

Regulatory Announcement

[Go to market news section](#)



Company Petra Diamonds Ld
TIDM PDL
Headline Interim Results
Released 08:56 19-Feb-08
Number 2748O



19 February 2008

AIM: PDL

Petra Diamonds Limited

Interim Results – Profit of US\$8.2m

Petra Diamonds Limited (“Petra”, “the Company” or “the Group”) announces its interim results (unaudited) for the six months to 31 December 2007 (“the Period”), following its trading update announced on 24 January 2008. These results record substantial revenue growth with a corresponding turnaround in profits and cash flows. The Company is pleased to report its first profits following its successful development from an exploration base into a leading diamond producer and exploration group.

The Company has, over the past 14 months, successfully grown its base of production assets through the separate acquisitions of the Cullinan, Koffiefontein and Kimberley Underground mines, complementing Petra’s world class exploration base in Angola (Alto Cuilo, Luangue), Botswana (Kalahari Diamonds) and operations in Sierra Leone (Kono).

SUMMARY OF RESULTS (unaudited)

	6 months to 31 December 2007 US\$ million	6 months to 31 December 2006 US\$ million
Revenue	32.1	8.2
Rough diamond sales	31.7	8.2
Polished diamond sales	0.4	-
Gross profit / (loss) *	16.1	(1.6)
Exploration expenses *	1.0	0.4
Administration expenses *	5.9	4.1
Net profit / (loss) for the Period	8.2	(9.5)
EPS cents	2.44	(6.33)
Cash at bank	58.9	19.2
Group EBITDA	8.8	(3.2)

* stated before depreciation, amortisation of intangibles, interest paid and foreign exchange gains

- Group revenue growth of 291% driven largely by Koffiefontein sales coming on stream in July 2007 and a significant increase in the prices achieved from production at the South African fissure mines; turnaround in results due to revenue growth combined with consistent cost control throughout the Group

MAJOR GROUP DEVELOPMENTS

- Petra-led consortium to acquire the Cullinan mine, historically a producer of spectacular diamonds; expected to add over 1 million carats p.a. gross production to the Group
- Petra also to acquire the Kimberley Underground mines; expected to add over 100,000 carats p.a. gross production to the Group

TRADING & PRODUCTION**South Africa**

- Production of 101,213 carats for the Period (17% increase on six months to 31 December 2006: 86,396 carats)
- Sales of 115,918 carats for the Period (79% increase on six months to 31 December 2006: 64,940 carats)
- Strong diamond prices recorded at:
 - Koffiefontein: US\$408/carat
 - Fissure mines - Helam, Star and Sedibeng: US\$182/carat (44% increase on 6 months to 31 December 2006: US\$126/carat)
- January 2008 (post Period end): exceptional 50.14 carat diamond recovered at Sedibeng mine and sold for US\$1,312,018, (US\$26,167 per carat)

EXPLORATION**Angola**

- Alto Cuilo – second large diameter drill rig on site to accelerate mini bulk sampling campaign; encouraging results received from AC63 and AC98
- Luangue – Joint Venture agreed with BHP Billiton

Botswana

- 57,000 line km gradient array magnetometer survey completed for Kukama; 7,000 line km gradient array magnetic survey completed for majority of Tswapong area
- Drilling programme (3,000m+) to commence shortly in the Gope East, Gope West and Kukama project areas

Sierra Leone

- Trial mining continues on two shafts; 8,640 diamonds totalling 760 carats recovered to date, including a 10.55 carat octahedron

CUTTING & POLISHING ('beneficiation')

- Calibrated Diamonds production build up continues; aiming to cut and polish 2,500 carats of rough by mid 2008; initial sales of US\$0.4 million (27.42 carats) of polished diamonds to date

Adonis Pouroulis, Chairman, commented;

"In the period under review Petra agreed two further key acquisitions, Cullinan and Kimberley Underground, in line with our strategy to introduce high quality producing assets into the Group. Upon completion of these two acquisitions, Petra will be the operator of six producing diamond mines in South Africa and these assets, combined with our strong exploration pipeline, ensure that the Group is well positioned to become a top tier global diamond producer. With Group production expected to rise to well over 1 million carats per annum by 2010, against a previous management target of 500,000 carats for the same period, we have rapidly established strong revenue growth that will in turn enhance shareholder value."

For further information, please contact:

Cathy Malins
Petra Diamonds, London

Tel: +44 (0) 20 7493 7671

Louise Goodeve / Justine Howarth
Parkgreen Communications, London

Tel: +44 (0) 20 7851 7480

Adrian Hadden / Piers Coombs
Collins Stewart, London

Tel: +44 (0) 20 7523 8000

About Petra Diamonds

Petra Diamonds is a pan-African diamond mining group with a balanced portfolio combining major producing mines, world class exploration assets and a cutting and polishing business.

With operations in South Africa, Angola, Botswana and Sierra Leone, Petra's objective remains to develop its stature as a leading diamond producer in all of the countries in which it operates. In South Africa, Petra has four producing mines and recently reached agreements to acquire a further two mines from De Beers (Cullinan and Kimberley Underground). The Company is on track to increase its annual production from 180,000 carats in the year to June 2007 to over 400,000 carats in the year to June 2009 and is targeting annual production of over 1 million carats thereafter.

Complementing the Group's production is an exploration and development portfolio spread across some of the world's most prospective diamond fields. In Angola, Petra is developing its world class Alto Cuilo and neighbouring Luangue projects in two separate joint ventures with BHP Billiton. In Botswana, Petra has established the largest exploration holding in the country, where it believes that modern exploration techniques will hold the key to the discovery of new, major kimberlites. In Sierra Leone, Petra is developing a fissure operation and test work to date indicates the potential for economic operations.

The Petra group now employs some 3,000 people in Africa and over the last 10 years, the Company has developed a range of social initiatives which continue to make a meaningful impact upon the lives of employees and surrounding communities. Petra's focus remains upon sustainable development, via educational programmes and skills transfer, to ensure a broad based approach with a lasting legacy, and all operations are carried out with the highest regard for the environment according to best practice.

For further information, please go to www.petradiamonds.com

Chairman's Statement

It is with great pleasure that I present the interim financial statements to December 2007, a period in which Petra has continued its steady and considered growth. In particular we recorded two very important achievements in the history of the Petra Group; the agreement to acquire the Cullinan mine from De Beers and the Group achieving a milestone in its financial results with substantial on-mine profits and the generation of the associated operating cash flows.

In the period under review, Petra reached agreements to acquire both the Kimberley Underground and Cullinan mines and completed the acquisition of the Koffiefontein mine. With only some 25 kimberlite diamond mines in the world being actively mined today, a tiny figure in comparison to other commodities, our strategy has been to capitalise upon this rare window of opportunity to acquire substantial diamond production.

These deals bear witness to the continued evolution of the diamond market. It is an industry where a spirit of partnership and forward thinking is essential and we are proud of the strong relationships we have cultivated. In particular, I would like to thank De Beers for the work they have done to encourage growth and development in the industry, helping to facilitate broad ownership and competition within the South African diamond sector.

The Petra Group portfolio is now well balanced and diversified. We have a world class diamond exploration portfolio, having gained early entry to Angola followed by Sierra Leone and Botswana. We await further developments at Alto Cuilo in Angola, where a second large diameter drill rig will expedite the mini bulk sampling programme currently underway. Initial results received in the period under review have been encouraging and we look forward to reporting further progress in 2008.

The highlights for the Period are set out below:

FINANCIAL RESULTS

A gross profit (before depreciation) of US\$16.1 million was reported due to both the substantial growth in diamond production combined with the excellent average prices received for Koffiefontein production and the strong average price increase achieved for the fissure mines production. Further, our most recent tender, held in January, also saw strong prices being achieved and at this time we are not seeing a weakening in demand

for Petra's production.

The profit after tax for the Period amounted to US\$8,235,329 (loss to 6 months to 31 December 2006: US\$9,469,559), stated after foreign exchange gains of US\$5,726,819, of which US\$1,375,559 and US\$1,266,195 are realised and unrealised gains from forward exchange contracts on diamond sales and \$3,085,065 is an unrealised gain on Group loan balances (6 months to 31 December 2006: loss of US\$1,747,930), amortisation of intangibles of US\$1,982,627 (6 months to 31 December 2006: US\$1,995,688), and depreciation of US\$3,793,227 (6 months to 31 December 2006: US\$2,829,324).

DIAMOND MARKET

Despite the turbulence in world financial markets, we remain upbeat on the outlook for the diamond market. Whilst there is concern about a consumer slowdown in the US, it is worth noting that demand for diamonds is rising at a considerable pace in new emerging markets, such as China, India and the Middle East. The market is expected to continue to be in deficit for the foreseeable future (with demand exceeding supply) and indeed De Beers has already raised prices for rough diamonds by 3.5% in 2008, a key industry indicator. Consistent with this, we have recorded price increases at our first tenders held this year. In January 2008 we sold the highest value diamond in Petra's history, a 50.14 carat stone that realised over US\$1.3 million, equating to US\$26,167 per carat.

TRADING

Koffiefontein – South Africa

In July 2007, Petra completed the acquisition of the Koffiefontein mine and having conducted care and maintenance activities at the mine in the 12 months prior to completion, was able to bring the mine on stream immediately. With modifications made by Petra to the plant and the mining process, the Company is now achieving an average value per carat of US\$408, an exceptional value for a kimberlite mine and almost double that forecast in Petra's original mine model (US\$240 per carat). A grade of 8.2 carats per hundred tonnes ("cpht") has been achieved, against an estimate of 7.3 cpht used in the original business plan.

Costs and capital expenditure ("CAPEX") at Koffiefontein were both in line with management expectations. The cash costs at Koffiefontein ran at approximately R86 per tonne, a level which (other than inflation based increases) we expect to maintain going forward. CAPEX for the Period was US\$1.7 million, with total CAPEX spend at the mine for the 12 months to June 2008 expected to be US\$5.5 million, which includes the installation at Koffiefontein of electricity generation capacity.

We are confident that we can replicate our success at Koffiefontein and intend to follow a similar strategy at both Cullinan and Kimberley Underground.

Koffiefontein production:

	Unit	6 months ended 31 December 2007	6 months ended 31 December 2006
Production			
Diamonds produced	Cts	38,456	14,468
Grade	Cpht	8.2	7.7
Sales			
Revenue	US\$m	19.2	-
Diamonds sold	Cts	46,937	-
Average price per carat	US\$	408	-

Note 1: All production and sales figures are stated gross; 70% is attributable to the Group.

Note 2: Although production was recorded at Koffiefontein in the year to June 2007 during the care and maintenance period, sales only commenced in July 2007 when the remaining conditions in the Koffiefontein acquisition agreement were met.

Kimberley Underground – South Africa

In September 2007, Petra reached agreement to acquire the Kimberley Underground mines ("Kimberley Underground") from De Beers, following a competitive tender process, for a total consideration of

R78.5 million. Kimberley Underground comprises Wesselton, Du Toitspan and Bultfontein, three historic mines which were at the heart of South Africa's diamond rush in the late 1800's.

Petra has since been operating the mines on a care and maintenance basis on behalf of De Beers until all required mining authorisations are received from the South African authorities (expected mid 2008). Based on historical production and sales information, we expect annual sales in excess of 100,000 carats at an average of US\$160 per carat once full production is recommenced, giving gross annual revenues in excess of US\$16 million and a life of mine of at least 12 years.

Cullinan – South Africa

In November 2007, Petra signed a landmark deal to acquire the Cullinan diamond mine ("Cullinan"), from De Beers, as part of a Petra-led consortium for a total cash consideration of R1 billion. As with the acquisition of Koffiefontein and the agreement to acquire Kimberley Underground, this agreement followed a rigorous and competitive tender process.

The Petra Diamonds Cullinan Consortium ("PDCC") comprises Petra Diamonds Limited (37% initial interest), Al Rajhi Holdings W.L.L. ("Al Rajhi") (37% initial interest) and PDCC's Black Economic Empowerment partners (26% interest). Petra can increase its interest in PDCC (from Al Rajhi) to 60% based on performance of the mine and pre-agreed option payments.

Cullinan (known as the Premier Mine until 2003) is renowned for producing many of the world's largest and most famous diamonds, including the largest ever gem diamond, the Cullinan diamond at 3,106 carats rough, as well as more than a quarter of all diamonds weighing more than 400 carats. It also frequently yields diamonds larger than ten carats.

The prices of high end diamonds remain strong and price growth buoyant, despite the current economic uncertainty, and record sales have recently been noted at auction houses. Fancy colours, and in particular blue diamonds, are highly sought after and the world's highest value diamond by carat, a 6.04 carat internally flawless, emerald cut, fancy blue diamond, was sold in October 2007 for US\$7.98 million at a Sotheby's auction in Hong Kong – achieving an all time high price of US\$1.32 million per carat. This bodes well for Cullinan, the world's only significant source of blue diamonds.

In the year to December 2006, De Beers produced 1.15 million carats at the mine, with a market value of R504.9 million (US\$75.2million). We believe that there are reserves and resources in place at the existing mine (excluding the Centenary-Cut resource) to support an additional mine life in excess of 20 years, yielding annual rough diamond production of in excess of 1 million carats.

Underneath the existing mining operations lies the Centenary Cut, or 'C-Cut' resource. Estimated at 133.1 million carats in-situ, the C-Cut is the world's second largest diamond indicated resource. Whilst previous studies have indicated a high capital cost required to develop the C-Cut, we intend to consider new alternatives, such as a phased approach to development. There are also substantial tailings resources at Cullinan, incorporating both dumps and the higher grade optical sort tailings.

In December 2007, the South African Department of Minerals and Energy converted the old order mining right in respect of Cullinan into a new order mining right, and in February 2008 the South African Competition Commission gave its approval of the acquisition. We now expect the remaining conditions precedent to the acquisition to be met between May and July 2008.

Fissure mines

At the fissure mines, our attention has shifted from volume of carats produced to optimisation of revenues by focus on grade and final recovery, resulting in average value per carat achieved increasing from \$126 per carat for the period ending 31 December 2006 to \$182 per carat. Cash costs per tonne ran at approximately R530 per tonne overall for the three fissure mines, a level which management is confident can be substantially improved upon. CAPEX for the period was US\$2 million, with a total expenditure for the full year to June 2008 of US\$3.8 million expected.

The current skill shortages and interruptions to power supply being experienced in South Africa have meant that the Company is redirecting management attention to continue improving efficiencies via further mechanisation and other initiatives.

Helam

Power outages have had an impact on production at Helam but steps have been taken to address this, such as using lower energy pumps and overall focus on best use of power supplies. We have continued to make great strides towards the semi-mechanisation of the mine, which will lead to future cost reductions in the medium term. The deepening of shafts and addition of new levels are progressing according to plan.

Star

The main shaft sinking programme has been successfully completed to 14 level and the deepening to 15 level is well underway.

When the main shaft reaches 15 level the current sub-shaft system will be decommissioned. It is anticipated that the main

shaft (with ore passes and loading arrangements) will have been deepened to 16 level by the end of 2008. This will be a major

step forward toward the semi-mechanisation of Star mine and is expected to lead to significant cost reductions.

Sedibeng

The mechanisation process at Sedibeng is the most advanced of all of Petra's fissure mining operations.

Raise boring is now being undertaken to deepen the Dancarl shaft to beyond 20 level and this should be completed by the end of 2008, opening up a block of ground in excess of half a million tonnes for mining access. This is a considerable tonnage, given that approximately 150,000 tonnes is currently mined each year at Sedibeng.

The recently commissioned diamond recovery plant is operating well and has a positive impact on both costs and diamond security. The stockpile built up during the commissioning phase was virtually depleted by the Period end.

Sedibeng regularly produces exceptional diamonds, including a 99.43 carat diamond sold in the Period for US\$1,305,009 (equivalent to US\$13,125 per carat). Since the Period end, a further exceptional diamond of 50.14 carats was recovered in January 2008 and sold for US\$1,312,018, (US\$26,167 per carat), being the most valuable diamond to be sold in Group history.

Fissures mines (Helam, Star, Sedibeng) combined production:

	Unit	6 months ended 31 December 2007	6 months ended 31 December 2006
Production			
Diamonds produced	Cts	62,757	71,928
Grade	Cpht	47.5	41.6
Sales			
Revenue	US\$m	12.5	8.2
Diamonds sold	Cts	68,981	64,940
Average price per carat	US\$	182	126

Note 1: All production and sales figures are stated gross

Power shortages – South Africa

The current issue of power shortages in South Africa is well documented and a number of our mining operations have been temporarily impacted. Over the last month, Petra has experienced occasional load-shedding at each of our four producing mines in South Africa, however we have back-up generator facilities in place at all operations which ensure the safety of our employees, as well as ensuring that conditions in our underground mining areas are kept in good working order. The recent outages have not caused us to adjust our overall expectations of production levels and, should Eskom maintain supply of power at 90%, we remain on track to reach our internal forecasts for the year to June 2008.

EXPLORATION

Angola – Alto Cuilo

The development of Alto Cuilo, a project with some 77 kimberlites confirmed, remains a priority for Petra. As previously reported, the first mini bulk sample (“MBS”) results were a major milestone in the development of Alto Cuilo and we were very encouraged by the high grade zones encountered at kimberlites AC63 and AC98.

Sadly operations at Alto Cuilo were temporarily disrupted following the tragic helicopter accident in Angola in November 2007. Whilst this incident was unrelated to Alto Cuilo, all BHP Billiton operations in Angola were temporarily suspended.

A second large diameter drill rig is now at site and we expect this to accelerate our MBS programme. Bulk samples are now scheduled on surface outcrops of AC16 and AC98 and further high priority targets have been identified. In order to increase our understanding of the complex morphology of the kimberlitic clusters at Alto Cuilo, several NSAMT (Natural Source Audio Magneto Tellurics) surveys are planned for 2008.

As at 31 December 2007, BHP Billiton’s spend at Alto Cuilo totalled US\$57.8 million, with the result that our partner is close to its earn-in threshold of US\$60 million, upon which it will hold a 75% share of our interest in Alto Cuilo. Once this US\$60 million threshold is met, the agreement in place between Petra and BHP Billiton requires that both parties fund further development of Alto Cuilo in proportion to their shareholdings.

Angola – Luangue

In July, Petra entered into a second joint venture agreement with BHP Billiton to develop the Luangue diamond project, the contiguous concession to the north of Alto Cuilo. Exploration work carried out to date at Luangue supports the presence of kimberlitic clusters in the area. As detailed information on diamond content emerges on the Alto Cuilo kimberlitic occurrences, the selection and prioritisation of bulk sample targets at Luangue is enhanced. This is expected to fast-track exploration developments at Luangue, accelerating progress towards a pre-feasibility study.

In December 2007, a low level aero magnetic survey was completed over the Luangue concession. Targets will be prioritised for the narrow diameter drilling (NDD) programme and three core drill rigs are currently en route to site to commence the kimberlite verification programme.

Botswana – Kalahari

In Botswana, where we have an on-craton area of some 52,000km² under investigation, Petra continues to carry out a highly focused exploration programme. In addition to the ground geophysical follow up of anomalies in preparation for drilling, a 57,000 line kilometre low level gradient array magnetometer survey was completed for the Kukama area and target selection is expected to be completed by March 2008. A 7,000 line kilometre gradient array magnetic survey was also completed in the Tswapong area, investigating kimberlite indicator mineral anomalies detected during our sampling programmes.

The next phase of the exploration programme is a 3,000 to 5,000 metre drilling programme which will commence shortly in the Gope East, Gope West and Kukama project areas. This programme will target new anomalies as well as definition drilling on known kimberlites such as kimberlite 173S in the Kukama area that is now, on new data, interpreted to be 25 hectares in surface area.

We have completed ground geophysical follow up of the two diamondiferous kimberlites, DK4 and DK6, in the Jwaneng locality and gravity data suggests that these kimberlites are both larger than originally suspected. We now aim to test the indicated grades of approximately 8 cpht as recorded by previous operators and Petra plans to commence underground test shafts towards the end of 2008.

Sierra Leone – Kono

Trial mining operations at the Kono project, a joint venture with Stellar Diamonds, continue with highly encouraging results at the Pol K and Bardu test shafts. A total of 8,640 diamonds (760 carats) have now been recovered at Kono (bottom cut 1 mm). A parcel of 581 carats has been shipped to South Africa and these are being cleaned, awaiting valuation.

At Pol K shaft, a total of 757.5 tonnes of in-situ fissure has now been extracted. Ore processing has yielded 5,603 diamonds totalling 479.5 carats, rendering a very satisfactory in-situ grade of 63 cpht, with the ten largest diamonds ranging in size from 1.1 carats to 10.55 carats. At the extraction depth of 32 metres, satisfactory mining conditions have been experienced. Shaft sinking will now be extended to a depth of 60 metres, at which point stope panels will be established to increase ore extraction.

At Bardu shaft, trial mining started in early December 2007. The limited amount of in-situ fissure tonnes extracted so far at a depth of 30 metres below surface yielded encouraging in-situ grades, however Petra is of the opinion that the scale of the work conducted is presently too limited to arrive at any representative in-situ grade. Test work will continue in order to obtain an in-situ grade and evaluate the quality of the diamonds. As previously stated, we expect to be in a position to make a development decision at Kono by mid 2008.

It is also worth noting the considerable exploration potential at Kono and Petra has, subject to successful contract negotiations, awarded a contract to Fugro Airborne Surveys to conduct a survey in the Kono area to prospect for potential kimberlite pipes and blows.

CUTTING & POLISHING

Calibrated Diamonds, Petra's cutting and polishing business, continues to build capacity. Calibrated Diamonds' proprietary technology produces brilliant cut diamonds of a high and consistent standard, and test work to date has delivered excellent results. Revenue from the polished diamonds sold in the period was US\$0.4 million (27.42 carats); the stock of diamonds on hand at 31 December will be completed over the next few weeks and then the polished diamonds sold in the period to 30 June 2008.

CONCLUSION

Throughout 2007 Petra continued to grow its production base through acquisitions, culminating with the agreement to acquire Cullinan. Petra's profile as a low cost producer and our innovative mining approach has turned the Koffiefontein mine into a profitable operation, and demonstrated our ability to successfully operate major underground diamond mines. We have plans in place to achieve similar results at both Kimberley Underground and Cullinan.

Today we are able to offer our shareholders an integrated diamond group comprising rapidly rising production, substantial reserves and resources and the significant upside potential of major exploration assets. Set against a market of limited supply and rising diamond prices, these attributes will ensure a bright future for the Company and all its stakeholders as we further establish ourselves as a world class diamond group.

Adonis Pouroulis
Chairman
19 February 2008

PETRA DIAMONDS LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2007

	Notes	(Unaudited)	(Restated)	(Restated)
		1 July 2007- 31 December 2007	(Unaudited) 1 July 2006- 31 December 2006	1 July 2006 - 30 June 2007
		US\$	US\$	US\$
Revenue		32,185,814	8,268,611	17,048,794
Cost of Sales		(19,642,512)	(9,831,860)	(21,003,936)
Gross profit / (loss)		12,543,302	(1,563,249)	(3,955,142)
Exploration expenditure		(3,552,815)	(2,440,798)	(6,091,669)
Administration expenditure	7	(5,936,879)	(4,092,533)	(6,431,315)
Financial income		6,965,169	113,814	654,151
Financial expense		(1,653,044)	(2,351,474)	(7,034,185)
Net financing income / (costs)	8	5,312,125	(2,237,660)	(6,380,034)

Profit / (loss) before tax	8,365,733	(10,334,240)	(22,858,160)
Income tax (expense)	(130,404)	864,681	1,909,234
Profit / (loss) for the period	8,235,329	(9,469,559)	(20,948,926)

Attributable to:

Equity holders of the holding company	4,450,693	(9,469,559)	(20,948,926)
Minority shareholders	3,784,636	-	-
	8,235,329	(9,469,559)	(20,948,926)

Basic earnings / (loss) per share – cents	11	2.44	(6.33)	(13.60)
Diluted earnings / (loss) per share – cents	11	2.37	(6.33)	(13.60)

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2007

	(Unaudited)	(Restated)	(Restated)
	1 July 2007-	(Unaudited)	1 July 2006 - 30
	31 December 2007	1 July 2006- 31	June
	US\$	December 2006	2007
		US\$	US\$
Exchange differences on translation of foreign operations	960,858	8,283,906	8,677,941
Net income recognised directly in equity	960,858	8,283,906	8,677,941
Profit / (loss) for the period	8,235,329	(9,469,559)	(20,948,926)
Total recognised income and expenses	9,196,187	(1,185,653)	(12,270,985)

Attributable to:

Equity holders of the holding company	5,411,551	(1,185,653)	(12,270,985)
Minority shareholders	3,784,636	-	-
	9,196,187	(1,185,653)	(12,270,985)

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2007

	Notes	(Unaudited)	(Restated)	
		31 December	(Unaudited)	
		2007	31 December 2006	30 June
		US\$	US\$	2007
				US\$
ASSETS				
Non-current assets				
Property, plant and equipment		95,119,713	73,429,878	84,872,711
Intangible assets		45,992,598	14,308,597	72,816,432
Available for sale financial assets		69,905	1,371,372	70,136
Investment in associate	5	6,241,671	-	-
Other receivables		157,591	200,576	151,987

Total non-current assets		147,581,478	89,310,423	157,911,266
Current assets				
Inventories		11,243,742	4,653,190	8,900,532
Trade and other receivables		14,708,962	4,030,737	14,822,729
Derivative financial assets		1,266,195	-	-
Cash and cash equivalents		58,989,948	19,215,929	44,124,829
Total current assets		86,208,847	27,899,856	67,848,090
Total assets		233,790,325	117,210,279	225,759,356
EQUITY AND LIABILITIES				
Equity				
Share capital	9	36,742,769	29,522,189	36,360,403
Share premium account	10	229,024,305	134,654,784	227,366,888
Foreign currency translation reserve	10	(7,097,712)	(5,742,819)	(6,136,854)
Share-based payment reserve	10	2,256,205	1,196,715	1,527,000
Other reserves	10	4,003,682	4,003,682	4,003,682
Accumulated loss	10	(98,106,900)	(91,078,226)	(102,557,593)
Equity attributable to equity holders of the holding company		166,822,349	72,556,325	160,563,526
Minority interest		3,784,636	-	-
Total equity		170,606,985	72,556,325	160,563,526
Non-current liabilities				
Liabilities				
Loans and borrowings		2,548,588	3,115,295	3,103,252
Trade and other payables		3,377,585	2,021,556	2,800,506
Provisions		14,198,526	1,824,427	9,852,535
Deferred tax liabilities		9,289,370	9,713,898	9,551,924
Total non-current liabilities		29,414,069	16,675,176	25,308,217
Current liabilities				
Loans and borrowings		19,337,527	19,563,472	27,755,710
Other payables		12,308,723	6,560,671	9,821,436
Provisions		2,123,021	1,854,635	2,310,467
Total current liabilities		33,769,271	27,978,778	39,887,613
Total liabilities		63,183,340	44,653,954	65,195,830
Total equity and liabilities		233,790,325	117,210,279	225,759,356

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2007

Notes	(Unaudited)	(Restated)	(Restated)
	1 July 2007- 31 December 2007	(Unaudited)	1 July 2006 - 30 June 2007
	US\$	US\$	US\$
Profit / (loss) before taxation for the period	8,365,733	(10,334,240)	(22,858,160)

Depreciation of property plant and equipment - exploration	567,533	28,807	1,115,782
Depreciation of property plant and equipment - mining	3,168,364	2,784,064	5,274,209
Depreciation of property plant and equipment - other	57,330	16,453	113,283
Amortisation of intangible assets	1,982,627	1,995,688	3,740,928
Loss / (profit) on sale of property plant and equipment	2,999	-	(81,852)
Finance income	(1,238,350)	(113,814)	(654,151)
Finance expense	938,540	603,544	1,307,715
Unrealised foreign exchange (gain) / loss	(4,351,260)	1,747,930	4,811,205
Share based payment provision	729,205	223,753	749,406
Present value adjustment on rehabilitation provision	86,770	73,857	186,121
Operating profit / (loss) before working capital changes	10,309,491	(2,973,958)	(6,295,514)
(Increase) / decrease in trade and other receivables	(1,152,149)	(1,334,699)	(12,031,562)
Increase / (decrease) in trade and other payables	2,372,171	1,294,367	4,111,526
(Increase) in inventories	(2,912,549)	(2,801,123)	(6,133,588)
Cash generated from / (utilised) in operations	8,616,964	(5,815,413)	(20,349,138)
Interest paid	(938,540)	(300,784)	(1,307,715)
Net cash generated from / (utilised) by operating activities	7,678,424	(6,116,197)	(21,656,853)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	-	-	568
Proceeds from sale of intangibles	22,354,768	-	-
Acquisition of subsidiary net of cash acquired	-	(2,334,665)	1,934,936
Interest received	1,238,350	113,814	654,151
Acquisition of investment in associate	(3,000,000)	(99,960)	-
Acquisition of property, plant and equipment	(3,876,701)	(1,971,552)	(5,086,569)
Development expenditure	(1,939,261)	(1,522,980)	(3,847,301)
Net cash from investing activities	14,777,156	(5,815,343)	(6,344,215)
Cash flows from financing activities			
Net proceeds from the issue of share capital	2,788,633	2,075,106	36,087,171
(Decrease) / increase in short-term borrowings	(7,855,968)	-	9,635,689
Increase / (decrease) in long-term borrowings	(2,431,324)	22,293,600	19,424,564
Net cash (utilised) / generated from financing activities	(7,498,659)	24,368,706	65,147,424
Net increase in cash and cash equivalents	14,956,921	12,437,166	37,146,356
Cash and cash equivalents at beginning of the period	44,124,829	7,019,644	7,019,644
Effect of exchange rate fluctuations on cash held	(91,802)	(240,881)	(41,171)
Cash and cash equivalents at end of the period	58,989,948	19,215,929	44,124,829

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2007

1. ACCOUNTING POLICIES

The interim results, which are unaudited, have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The interim financial statements have been prepared in accordance with

the requirements of International Accounting Standard 34. This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2007 and any public announcements made by the Company during the interim reporting period.

The unaudited interim financial statements for the six months ended 31 December 2007 do not constitute statutory accounts and have been drawn up using accounting policies and presentation consistent with those applied in the audited accounts for the year ended 30 June 2007 as adjusted for the adoption of any new IFRS's which are applicable to the group for the year ended 30 June 2008 and as adjusted for the following restatements:

Analysis of foreign exchange gains and losses

In the financial statements for the year ended 30 June 2007 and for the interim period ended 31 December 2006 all foreign exchange gains and losses were included within administration expenditure. These foreign exchange gains and losses have now been re-allocated to finance income or finance costs, as appropriate. The amounts re-allocated are deemed to be more closely aligned to financing than operating costs. The re-allocation of costs has no impact on the results for the year ended 30 June 2007. Foreign exchange losses of US\$4,811,205 and US\$1,747,930 were restated for the year ended 30 June 2007 and the period ending 31 December 2006 respectively.

Cash flow statement - analysis of short term borrowings

In the financial statements for the year ended 30 June 2007 an increase of US\$9,635,689 in short term borrowings was included within the movement in trade payables. This has now been restated as an increase in short term borrowings under financing activities. This restatement has no impact on the net increase in cash and cash equivalents for the year ended 30 June 2007.

The financial information for the year ended 30 June 2007 has been extracted from the statutory accounts for that period. The auditors report for the year ended 30 June 2007 was unqualified.

The financial information for the 6 months ended 31 December 2006 has been extracted from the interim results released to 31 December 2006.

2. DIVIDENDS

No dividends were proposed or paid during the period.

3. SEGMENTAL INFORMATION

The Group comprises the following business segments:

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

Exploration – exploration activities in Angola, Botswana, Sierra Leone and South Africa.

Beneficiation - cutting and polishing of rough diamonds.

Business segments	Mining	Exploration	Beneficiation	Consolidated
	1 July 2007 - 31 December 2007 US\$	1 July 2007 - 31 December 2007 US\$	1 July 2007 - 31 December 2007 US\$	1 July 2007 - 31 December 2007 US\$
Revenue	31,668,533	-	517,281	32,185,814
Segment result	16,147,606	(3,617,687)	13,383	12,543,302

Operating profit / (loss)	11,034,490	(7,409,925)	(570,957)	3,053,608
Financial income	1,919,537	5,058,139	(12,507)	6,965,169
Financial expense	(396,759)	(1,256,239)	(46)	(1,653,044)
Income tax expense	(130,404)	-	-	(130,404)
Outside shareholders Interest	(3,784,636)	-	-	(3,784,636)
Profit / (loss) for the period	8,642,228	(3,608,025)	(583,510)	4,450,693
Segment assets	99,475,679	130,541,539	3,773,107	233,790,325
Segment liabilities	34,994,805	25,671,846	2,516,689	63,183,340

Geographical segments	Angola	Botswana	Sierra Leone	South Africa	Jersey	Consolidated
	1 July 2007 - 31 December 2007 US\$	1 July 2007 - 31 December 2007 US\$	1 July 2007 - 31 December 2007 US\$	1 July 2007 - 31 December 2007 US\$	1 July 2007 - 31 December 2007 US\$	1 July 2007 - 31 December 2007 US\$
Revenue	-	-	-	32,185,814	-	32,185,814
Segment assets	43,422,262	7,641,074	10,360,225	115,422,720	56,944,044	233,790,325
Segment liabilities	-	43,332	3,754,736	37,689,647	21,695,625	63,183,340
Capital expenditure	-	101,976	1,939,261	3,774,725	-	5,815,962

Business segments	Mining	Exploration	Beneficiation	Consolidated
	1 July 2006 - 31 December 2006 US\$	1 July 2006 - 31 December 2006 US\$	1 July 2006 - 31 December 2006 US\$	1 July 2006 - 31 December 2006 US\$
Revenue	8,268,611	-	-	8,268,611
Segment result	(1,563,249)	-	-	(1,563,249)
Operating loss	(2,261,505)	(5,750,200)	(84,875)	(8,096,580)
Financial income	1,154	112,653	7	113,814
Financial expense	(1,349,757)	(1,001,717)	-	(2,351,474)
Income tax	864,681	-	-	864,681
Loss for the period	(2,745,427)	(6,639,264)	(84,868)	(9,469,559)
Segment assets	68,788,111	47,362,117	1,060,051	117,210,279
Segment liabilities	20,194,232	23,955,923	503,799	44,653,954

Geographical segments	Angola	Botswana	Sierra Leone	South Africa	Jersey	Consolidated
	1 July 2006 - 31 December 2006 US\$	1 July 2006 - 31 December 2006 US\$	1 July 2006 - 31 December 2006 US\$	1 July 2006 - 31 December 2006 US\$	1 July 2006 - 31 December 2006 US\$	1 July 2006 - 31 December 2006 US\$
Revenue	-	-	-	8,268,611	-	8,268,611
Segment assets	4,785,697	11,776,609	5,928,791	69,500,761	25,218,421	117,210,279

Segment liabilities	-	98,634	1,232,812	23,026,679	20,295,829	44,653,954
Capital expenditure	-	157,735	1,522,980	1,813,817	-	3,494,532

Business segments	Mining	Exploration	Beneficiation	Consolidated
	1 July 2006 -	1 July 2006 -	1 July 2006 -	1 July 2006 -
	30 June	30 June	30 June	30 June
	2007	2007	2007	2007
	US\$	US\$	US\$	US\$
Revenue from external customers	16,712,146	336,648	-	17,048,794
Segment result	(5,851,790)	1,981,525	(84,877)	(3,955,142)
Operating loss	(6,333,466)	(9,545,432)	(599,228)	(16,478,126)
Financial income	-	651,767	2,384	654,151
Financial expense	(3,659,372)	(3,374,813)	-	(7,034,185)
Income tax	1,909,234	-	-	1,909,234
Loss for the period	(8,083,604)	(12,268,478)	(596,844)	(20,948,926)
Segment assets	87,227,690	137,374,026	1,157,640	225,759,356
Segment liabilities	32,165,070	32,108,430	922,330	65,195,830

Geographical segments	Angola	Botswana	Sierra Leone	South Africa	Jersey	Consolidated
	1 July 2006 -	1 July 2006 -	1 July 2006 -	1 July 2006 -	1 July 2006 -	1 July 2006 -
	30 June	30 June	30 June	30 June	30 June	30 June
	2007	2007	2007	2007	2007	2007
	US\$	US\$	US\$	US\$	US\$	US\$
Revenue	-	-	-	16,712,146	336,648	17,048,794
Segment assets	52,318,248	9,318,811	8,369,539	106,890,457	48,862,301	225,759,356
Segment liabilities	12,988	54,787	3,165,035	40,439,879	21,523,141	65,195,830
Capital expenditure	-	(155,132)	(3,847,301)	(4,818,397)	(113,040)	(8,933,870)

4. ACQUISITIONS

4(a) 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 payable is R78.5 million (US\$11.1 million). The consideration is to be settled by Petra assuming De Beers' rehabilitation obligations with regards to Kimberley Underground of R63.5 million (US\$8.9 million), and the payment in cash by Petra to De Beers of R15 million (US\$2.2 million).

The acquisition is not reflected in the financial statements as at 31 December 2007 as the agreement is conditional upon the following:

- (i) the DME converting the old order mining right in respect of Kimberley Underground held by De Beers into a new order mining right;
- (ii) the amendment of the new order mining right to subdivide the Kimberley Underground mines from other rights to be retained by De Beers;
- (iii) DME consenting to the cession to Petra of the new order mining right in respect of Kimberley Underground;
- (iv) the DME consenting to the cession, transfer and delegation of the rehabilitation obligations and liabilities in respect of Kimberley Underground from De Beers to Petra;
- (v) other related sale assets being sub-divided as required, and all regulatory approvals or consents being obtained in that regard;

- (vi) issue of appropriate guarantees to De Beers; and
- (vii) all other regulatory approvals as may be required.

No pro-forma financial information as at 19 February 2008 is available in respect of the Kimberley Underground operations as no mining activity occurred during the period. Fair values of the assets and liabilities have not been disclosed as the conditions above have not yet been met. For the six months ending 31 December 2007, care and maintenance costs of US\$591,098 and capital expenditure of US \$1,320,040 have been incurred.

4(b) Acquisition of Cullinan Diamond Mine assets

On 22 November 2007, the Company announced that it had, as a member of the Petra Diamonds Cullinan Consortium ('PDCC'), entered into an agreement with De Beers to acquire the Cullinan Diamond Mine ('Cullinan') in South Africa.

Salient features of the transaction are:

- (i) PDCC will acquire Cullinan from De Beers for a total cash consideration of R1 billion (US\$149.0 million); Petra's share of the consideration is R325 million (US\$48.4 million);
- (ii) the members of PDCC are Petra Diamonds Limited (37% initial interest), Al Rajhi Holdings W.L.L. ('Al Rajhi') (37% initial interest) and PDCC's Black Economic Empowerment ('BEE') partners (26% interest). The Company can at its option increase its interest in PDCC (from Al Rajhi) based on performance of the mine and pre-agreed option payments. PDCC will be funded by Petra US\$50 million and Al Rajhi US\$150 million; the total funding of US\$200 million will be applied to the purchase consideration of Cullinan of R1 billion (US \$149.0m), with the balance for the mine's working capital and Capex requirements;
- (iii) the BEE partners will pay for their interests from their share of future cash flows from the mine, after servicing interest at appropriate interest rates, or they can arrange independent financing; and
- (iv) the BEE partners are represented by Thembinkosi Mining Investments (Pty) Ltd, a consortium of BEE mining companies with a 14% interest, and a broad based Petra employee share trust with a 12% interest that will ensure that all Petra employees can benefit in the mine's success.

The acquisition is not reflected in the financial statements as 31 December 2007 as the agreement is conditional on upon the following conditions:

- (i) approval by the South African Competition Authority (approval received 18 February 2008);
- (ii) Ministerial consent to the cession to PDCC of the new order mining right in respect of Cullinan;
- (iii) the DME consenting to the cession, transfer and delegation of the rehabilitation obligations and liabilities in respect of Cullinan from De Beers to PDCC; and
- (iv) all regulatory and other approvals as may be required.

5. INVESTMENT IN ASSOCIATE

In August 2007 the Company acquired a 40% equity interest in Organizações Moyoweno – Comércio Geral, Lda. ("Moyoweno"), an Angolan registered company, for US\$6 million. Moyoweno's sole asset is an interest in the Alto Cuilo kimberlite and alluvial exploration contracts.

6. SALE OF INTEREST IN SUBSIDIARY

On 1 August 2007, the Company entered into an agreement ('Luangue Agreement') with BHP Billiton to develop the Luangue diamond project ('Project Luangue') in north eastern Angola.

Under the terms of the Luangue Agreement:

- (i) BHP Billiton acquired 25% of the issued share capital of Frannor Investments and Finance Limited ("Frannor"), from Petra for a cash consideration of US\$22.35 million; the consideration has been treated as a disposal of 25% of the prospecting licences acquired at the date of acquisition;
- (ii) BHP Billiton's shareholding in Frannor will remain at 25% until BHP Billiton's earn-in date ('BHP Billiton Earn-in Date'), defined as the earlier of (i) the formation of a kimberlite mining company or (ii) 180 days following the submission of a Technical and Economic Viability Study in accordance with the Luangue kimberlite concession contract, provided that in either case a BHP Billiton pre-feasibility study is completed beforehand. At the BHP Billiton Earn-in Date, BHP Billiton's shareholding in Frannor will increase to 75%, with Petra holding the remaining 25% of Frannor; and
- (iii) BHP Billiton will sole fund the development of Project Luangue up to the BHP Billiton Earn-in Date; and
- (iv) BHP Billiton refunded Petra's Project Luangue operating expenditure, of circa US\$3.5 million.

As at 31 December 2007 the Company maintained its 75% shareholding in Frannor and consolidated 100% of Frannor's assets, liabilities and operational results.

	1 July 2007 - 31 December 2007 \$	1 July 2006 - 31 December 2006 \$	1 July 2006 - 30 June 2007 \$
7. ADMINISTRATION EXPENDITURE			
Auditors' remuneration			
- audit services	289,460	-	195,437
- other services	-	-	19,394
Depreciation of property, plant and equipment	57,330	16,453	113,283
Operating lease rentals - buildings	78,628	62,524	153,739
Staff costs	2,146,888	852,640	1,881,271
Bid and project expenditure	133,013	26,458	55,293
Loss / (profit) on disposal of property, plant and equipment	2,999	-	(81,852)
Administration expenses - mining operations	1,512,698	858,709	1,794,312
Care and maintenance	591,098	1,240,040	-
Other charges	395,560	593,415	1,863,098
Share-based payments			
- directors	347,660	200,997	253,656
- senior management	381,545	241,297	183,684
	5,936,879	4,092,533	6,431,315

	1 July 2007 - 31 December 2007 \$	1 July 2006 - 31 December 2006 \$	1 July 2006 - 30 June 2007 \$
8. NET FINANCING INCOME/(COSTS)			
On bank loans and overdrafts	(938,540)	(263,795)	(813,377)
Other debt finance costs	(714,504)	(339,749)	(1,409,603)
Unrealised foreign exchange losses	-	(1,747,930)	(4,811,205)
Financial expense	(1,653,044)	(2,351,474)	(7,034,185)
Interest received	1,238,350	113,814	654,151
Realised foreign exchange gains on the settlement of forward exchange contracts	1,375,559	-	-
Unrealised foreign exchange gains on forward exchange contracts	1,266,195	-	-
Other unrealised foreign exchange gains	3,085,065	-	-
Financial income	6,965,169	113,814	654,151
	5,312,125	(2,237,660)	(6,380,034)

9. ISSUED CAPITAL

	Number of shares	31 December 2007 US\$	Number of shares	31 December 2006 US\$
Authorised – ordinary shares of 10p each				
As at 31 December 2006 and 31 December 2007	300,000,000	60,117,000	200,000,000	35,982,000
Issued and fully paid				
At 1 July	181,448,191	36,360,403	148,825,098	27,031,103
Allotments during the period	2,514,000	382,366	1,867,509	2,491,086
At 31 December	183,962,191	36,742,769	150,692,607	29,522,189

10. RESERVES

	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Other reserves	Accumulated loss	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
6 Month period ending 31							
December 2006:							
At 1 July 2006	27,031,103	123,189,903	2,541,087	972,962	-	(81,608,667)	72,126,388
Loss for the period	-	-	-	-	-	(9,469,559)	(9,469,559)
Equity portion of convertible bond	-	-	-	-	4,003,682	-	4,003,682
Equity based share options	-	-	-	223,753	-	-	223,753
Exchange differences	-	9,685,360	(8,283,906)	-	-	-	1,401,454
Allotments during the period	2,491,086	-	-	-	-	-	2,491,086
Premium allotments during the year	-	1,792,182	-	-	-	-	1,792,182
Share issue costs	-	(12,661)	-	-	-	-	(12,661)
At 31 December 2006	29,522,189	134,654,784	(5,742,819)	1,196,715	4,003,682	(91,078,226)	72,556,325

6 Month period ending 31

December 2007:

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
Profit for the period	-	-	-	-	-	4,450,693	4,450,693
Equity based share payments	-	-	-	729,205	-	-	729,205
Exchange differences	-	(748,850)	(960,858)	-	-	-	(1,709,708)
Allotments during the period	382,366	-	-	-	-	-	382,366
Premium allotments during the year	-	2,406,267	-	-	-	-	2,406,267
At 31 December 2007	36,742,769	229,024,305	(7,097,712)	2,256,205	4,003,682	(98,106,900)	166,822,349

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the interim period of US\$4,450,693 (31 December 2006: loss for the period US\$9,469,559) and on a weighted average of 182,684,584 (31 December 2006: 149,679,152) ordinary shares of 10p each in

issue during the period.

The calculation of diluted earnings per share is based on earnings for the interim period of US\$4,450,693 (31 December 2006: loss for the period US\$9,469,559) and on a diluted number of 188,073,841 (31 December 2006: 170,591,152) ordinary shares of 10p each in issue during the period.

12. HEDGING INSTRUMENTS

From time to time the Company may acquire forward contracts to fix the exchange rate on future transactions. At the period end such forward contracts with an unrealised foreign exchange gain of US\$1,266,195 was credited to the income statement within net financing income. A corresponding asset is included within derivative financial assets.

END

Close

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.

©2009 London Stock Exchange plc. All rights reserved