)) from Directors Mr J Dippenaar and Mr J Davidson. The facilities with First National Bank are subject to annual review.

22. Interest bearing loans and borrowings (continued)

(ii) Bank loan – secured

Industrial Development Corporation of South Africa

The Sedibeng Mining Joint Venture ("Sedibeng JV"), which comprises subsidiaries of the Company, Messina Diamonds (Pty) Limited ("Messina") and Dancarl Diamonds (Pty) Limited ("Dancarl"), has a loan facility of R30,000,000 (US\$3,806,092) (30 June 2008: R30,000,000 (US\$3,835,042)) with the Industrial Development Corporation of South Africa ("IDC") to fund future capital expenditure at the Messina and Dancarl mines. The drawdown value of the loan facility at 30 June 2009 is R8,151,457 (US\$1,034,173) (30 June 2008: R14,151,457 (US\$1,809,048), R4,646,214 (US\$589,464) (30 June 2008: R8,049,123 (US\$1,028,957)) payable within the next 12 months and R3,505,243 (US\$444,709) (30 June 2008: R6,102,334 (US\$780,090)) payable over a period greater than 12 months. The loan is repayable over 60 months at 0.5% below the prevailing South African prime lending interest rate. The effective interest rate for the loan facility at 30 June 2009 is 10.47% and the final installment is due on 1 August 2011.

As security for the loan, Messina has signed suretyship as co-principal debtor and registered a general notarial bond over Messina's moveable assets in favour of the IDC.

(iii) Bank loan – secured

Rand Merchant Bank

A controlled entity, Autumn Star Investment Holdings (Pty) Ltd ("Autumn Star") has a loan agreement with FirstRand Ltd ("FirstRand") for a loan facility of R16,500,000 (US\$2,093,350) (30 June 2008: R16,500,000 (US\$2,109,273)). At 30 June 2009 an amount of R4,161,785 (US\$523,338) (30 June 2008: R8,854,480 (US\$1,131,910)) was outstanding on the loan facility, R4,161,785 (US\$523,338) (30 June 2008: R4,441,188 (US\$567,738)) payable within the next 12 months. Interest is payable biannually at 0.5% below the prevailing South African prime lending interest rate. The effective interest rate for the loan facility at 30 June 2009 is 10.47% and the final installment was paid on 1 August 2009. Autumn Star and Messina Investments Limited have signed suretyship for the loan in favour of FirstRand.

(iv) Bank loans – secured

First National Bank

The Company's South African subsidiaries have a total loan facility of R67,866,540 (US\$8,610,210) (30 June 2008: Nil (US\$nil)) with First National Bank of which R63,790,000 (US\$8,093,021) has been drawn down. The loan facility is split into a fixed and variable portion as follows:

Fixed

The fixed facility is R50,000,000 (US\$6,343,487). The drawdown value of the fixed loan facility at 30 June 2009 is R50,000,000 (US\$6,343,487) (30 June 2008: Nil (US\$nil)). The effective interest rate for the loan facility at 30 June 2009 was 11.57%. The fixed loan facility is subject to annual review.

The above facility is secured by a guarantee issued by the Company, suretyships from Star Diamonds (Pty) Ltd, Helam Mining (Pty) Ltd, Sedibeng Diamond Mine JV and Blue Diamond Mines (Pty) Ltd cessions of intergroup loans payable in favour of First National Bank.

During the year, as a result of the impairment charge detailed in note 7, the Group was in technical default on a covenant regarding net assets on one of its loans. The bank was fully aware of this issue and no formal waiver was requested or issued. The facility remained unchanged as a result of the breach and repayment was not accelerated.

Variable

The variable facility is R17,866,540 (US\$2,266,723). The drawdown value of the fixed loan facility at 30 June 2009 is R13,790,000 (US\$1,749,534) (30 June 2008: Nil (US\$nil)). The effective interest rate for the loan facility at 30 June 2009 was 11.57%. The above facility is secured by a Dollar deposit of US\$2,529,481 as disclosed in note 18.

(v) Bank loan – unsecured

Board of Executors

A jointly controlled entity, Premier Rose Management Services (Pty) Ltd, has a loan facility of R47,300,000 (US\$6,000,939) (30 June 2008: Nil (US\$nil)) with the Board of Executors Stockbrokers (Pty) Ltd ("BoE"). The drawdown value of the loan facility at 30 June 2009 is R47,300,000 (US\$6,000,939) (30 June 2008: Nil (US\$nil)), the Group's exposure to the facility is R24,509,777 (US\$3,109,549). The loan incurs interest at 0.5% below the prevailing South African prime lending interest rate. The effective interest rate for the loan facility at 30 June 2009 is 10.47%. The loan has no fixed terms of repayment but is subject to annual review whereafter the loan may be extended for a further 12 month period.

(vi) Loan – secured

Cheviot Holdings Limited

The Company has a loan of US\$9,300,856 (30 June 2008: US\$nil) with Cheviot Holdings Ltd ("Cheviot"). The drawdown value of the loan facility at 30 June 2009 is US\$9,300,856 (30 June 2008: US\$nil). The loan incurs interest at the prevailing 6 month US Dollar Libor rate plus a risk premium. The effective interest rate for the loan facility at 30 June 2009 is 8.59%. The loan is repayable on 22 November 2010. The Group's shares in Cullinan Investment Holdings Ltd have been pledged as security for the loan.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

22. Interest bearing loans and borrowings (continued)

(vii) Convertible bond – unsecured

On 19 September 2006 the Company issued a US\$20 million unsecured interest free convertible bond ("the Convertible"). The Convertible is convertible at an exercise price of 130 pence per Petra share at the election of the holder. If not converted, the bond was due for repayment on 18 September 2009 but has been renegotiated, see note 30. Warrants over 2,000,000 Petra shares at 130 pence per share have been issued to the holder of the Convertible, the warrants are exercisable on or before 18 September 2009. The warrants over 2,000,000 Petra shares have now accordingly expired. The effective interest rate is 7.48%.

	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Movements in convertible bond	Number	Number	US\$	US\$
Balance at beginning of year	7,677,337	7,677,337	18,221,774	16,911,583
Interest accreted for the year	–	–	1,406,721	1,310,191
Balance at the end of year	7,677,337	7,677,337	19,628,495	18,221,774

(viii) Loan – unsecured

Umnotho Wesizwe Group (Pty) Ltd

A controlled entity, Petra Diamonds Southern Africa (Pty) Ltd, has a loan of R20,000,000 (US\$2,537,395) (30 June 2008: Nil (US\$nil)) with the Umnotho Wesizwe Group (Pty) Ltd ("Umnotho"). The drawdown value of the loan at 30 June 2009 is R20,482,004 (US\$2,598,547) (30 June 2008: Nil (US\$nil)). The loan bears interest at the prevailing South African prime lending interest rate. The effective interest rate for the loan facility at 30 June 2009 is 11.02%. The loan is repayable in full on 31 December 2009. A director of the company, D Abery, is also a director of Umnotho.

(ix) Loan – unsecured

Cullinan Investment Holdings Limited

The Group has a loan owing to Cullinan Investment Holdings Ltd, for US\$19,751,011, being its portion outstanding of the contributions to the Cullinan Investment Holdings Ltd Joint Venture. The Group's net exposure to the loan is US\$9,777,184. The loan bears interest at 8% per annum non-compounding. The effective interest rate for the loan at 30 June 2009 is 8%. The loan is repayable in full on 30 December 2011.

(x) Loan – unsecured

Cullinan Diamond Mine (Pty) Ltd

A controlled entity, Petra Diamonds Southern Africa (Pty) Ltd, has a loan of R59,142,444 (US\$3,751,693) (30 June 2008: Nil (US\$nil)) with the Cullinan Diamond Mine (Pty) Ltd. The loan bears interest at the prevailing South African deposit rates. The effective interest rate for the loan at 30 June 2009 is 7.02%. There are no fixed terms of repayment.

(xi) Lease and hire purchase liabilities

The lease and hire purchase liabilities were settled in full during the year.

(xii) Joint venture partner loan – unsecured

Al Rajhi Holdings W.L.L

A jointly-controlled entity, Cullinan Investment Holdings Ltd, has a loan of US\$80,000,000 (30 June 2008: US\$nil) with Al Rajhi Holdings W.L.L. The Group's exposure to the loan is US\$43,288,766 including accrued interest. The loan bears interest at 8% per annum non-compounding. The effective interest rate for the loan at 30 June 2009 is 8%. The loan is repayable in full on 30 December 2011.

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

	2009 US\$	2008 US\$
23. Trade and other payables		
Current		
Trade payables	7,262,142	8,699,487
Deferred consideration (i)	2,893,470	2,823,755
Provident fund contributions	9,391	20,942
Other payables	2,838,250	1,020,606
	12,983,253	12,564,790
Derivative financial instruments (ii)	–	138,299
	12,983,253	12,703,089
Non-current		
Amounts owing to associates (iii)	19,073,118	4,898,336
	19,073,118	4,898,336

Current

(i) The US\$2,893,470, being the balance of the Helam Mining (Pty) Ltd purchase price, is payable from 50% of the cash surplus generated by Helam Mining (Pty) Ltd for the years ending 31 December 2006 and 2007.

Any shortfall in the amount payable in any one year can be carried forward to the next year until such time that the total amount payable of US\$2,893,470 has been extinguished. At year end no portion of the liability had been repaid and the total liability will be carried forward to June 2010.

(ii) The derivative financial instruments represent forward exchange contracts entered into to hedge the Company's future diamond sales and entity acquisitions. During the year, forward exchange contracts relating to the prior year were closed and a foreign exchange loss of US\$278,260 was realised. A management decision to limit the Group's exposure to forward exchange contract movements due to the volatility in the South African ZAR against the US Dollar resulted in no forward exchange contracts positions at year end.

(iii) Amounts owing to associates represent those amounts owing by the Group to its BEE partners at Cullinan.

2008: Maturity date	Currency	Put value of US\$ forward	Call value of US\$ forward	Net US\$ cashflow inflow/(outflow)
3 July 2008	USD/ZAR	2,900,000	(2,900,000)	(145,347)
7 July 2008	USD/ZAR	50,000,000	(50,000,000)	(104,080)
31 July 2008	USD/ZAR	2,000,000	(1,000,000)	(50,286)
30 September 2008	USD/ZAR	2,000,000	(1,000,000)	(59,215)
30 September 2008	USD/ZAR	3,000,000	(3,000,000)	151,521
31 October 2008	USD/ZAR	2,000,000	(1,000,000)	(62,133)
31 October 2008	USD/ZAR	2,000,000	(2,000,000)	87,841
28 November 2008	USD/ZAR	2,000,000	(1,000,000)	(66,819)
28 November 2008	USD/ZAR	2,000,000	(3,000,000)	110,219
Totals				(138,299)

Notes to the annual financial statements cont.

For the year ended 30 June 2009

23. Trade and other payables (continued)

The following amounts in respect of derivative financial instruments have been included in equity:

	2009 US\$	2008 US\$
Opening balance	138,299	–
Recognised directly in equity	(138,299)	138,299
Closing balance	–	138,299

The carrying values of trade and other payables are denominated in the following currencies:

Australian dollar	2,907,861	2,308,435
Botswana pula	54,294	114,656
Pound sterling	185,844	683,506
South African rand	15,721,115	10,387,435
US Dollar	13,187,257	4,107,393
	32,056,371	17,601,425

The financial liabilities classified as other liabilities included in payables are as follows:

Trade payables	7,262,142	8,699,487
Derivative financial instruments	–	138,299
Other payables (includes deferred consideration)	5,711,720	3,844,361
Non-current amounts owing to associates	19,073,118	4,898,336
	32,046,980	17,580,483

The carrying values of trade and other payables are denominated in the following currencies:

Australian dollar	14,391	18,747
Botswana pula	54,294	114,656
Pound sterling	185,844	683,506
South African rand	26,237,343	12,105,032
US Dollar	5,555,108	4,658,542
	32,046,980	17,580,483

24. Provisions

	Employee entitlements and other provisions US\$	Rehabilitation US\$	Total US\$
Balance at 1 July 2007	2,310,467	9,852,535	12,163,002
Increase in provisions	1,795,324	2,154,971	3,950,295
Unwinding of present value adjustment of rehabilitation provision	–	133,277	133,277
Balance at 30 June 2008	4,105,791	12,140,783	16,246,574
Current	4,105,791	–	4,105,791
Non-current	–	12,140,783	12,140,783
Balance at 30 June 2008	4,105,791	12,140,783	16,246,574
Balance at 1 July 2008	4,105,791	12,140,783	16,246,574
Acquisition of business combination	1,951,331	17,926,702	19,878,033
(Decrease)/increase in provisions	8,858,426	–	8,858,426
Revaluation of environmental rehabilitation liability due to change in assumptions adjusted against assets	–	147,659	147,659
Revaluation of environmental rehabilitation liability due to change in assumptions adjusted in income statement	–	(4,628,882)	(4,628,882)
Unwinding of present value adjustment of rehabilitation provision	–	1,068,593	1,068,593
Forex movement	–	(608,955)	(608,955)
Balance at 30 June 2009	14,915,548	26,045,900	40,961,448
Current	14,915,548	–	14,915,548
Non-current	–	26,045,900	26,045,900
Balance at 30 June 2009	14,915,548	26,045,900	40,961,448

24. Provisions (continued)

Employee entitlements and other provisions

The provision for employee entitlements and other provisions relate to accrued leave, performance bonuses, income tax and other accruals. The provision is based on estimates made, where appropriate, from historical information. The Group expects to incur the liability within the next 12 months.

Rehabilitation

The provision is the estimated cost of the environmental rehabilitation at each site, which is based on current legal requirements and existing technology. The Group expects to incur rehabilitation expenditure at Koffiefontein Mine of US\$5,706,402 (30 June 2008: US\$10,229,538), during its useful life of 20 years, Cullinan Diamond Mine of US\$6,904,334 (representing the Groups effective interest) during its useful life of 22 years, Williamson Diamond Mine of US\$11,464,014 during its useful life of 19 years and rehabilitation expenditure at Helam Mining (Pty) Ltd, Star Diamond Mine (Pty) Ltd and Sedibeng Mining JV ("the fissure mines") of US\$1,971,150 (30 June 2008: US\$1,911,245) during the useful life of the fissure mines which is approximately 20 years, from the date of this report. The majority of the rehabilitation expenditure is expected to be incurred at the end of the life of mines. Cash and cash equivalents have been secured in respect of rehabilitation provisions, as disclosed in note 18.

During the year, the Group commissioned an independent review of its rehabilitation liabilities at all of its mines (other than Williamson that was acquired during the year). As a result of this review US\$4.6m has been released to the income statement in accordance with IFRIC 1.

	2009 US\$	2008 US\$
25. Deferred taxation		
Balance at beginning of the year	13,041,589	9,551,924
Adjustment as a result of business combination	1,327,200	–
Income statement (credit)/charge	(6,206,624)	4,505,038
Foreign currency translation difference	(802,806)	(1,015,373)
Balance at the end of year	7,359,359	13,041,589
Comprising:		
– capital allowances	6,226,340	12,307,745
– provisions	(517,790)	(339,153)
– prepayments and accruals	29,091	(1,130,679)
– forex allowances	(1,130,452)	(3,071,503)
– tax losses	(832,347)	(31,650,628)
	3,774,842	(23,884,218)
Deferred tax asset not recognised	3,584,517	36,925,807
Deferred tax liability	7,359,359	13,041,589

Deferred tax assets, as above, have not been raised due to the uncertainty over the future recoverability of these assets. The tax benefits on the temporary timing differences will be recognised over the useful life of the assets.

26. Financial instruments

Exposures to currency, credit and interest rate risk arise in the normal course of the Group's business. The Group may from time to time use financial instruments to help manage these risks. The Directors review and agree policies for managing each of these risks. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

	2009 US\$	2008 US\$
26. Financial instruments (continued)		
The details of the categories of financial instruments of the Group are as follows:		
Financial assets:		
Loans and receivables:		
– Non-current receivables	19,637,999	138,177
– Trade receivable balances	3,250,005	13,184,323
– Other receivables	8,472,910	19,108,026
– Cash and cash equivalents secured against rehabilitation obligations	4,371,965	–
– Cash and cash equivalents	6,686,320	37,469,370
	42,419,199	69,899,896
Financial liabilities:		
– Non-current amounts owing to associates	19,073,118	4,898,336
– Loans and borrowings	101,669,037	21,714,401
– Trade payables and other payables	12,983,253	12,564,790
– Derivative financial instruments	–	138,299
	133,725,408	39,315,826
There is no significant difference between the fair value of financial assets and liabilities and the carrying values set out in the table above.		
The currency profile of the Group financial assets and liabilities is as follows:		
Financial assets:		
Australian dollar	16,118	–
Botswana pula	(33,067)	127,266
Pound sterling	4,783,247	22,237,956
South African rand	30,229,034	28,604,410
US Dollar	7,423,867	18,930,264
	42,419,199	69,899,896
Financial liabilities:		
Australian dollar	14,391	1,882,190
Botswana pula	54,294	114,656
Pound sterling	185,844	683,506
South African rand	43,227,820	14,306,307
US Dollar	90,243,059	22,329,167
	133,725,408	39,315,826

The Group is exposed through its operations to one or more of the following risks:

- credit risk;
- interest rate risk;
- foreign exchange risk;
- liquidity risk; and
- other market price risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade and other receivables;
- cash at bank;
- trade and other payables;
- loans and borrowings including convertible bonds; and
- hedging instruments.

26. Financial instruments (continued)

Credit risk

The Group sells its rough diamond production through a tender process on a recognised bourse. This mitigates the need to undertake credit evaluations. Where production is not sold on a tender basis the Directors undertake suitable credit evaluations before passing ownership of the product.

At the balance sheet 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 balance sheet. The financial assets are carried at amortised cost, with no indication of impairment. The Group considers the credit quality of loans and receivables that are neither past due nor impaired to be good.

The 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 7 to 30 days. Refer to note 18 for cash secured in respect of rehabilitation obligations.

Foreign currency risk

Foreign exchange risk arises because the Group has operations located in parts of the world where the functional currency is not the same as the Group's primary functional currency of US dollars. The Group's net assets arising from its foreign operations are exposed to currency risk resulting in gains and losses on translation into US dollars. Only in exceptional circumstances will the Group consider hedging its net investments in foreign operations, as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques.

Foreign exchange risk also arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. The policy of the Group is, where possible, to allow Group entities to settle liabilities denominated in their local currency with the cash generated from their own operations in that currency. In the case of the funding of non-current assets such as projects to expand productive capacity entailing material levels of capital expenditure, the central Group treasury function will assist the foreign operation to obtain matching funding in the functional currency of that operation and shall provide additional funding where required. The currency in which the additional funding is provided is determined by taking into account the following factors:

- the currency in which the revenue expected to be generated from the commissioning of the capital expenditure will be denominated;
- the degree to which the currency in which the funding is 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 foreign currency effect on the Group's financial assets and liabilities is as follows:

	Year end US\$ rate	Year end amount	US\$ strengthens 5%	US\$ weakens 5%
Financial assets:				
Australian dollar	0.8045	16,118	15,312	16,924
Botswana pula	0.1491	(33,067)	(31,414)	(34,720)
Pound sterling	0.6053	4,783,247	4,544,085	5,022,409
South African rand	0.1268	30,229,034	28,717,582	31,740,486
US Dollar	1.0000	7,423,867	7,423,867	7,423,867
		42,419,199	40,669,462	44,168,966
Financial liabilities:				
Australian dollar	0.8045	14,391	13,671	15,111
Botswana pula	0.1491	54,294	51,579	57,009
Pound sterling	0.6053	185,844	176,552	195,136
South African rand	0.1268	43,227,820	41,066,429	45,389,211
US Dollar	1.0000	90,243,059	90,243,059	90,243,059
		133,725,408	131,551,290	135,899,526

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations.

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 at levels considered appropriate to meet ongoing obligations.

Cash flow 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 under all reasonably expected circumstances. The maturity analysis of loans and borrowings is set out in the table on page 85. 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 agreed terms are set out in note 23.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

26. Financial instruments (continued)

Interest rate risk

The Group has borrowings that incur interest at floating rates and no interest rate swaps are used. Management constantly monitors the floating interest rates so that action can be taken should it be considered necessary. An analysis of the sensitivity to interest rate changes is presented below.

The effect of an interest rate increase/(decrease) on the Group's interest charge in the period is as follows:

	Notes	Year end interest rate	Year end interest bearing liability	Interest rate increases 1% US\$	Interest rate (decreases) 1% US\$
Bank loan – secured	22(i)	10.47%	155,443	2,522	(898)
Bank loan – secured	22(ii)	10.47%	1,034,173	16,781	(5,977)
Bank loan – secured	22(iii)	11.57%	523,338	9,149	(2,483)
Bank loan – secured	22(iv)	11.02%	8,093,021	136,353	(42,632)
Bank loan – secured	22(v)	10.47%	3,109,549	50,456	(17,972)
Loan – secured	22(vi)	8.59%	9,300,856	133,277	(67,926)
Convertible note – secured	22(vii)	7.48%	19,628,495	–	–
Loan – unsecured	22(viii)	11.57%	2,598,547	45,428	(12,329)
Loan – unsecured	22(ix)	8.00%	9,777,185	–	–
Loan – unsecured	22(x)	7.02%	3,751,694	48,978	(31,029)
Finance leases – secured	22(xi)	0%	–	–	–
Joint venture partner loans	22(xii)	8.00%	43,288,766	–	–
Associate loans		10.47%	407,970	6,620	(2,358)
			101,669,037	449,564	(183,604)

The loans disclosed in notes 22(vii) and 22(xii) are fixed interest rate loans and therefore are not exposed to fluctuations in interest rates.

In respect of income earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates and age analysis at the balance sheet date. Each interest bearing financial liability is restated based on the respective country specific prime lending rates as disclosed in note 22.

30 June 2009

Cash and cash equivalents (US\$'000)

	Notes	Effective interest rate	Total	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years
Cash – unsecured	18	7.01%	6,686	6,686	–	–	–
Cash – secured	18	7.01%	4,372	–	4,372	–	–
Total cash			11,058	6,686	4,372	–	–
Loans and borrowings							
Bank loan – secured	22(i)	10.47%	155	19	19	117	–
Bank loan – secured	22(ii)	10.47%	1,034	294	295	445	–
Bank loan – secured	22(iii)	11.75%	523	523	–	–	–
Bank loan – secured	22(iv)	11.02%	8,093	4,046	4,047	–	–
Bank loan – secured	22(v)	10.47%	3,110	1,556	1,554	–	–
Loan – secured	22(vi)	8.59%	9,301	4,650	4,651	–	–
Convertible note – secured	22(vii)	7.48%	19,628	19,628	–	–	–
Loan – unsecured	22(viii)	11.57%	2,599	2,599	–	–	–
Loan – unsecured	22(ix)	8.00%	9,777	–	–	–	9,777
Loan – unsecured	22(x)	7.02%	3,752	1,875	1,877	–	–
Finance leases – secured	22(xi)	0%	–	–	–	–	–
Joint venture partner loans	22(xii)	8.00%	43,289	–	–	–	43,289
Associate loans		10.47%	408	–	–	–	408
			101,669	35,190	12,443	562	53,474
Cash flow of loans and borrowings			102,041	15,562	12,443	562	73,474

26. Financial instruments (continued)

30 June 2008

Cash and cash equivalents (US\$'000)

	Notes	Effective interest rate	Total	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years
Cash	17	1.76%	37,469	37,469	–	–	–
Loans and borrowings							
Bank loan – secured	21(i)	16.65%	190	16	15	32	128
Bank loan – secured	21(ii)	16.07%	1,809	514	514	652	129
Bank loan – secured	21(iii)	16.07%	1,132	527	37	568	–
Convertible note – secured	21(iv)	7.48%	18,222	696	711	16,815	–
Finance leases – secured	21(vi)	16.65%	5	5	–	–	–
Associate loans		16.07%	356	–	–	–	356
			21,714	1,758	1,277	18,067	613
Cash flow of loans and borrowings			22,241	1,062	566	20,000	613

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, make it difficult to accurately extrapolate the impact the fluctuations in diamond prices would have on the Group's revenue.

Capital disclosures

Capital is defined by the Group to be the capital and reserves attributable to equity holders of the parent Company. The Group's objectives when maintaining capital are:

- to safeguard the ability of the entity to continue as a going concern; and
- to provide an adequate return to shareholders.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt to equity. Net debt is calculated as total debt (excluding provisions and deferred tax liabilities) less 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 2009 and 30 June 2008 are as follows:

	2009 US\$	2008 US\$
Total debt	136,507,408	40,818,255
Cash and cash equivalents	(11,058,285)	(37,469,370)
Net debt/(funds)	125,449,123	3,348,885
Total equity attributable to equity holders of the parent Company	47,764,885	153,209,846
Debt/(funds) to equity ratio	2.63:1	0.02:1
The Group manages its capital adequacy structure by the issue of ordinary shares, raising debt finance where appropriate, and managing Group cash and cash equivalents.		
Operating leases:		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	153,080	155,195
Between one and five years	234,162	296,486

The Group leases its offices under operating leases. The leases run for periods of five years with an option to renew after that date. Lease payments are increased annually to reflect market rentals. The leases do not include contingent rentals. During the year ended 30 June 2009 US\$184,705 was recognised as an expense in the income statement in respect of operating leases, as disclosed in note 6.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

28. Contingent liabilities

Details of contingent liabilities where the probability of future payments/receipts is not considered remote are set out below, as well as details of contingent liabilities, which although considered remote, the Directors consider should be disclosed.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	2009 US\$	2008 US\$
Deferred consideration payable for strategic investment in future mining and exploration projects.	–	2,000,000

The above amount payable for strategic investments in future mining and exploration projects is no longer contingent, as the payable has been settled and is disclosed under prepayments in note 17.

Contingent liabilities considered remote

- (i) A former Director of Crown Diamonds (Pty) Ltd has lodged a claim for AUD\$1,193,407 (US\$960,102) being a project sourcing fee resulting from the acquisition of Helam Mining (Pty) Ltd. In the Directors' opinion, disclosure of any further information about this matter would be prejudicial to the interests of the Company.

Indemnities have been provided to Directors in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements.

Environmental

The controlled entities of the Company provide for all known environmental liabilities. While the Directors of each of those entities and the Company believe that, based upon current information, their current provisions for environmental rehabilitation are adequate, there can be no assurance that new material provisions will not be required as a result of new information or regulatory requirements with respect to known mining operations or identification of new rehabilitation obligations at other mine operations.

29. Share-based payments

The Company has an established share option programme that entitles the Remuneration Committee, at its discretion, to grant share options to directors and senior management. The terms and conditions of the share options granted during the year ended 30 June 2009 are disclosed below. Share options granted prior to 7 November 2002 have, in accordance with the transitional provisions and recognition and measurement principles in IFRS 2, not been taken into account. The share-based payment expense has been calculated using the Black-Scholes model. All share options are equity settled.

Fair value of share options and assumptions for the 12 months ended 30 June 2009:

	Directors	Senior Management
Fair value at measurement date	5.2p – 28.5p	5.2p – 23.8p
Exercise price	27.5p – 79.5p	27.5p – 96p
Share price 30 June 2009	42p	42p
Expected volatility	27% – 45%	27% – 45%
Option life	1 – 10 years	1 – 10 years
Expected dividends	–	–
Risk-free interest rate (based on national government bonds)	2.05% – 5.25%	2.05% – 5.25%

Fair value of share options and assumptions for the 12 months ended 30 June 2008:

	Directors	Senior Management
Fair value at measurement date	14.7p – 53p	5.9p – 39.5p
Exercise price	44p – 156p	44p – 156p
Share price 30 June 2008	103.5p	103.5p
Expected volatility	27%	27%
Option life	10 years	1 – 10 years
Expected dividends	–	–
Risk-free interest rate (based on national government bonds)	4.41% – 4.73%	4.31% – 5.35%

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. No options were exercised during the year (30 June 2008: 57,332) and the Company expensed US\$2,322,355 (30 June 2008: US\$1,629,783) related to the fair value of employee share options. During the year, 6,610,000 share options with option prices exceeding 100p were cancelled and 8,365,000 share options were granted at an option price of 27.5p.

29. Share-based payments (continued)

Employees entitled	Grant date	Number	Vesting conditions	Remaining life
				of options (years)
Options granted to directors	5 September 2003	1,000,000	1/3rd per annum from grant date	4
	16 June 2005	2,000,000	Subject to performance of share price	6
	31 May 2006	1,000,000	1/3rd per annum from grant date	7
	12 March 2009	2,500,000	1/3rd per annum from grant date	10
Options granted to senior management	5 September 2003	192,000	1/3rd per annum from grant date	4
	13 September 2004	50,000	1/3rd per annum from grant date	5
	24 September 2004	238,875	25% from grant date for 2 years, then 50% in 3rd year	5
	28 January 2005	72,500	25% from grant date for 2 years, then 50% in 3rd year	6
	27 November 2005	423,334	1/3rd per annum from grant date	6
	31 May 2006	460,000	1/3rd per annum from grant date	7
	31 July 2006	553,625	1/3rd per annum from grant date	8
	12 March 2009	5,865,000	1/3rd per annum from grant date	10

	2009	2009	2008	2008
	Weighted average price	Number	Weighted average price	Number
Outstanding at beginning of the year	74.70p	12,600,334	59.53p	9,731,000
Forfeited/cancelled during the year	102.86p	(6,610,000)	81.80p	(73,334)
Exercised during the year	0.00p	–	64.43p	(57,332)
Granted during the year	27.50p	8,365,000	123.96p	3,000,000
Outstanding at the end of the year	45.46p	14,355,334	74.70	12,600,334
Exercisable at the end of the year	44.78p	5,052,102	106p	6,620,372

There were no options exercised during the year, thus the weighted average market price of the options exercised during the year is nil (30 June 2008: 64.43p). The options outstanding at 30 June 2009 have an exercise price in the range of 44p to 96p (30 June 2008: 44p to 156p) and a weighted average contractual life of eight years (30 June 2008: eight years).

Notes to the annual financial statements cont.

For the year ended 30 June 2009

30. Post-balance sheet event

Extension of US\$20 million convertible bond

On 18 September 2009 the Group announced that the maturity date of the US\$20 million convertible bond that was issued to Al Rajhi Holdings W.L.L. ("Al Rajhi") on 18 September 2006 ("the 2006 Convertible") had been extended until 18 March 2011 on the amended terms highlighted below ("the 2009 Convertible").

Amended terms of the extension are as follows:

For the period from 19 September 2009 to 18 December 2009 only, a coupon of 9.5% per annum (payable in cash, calculated to the earlier of 18 December 2009, conversion by Al Rajhi or repayment by Petra) will be applied on the US\$20 million principal bond amount.

During the period from 19 September 2009 to 18 December 2009 the US\$20 million principal may be converted, at Al Rajhi's election, into Petra shares at a strike price of 85 pence per share.

If Petra does not repay the US\$20 million principal by 18 December 2009 and Al Rajhi does not convert at the 85 pence per share as noted above, then the US\$20 million convertible bond will be automatically extended and the terms from 19 December 2009 will be:

- the 2009 Convertible will be extended for an additional 15 month period, from 18 December 2009 until 18 March 2011 (therefore the total extension will be 18 months). During this 15 month period the Convertible will carry no coupon;
- the strike price from 18 December 2009 will be 65 pence per share; and
- Petra will grant to Al Rajhi warrants over six million shares, exercisable at 65 pence per share and exercisable until 18 March 2011 ("the 2009 Warrants"). If Petra repays the US\$20 million principal after 18 December 2009 but before March 2011, or if Al Rajhi converts the 2009 Convertible into Petra shares, the 2009 Warrants will remain in place until 18 March 2011.

31. Related parties

Subsidiaries, associates and joint ventures

Details of subsidiaries, associates and joint ventures are disclosed in note 33 and note 14 respectively.

Directors

Details relating to Directors' emoluments and shareholdings in the Company are disclosed in note 10 and the Directors' report respectively.

Details relating to Directors' loans are disclosed in the Directors' report.

Details relating to loans received from companies where the Directors' are on the Board of Directors of the lending company are disclosed in note 22 (viii).

There are no material loans to Directors or senior management which have not been disclosed in the notes.

Shareholders

The principal shareholders of the Company are detailed in the Directors' report on page 39.

Transactions with principal shareholders are detailed in notes 22 (vii), 22 (ix) and 22 (xii).

Contingent liabilities

Details of contingent liabilities are disclosed in note 28.

Nabera Mining (Pty) Limited

The Company is a 29.5% shareholder in Nabera Mining (Pty) Limited ("Nabera"), the company that managed the Alexkor diamond mine between 1999 and 2001. During the year ended 30 June 2009 Petra Diamonds did not incur any expenses on behalf of Nabera (30 June 2008 R2,100 (US\$268)). Prior period expenses were incurred in relation to the recovery of the management fee and value-add due to Nabera from Alexkor Limited and the South African Government. All such expenses incurred on Nabera's behalf will be reimbursed to the Company on receipt of the management fee and value-add.

	2009 US\$	2008 US\$
Operating activities		
Share-based payments	2,322,355	1,629,783
Foreign exchange (gain)/loss	(13,498,002)	4,594,410
Impairment of assets	(75,274,714)	–
Revaluation of rehabilitation liability	(4,628,882)	–
	(91,079,243)	6,224,193

32. Significant non-cash transactions

33. Subsidiaries and associates

At 30 June 2009 the Group held 20% or more of the allotted share capital of the following:

	Country of incorporation	Class of share capital held	Percentage held 2009	Percentage held 2008	Nature of business
Afropean Diamonds (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Mining and exploration
Alltop Investments (Pty) Ltd	Australia	Ordinary	100%^	100%^	Dormant
Autumn Star Investments (Pty) Ltd*	South Africa	Ordinary	40%^	40%^	Mining and exploration
Basama Diamonds Ltd	Seychelles	Ordinary	51%^	51%^	Mining and exploration
Blue Diamond Mines (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Mining and exploration
BPL Diamonds Ltd	British Virgin Islands	Ordinary	100%^	100%^	Mining and exploration
Calibrated Diamonds Investment Holdings (Pty) Ltd ²	South Africa	Ordinary	–	100%^	Investment holding
Calibrated Diamonds (Pty) Ltd ²	South Africa	Ordinary	–	100%^	Beneficiation
Compass Mining Services (Pty) Ltd	Australia	Ordinary	100%^	100%^	Dormant
Crown Diamonds NL	Australia	Ordinary	100%^	100%^	Dormant
Crown Resources (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Dormant
Cullinan Diamond Mine (Pty) Ltd ¹	South Africa	Ordinary	37%	–	Mining and exploration
Cullinan Investment Holdings Ltd ¹	British Virgin Islands	Ordinary	50%	–	Mining and Exploration
Dalestar Corporation (Pty) Ltd	Australia	Ordinary	100%^	100%^	Dormant
Dancarl Diamonds (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Mining and exploration
Dimeng Diamond Holdings (Pty) Ltd	South Africa	Ordinary	59%^	59%^	Mining and exploration
Engiminas Consultoria e Engenharia Lda	Angola	Ordinary	100%^	100%^	Mining and Exploration
Frannor Investments and Finance Ltd	British Virgin Islands	Ordinary	100%^	100%^	Mining and Exploration
Frannor Investments and Financing (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Mining and Exploration
Helam Mining (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Mining and exploration
Ida Valley (Pty) Ltd	Australia	Ordinary	100%^	100%^	Dormant
Johannesburg Diamond Trading Corporation (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Dormant
Kalahari Diamonds Ltd	United Kingdom	Ordinary	100%^	100%^	Services provision
Kamara Holdings (Pty) Ltd	Australia	Ordinary	100%^	100%^	Dormant
Koffiefontein Mine JV	South Africa	Ordinary	70%^	70%^	Mining and exploration
Laser Optronic Technologies (Pty) Ltd	South Africa	Ordinary	–	100%^	Beneficiation
Madeline Alluvial Diamonds and Mineral Development (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Dormant
Majestic Resources (Pty) Ltd	Australia	Ordinary	100%^	100%^	Investment holding
Majestic Resources South Africa (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Dormant
Messina Diamond Mine (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Mining and exploration
Messina Investments Ltd	South Africa	Ordinary	100%^	100%^	Investment holding
Nabera Holdings (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Dormant
Nabera Mining (Pty) Ltd	South Africa	Ordinary	29.5%**	29.5%**	Mining and exploration
Namibia Mining House (Pty) Ltd	Namibia	Ordinary	35%**	35%**	Dormant
Nooitgedacht Diamonds (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Dormant
Organizações Moyoweno – Comércio Geral Lda ³	Angola	Ordinary	40%**	40%**	Mining and exploration
Paardekraal Properties (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Dormant
Pacific Breeze Trading (Pty) Ltd ²	South Africa	Ordinary	–	100%^	Dormant
Pagvlei Mining (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Mining and exploration
Petra Diamonds Alto Cuilo Ltd	British Virgin Islands	Ordinary	100%	31%	Mining and exploration
Petra Diamonds Angola Holdings Ltd	British Virgin Islands	Ordinary	100%^	100%^	Investment holding
Petra Diamonds Angola Services Ltd	British Virgin Islands	Ordinary	100%^	100%^	Mining and exploration
Petra Diamonds Namibia (Pty) Ltd	Namibia	Ordinary	100%^	100%^	Mining and exploration
Petra Diamonds Southern Africa (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Services provision
Power Corporation Angola (Pty) Ltd	Bermuda	Ordinary	70%^	70%^	Exploration
Premier Rose Management Services (Pty) Ltd ¹	South Africa	Ordinary	50%	–	Services provision
Santara Holdings (Pty) Ltd	Australia	Ordinary	100%^	100%^	Dormant
Sedibeng Diamond Mine JV ²	South Africa	Ordinary	57.5%^	57.5%^	Mining and Exploration
Sekaka Diamonds (Pty) Ltd	Botswana	Ordinary	100%^	100%^	Exploration
Star Diamond Mine (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Mining and exploration
Union Investments Corporation (Pty) Ltd	South Africa	Ordinary	100%^	100%^	Dormant
Vulcan Mining (Pty) Ltd	Australia	Ordinary	100%^	100%^	Dormant
Willcroft Company Ltd	British Virgin Islands	Ordinary	100%#	–	Investment holding
Williamson Diamonds Ltd	Tanzania	Ordinary	75%#	–	Mining and exploration

¹ Cullinan Investment Holdings Limited ("CIHL"), Cullinan Diamond Mine (Pty) Ltd and Premier Rose Management Services (Pty) Ltd are all newly incorporated companies during the year, as a result of the acquisition of the Cullinan Diamond Mine assets from De Beers.

² Calibrated Diamonds Investment Holdings (Pty) Ltd, Calibrated Diamonds (Pty) Ltd, Laser Optronic Technologies (Pty) Ltd and Pacific Breeze (Pty) Ltd are subsidiaries disposed of during the year as a result of the Calibrated Diamonds Investment Holdings (Pty) Ltd disposal on 22 September 2008.

³ Organizações Moyoweno – Comércio Geral Lda ("Moyoweno") is an associate company. Moyoweno's year end is 31 December which is the statutory reporting period for Angolan registered companies.

² Although the Company owns only an effective 57.5% of Sedibeng Mine JV ("Sedibeng"), the Company has consolidated its investment in Sedibeng on the basis of control.

* Although the Company owns only 40% of Autumn Star Investments (Pty) Ltd ("Autumn"), the Company has consolidated its investment in Autumn on the basis of control.

Willcroft Company Ltd and Williamson Diamonds Ltd were acquired by the Group during the year. The year end for both entities is 31 December which is the reporting period applicable for the entities at date of acquisition. The Group will change the year end for both entities to 30 June.

^ Acquisition accounted.

** Equity accounted.

Notes to the annual financial statements cont.

For the year ended 30 June 2009

34. Discontinued operation

Calibrated Diamonds Investment Holdings (Pty) Limited ("CDIH")

On 22 September 2008, the Group disposed of the entire ordinary share capital of CDIH together with associated assets for a total cash consideration of R47.0 million (US\$5.9 million). On initial reclassification of the operation as held for sale in the results for the year ended 30 June 2008, the Group did not recognise any impairment losses. The results of the discontinued operation included in the income statement and the cash flows from discontinued operations included in the statement of cash flows are set out below.

	As at	
	22 September	30 June
	2008	2008
	US\$	US\$
a) Net assets:		
Property, plant and equipment	14,767	158,160
Intangible assets	3,183,780	3,183,780
Other financial assets	–	339,928
Non-current assets classified as held for sale	3,198,547	3,681,868
Trade and other receivables	23,136	1,002,038
Inventories	178,022	2,546,151
Cash	42,626	86,512
Net loans from group companies	–	(5,996,775)
Trade and other payables	(154,309)	(81,646)
Net assets disposed	3,288,022	1,238,148
	Period ended	Year end
	22 September	30 June
	2008	2008
	US\$	US\$
b) Result of discontinued operation:		
Revenue	975,893	827,039
Cost of sales	(975,893)	(921,406)
Gross (loss)	–	(94,367)
Expenses other than finance costs	(992,781)	(1,198,532)
Profit on sale of assets	2,530,800	–
Finance income	20,453	12,534
Finance costs	(498)	(108,537)
Profit/(loss) for the year before tax expense	1,557,974	(1,388,902)
Tax expense	–	–
Profit/(loss) for the year	1,557,974	(1,388,902)
Attributable to:		
– Equity holders of the parent	1,557,974	(1,388,902)
– Minority interest	–	–
	1,557,974	(1,388,902)
Basic profit/(loss) per share (US cents)	0.85	(0.76)
Dilutive profit/(loss) per share (US cents)	0.86	(0.76)
c) Post-tax profit/(loss) on disposal of discontinued operation at:		
Consideration received on disposal	1,478,726	
Less: transaction costs	(563,590)	
Less: net assets disposed	(3,288,022)	
Less: foreign currency translation recycled on disposal	1,671,162	
Pre-tax profit on disposal of discontinued operation	(701,724)	
Deferred taxation recycled	709,717	
Post-tax profit on disposal of discontinued operation	7,993	

	Period ending	Year ending
	22 September	30 June
	2008	2008
	US\$	US\$

34. Discontinued operation (continued)

Calibrated Diamonds Investment Holdings (Pty) Limited ("CDIH") (continued)

d) The cash flow statement includes the following amounts relating to discontinued operations at:

Operating activities	(416,845)	(5,045,233)
Investing activities	1,087	12,534
Financing activities	2,545,486	4,638,212
Net cash generated from/(utilised in) discontinued operations	2,129,728	(394,487)

35. Pension scheme

The Company operates a defined benefit scheme and defined contribution scheme. The defined benefit scheme was acquired as part of the acquisition of Cullinan Diamond Mine (Pty) Ltd and is closed to new members. All new employees will join the defined contribution scheme. The assets of the pension schemes are held separately from those of the Group's assets.

Defined benefit scheme

The defined benefit scheme, which is contributory for members, provides benefits based on final pensionable salary and contributions are currently invested in money market instruments managed by reputable investment companies. Negotiations are currently underway to place the funds into a managed fund policy.

The pension charge or income for the defined benefit scheme is assessed in accordance with the advice of a qualified actuary. The most important assumptions made in connection with the charge or income were that the return on the funds will be 9.16%, based on the average yield of South African Government long dated bonds, and that salaries will be increased at 7.21%, based on current South African consumer price index plus 1%. The market value of the assets of the defined benefit scheme at 30 June 2009 is R142,061,000 (US\$18,023,243) and the actuarial valuation of the assets on an ongoing basis represented 134% of the benefit of R105,535,000 (US\$13,389,199) that had accrued to members allowing for expected future increases in earnings. The pension surplus is R36,526,000 (US\$4,634,045) (30 June 2008: Rnil (US\$nil)).

	2009	2008
	US\$	US\$
Defined benefit obligations		
Present value of funded obligations	(13,389,198)	–
Fair value of plan assets	18,023,243	–
Unrecognised net (gain)/loss	(4,634,045)	–
Recognised surplus for defined benefit obligations	–	–
Movements in present value of the defined benefit obligations recognised in the balance sheet		
Net surplus for the defined benefit obligation as at 1 July	–	–
Arising on acquisition of subsidiary	–	–
Net (expense) income recognised in the income statement	(326,055)	–
Contributions by employer	326,055	–
Unrecognised surplus due to Paragraph 58 limit	–	–
Net surplus for defined benefit obligations at 30 June	–	–
Expense recognised in the income statement		
Contributions by employer	326,055	–
	326,055	–

Notes to the annual financial statements cont.

For the year ended 30 June 2009

	2009 US\$	2008 US\$
35. Pension scheme (continued)		
The expense is recognised in the following line item in the income statement		
Mining and processing costs	326,055	—
	326,055	—
Change in the fair value of the defined benefit assets		
Net surplus for the defined benefit obligation as at 1 July	—	—
Arising on acquisition of subsidiary	14,797,706	—
Expected return on assets	1,848,365	—
Benefits paid to members	(505,195)	—
Defined benefit scheme costs	(22,329)	—
Contributions	480,836	—
Net transfers in	1,133,201	—
Actuarial gains	290,659	—
At 30 June	18,023,243	—
Change in the present value of the defined benefit obligations		
At 1 July		
Arising on acquisition of subsidiary	(11,856,612)	—
Benefits paid to members	505,196	—
Risk premiums	22,328	—
Service cost	(397,356)	—
Finance cost	(1,243,704)	—
Contributions by members	(134,482)	—
Actuarial gains/(losses) recognised in reserves	(284,569)	—
At 30 June	(13,389,199)	—
Actuarial gains and losses		
Actuarial gains on plan assets	290,659	—
Actuarial gains on plan liabilities	(284,569)	—
Analysis of plan assets		
Cash	18.40%	—
Equity	44.90%	—
Bonds	27.30%	—
Property	0.00%	—
Other – offshore	9.40%	—
	100%	—
Principal actuarial assumptions	% per annum	% per annum
Discount rate at 30 June	9.16%	—
Expected return on plan assets at 30 June	9.16%	—
Future salary increases	7.21%	—
Inflation	6.21%	—
Future pension increases	7.21%	—
Determination of estimated pension expense for the year ended 30 June 2010	US\$	US\$
Member contributions	139,176	—
Company contributions	337,347	—
Risk premiums	(23,090)	—
Benefit payments	(541,607)	—

Glossary

AIM	– London Stock Exchange's Alternative Investment Market.
Alluvial	– Diamond deposits which are located in sediments transported by river or marine systems.
Audit	– Checking mechanisms to verify the veracity of results.
Bulk sample	– Large sample which is processed through a small-scale plant, not a laboratory.
Capex	– Capital expenditure.
Carat	– Unit of weight for diamonds. The metric carat equals 200mg.
Cross section	– A diagram or drawing that shows features transected by a vertical plane drawn at right angles to the longer axis of a geologic feature.
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.
Diamond drilling	– A drilling method, where the rock is cut with a diamond bit, to extract a core of the rock.
Diamond grade	– The content of diamonds, measured in carats, within a volume or mass of rock.
Diamondiferous	– Containing diamonds.
DMS	– Dense Medium Separation, a way of separating diamonds or heavy minerals from waste material using a flotation process.
Estimation	– The quantitative judgement of a variable.
Exploration	– Prospecting, sampling, mapping, diamond drilling and other work involved in the search for mineralisation.
Feasibility study	– A definitive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the economic viability of a project and to support the search for project financing.
Garnet	– A silicate mineral. The magnesium-rich variety, pyrope, is commonly found in kimberlites.
Grade	– The relative quantity or percentage of diamonds within the rock mass. Measured as carats per hundred tonnes in this report.
In situ	– In its original place, most often used to refer to the location of the mineral resources.
Indicated diamond 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 diamond resource	– That part of a diamond resource for which tonnage, grade and average diamond value can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified by geological and/or grade continuity and a sufficiently large diamond parcel is not available to ensure reasonable representation of the diamond assortment. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability (SAMREC Code).
Kimberlite	– An ultra basic rock defined as a porphyritic alkalic peridotite containing phenocrysts of olivine and phlogopite. Occurs as dykes or as characteristically carrot-shaped pipes.
KIM	– Kimberlite indicator minerals – diamonds, garnets, and several other minerals which are unique to kimberlitic rocks.
MBS	– Mini bulk sampling; the collection and processing of typically one to several hundred tonnes of kimberlite as part of the initial steps on the road to establishing a grade of a given deposit.

Glossary cont.

Measured diamond 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.
Mineable	– That portion of a resource for which extraction is technically and economically feasible.
Mineralisation	– The presence of a target mineral in a mass of host rock.
NAV	– Net asset value.
NPV	– Net present value.
Opencast/Open pit	– Surface mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the ore body.
Orebody	– A continuous well-defined mass of material of sufficient ore content to make extraction feasible.
Parcel	– A collection of diamonds of various sizes made available for sale as a single package.
Percussion drilling	– A drilling method where the rock is broken by a compressed-air driven bit into chips that are blown up the hole to be sampled.
Primary deposit	– With reference to the deposition of diamonds, these deposits include kimberlite pipes, dykes, blows and fissures as well as lamproites. Contrasted with alluvial.
Primary gravel	– Potentially diamondiferous alluvial gravels derived from primary deposits.
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.
Proven reserves	– The economically mineable material derived from a measured diamond resource. It is estimated with a high level of confidence. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.
Rehabilitation	– The process of restoring mined land to a condition approximating to a greater or lesser degree its original state. Reclamation standards are determined by the South African Department of Minerals and Energy Affairs and address ground and surface water, topsoil, final slope gradients, waste handling and revegetation issues.
RVK	– Resedimented volcanoclastic kimberlite. Volcanoclastic kimberlite that has been redistributed by sedimentary processes during and directly after volcanic eruptions.
Sample	– The removal of a small amount of rock pertaining to the deposit, which is used to estimate the grade of the deposit and other geological parameters.
Sampling	– Taking small pieces of rock at intervals along exposed mineralisation for assay (to determine the mineral content).
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 1 mm in size.
Slimes dam	– A storage facility for all fine waste products from the processing plant.

Stockpile	– A store of unprocessed ore.
Stone size	– Average size of the diamonds, expressed as carats/stone.
Stones	– Diamonds.
Tailings	– The waste products of the processing circuit. These may still contain very small quantities of the economic mineral.
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.
Yield/Recovered grade	– The actual grade of ore realised after the mining and treatment process.
Units Description	
°	– Degree
°C	– Degrees Celsius
cm	– Centimetre
cpht	– Carat per hundred tonnes
ct	– Carat
ha	– Hectare
km	– Kilometre
km ²	– Square kilometres
m	– Metre
m	– Million
m ²	– Square metres
m ³	– Cubic metre
R/t	– South African Rand per tonne
t	– Tonne
tpa	– Tonnes per annum
tph	– Tonnes per hour
tpm	– Tonnes per month
US\$/ct	– United States Dollar per carat

Notice of annual general meeting

For the year ended 30 June 2009

Notice is hereby given that the twelfth Annual General Meeting of Petra Diamonds Limited ("the Company") will be held at 11:00 am on 17 December 2009 at the offices of Memery Crystal LLP, 44 Southampton Buildings, London, WC2A 1AP for the purpose of considering and, if thought fit, passing the following resolutions:

1. Statutory accounts

That the financial statements of the Company for the year ended 30 June 2009, together with the Reports of the Directors and Auditors, be received.

2. Appointment of auditors

That BDO LLP of 55 Baker Street, London, W1U 7EU be re-appointed as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid, or until their successors are appointed and that the Directors be authorised to fix the remuneration of the auditors.

3. Re-election of directors

That each of (a) Adonis Pouroulis and (b) Charles Segall (each to be separately proposed and voted upon), who retire in accordance with the Company's Bye-Laws, each be and are hereby re-elected as directors of the Company to hold office until the date on which his office is otherwise vacated.

4. Increase of authorised share capital

That the Company increase its authorised share capital from £30,000,000 to £40,000,000 by the creation of an additional 100,000,000 ordinary shares of 10p each ranking pari-passu with the existing shares of the Company.

By order of the Board



A Pouroulis

Chairman

9 November 2009

Registered office

Clarendon House, 2 Church Street, Hamilton HM11, Bermuda
Company registration number: EC23123

Explanatory notes

For the year ended 30 June 2009

These explanatory notes form part of the Notice of Meeting.

Notes

A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote in their stead on a show of hands or on a poll. A proxy need not be a member of the Company. A member who is entitled to cast two or more votes at the meeting may appoint up to two proxies.

To be valid, the form of the proxy must be lodged with the Company's UK branch registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for the meeting or any adjournment thereof.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Item 3, Re-election of directors

Information on the experience and qualifications of directors seeking re-election is included in the Company's Annual Report.

The Directors of the Company believe the resolution is in the best interests of the Company and its members and unanimously recommend that members vote in favour of it.

Item 4, Increase of authorised share capital

The Directors of the Company recommend that in order to provide for future flexibility and growth, the Company increase the headroom on its authorised share capital by the creation of an additional 100,000,000 ordinary shares of 10p each ranking pari-passu with the existing shares of the Company, increasing the authorised share capital from £30,000,000 to £40,000,000.

The Directors of the Company believe the resolution is in the best interest of the Company and its members and unanimously recommend that members vote in favour of it.

Administrative information

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Fax: +44 207 050 6701
Contact: Mike Jones
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Registrars

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network extras, lines are open 8.30am-5.30pm Mon-Fri)
international: +44 208 639 3399
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Secretary and registered office

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Company registration number: EC23123
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(As to Bermuda Law)
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PetraDiamonds

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