

# Directors' report

The Directors present their report together with the audited financial statements of the Group for the year ended 30 June 2010.

## Principal activities

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company has a well-diversified portfolio, with controlling interests in seven producing mines: six in South Africa (Cullinan, Koffiefontein, Kimberley Underground, Helam, Sedibeng and Star) and one in Tanzania (Williamson). In addition, Petra has an exploration division in Botswana.

## 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 CEO's review on pages 10 to 19, the Finance Director's review on pages 20 to 22 and in note 29 to the financial statements.

## Results and dividends

The Group's net profit after tax for the year amounted to US\$70.2 million (2009: loss US\$89.0 million). The Directors do not recommend the payment of a dividend for the year (2009: 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 30 and 31 and note 21 to the financial statements) were as follows:

### Significant shareholders

	Number of ordinary shares	Percentage of issued share capital
Al Rajhi Holdings W.L.L.	63,948,663	18.1%
Saad Investments Company Limited	60,844,185	17.3%
JP Morgan Asset Management U.K. Limited	32,942,730	9.3%
Capital Group International, Inc.	25,056,245	7.1%
Scottish Widows Investment Partnership	22,000,000	6.2%
BlackRock Investment (UK) Limited	18,891,320	5.4%
Directors	14,204,421	4.0%

	Number of shares at 30 June 2010	Number of shares at 30 June 2009
A Pouroulis	9,564,650	9,113,122
J Dippenaar	640,000	640,000
J Davidson	640,000	640,000
D Abery	1,979,649	1,528,122
C Segall	1,380,122	1,380,122

- 7,735,000 ordinary shares in the Company are held by a trust of which A Pouroulis is a beneficiary.
- 5,037,421 ordinary shares in the Company are held by a trust of which A Pouroulis, D Abery and C Segall are beneficiaries.

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

## Share capital

Details of changes to share capital during the year can be found in note 21 to the financial statements.

## Substantial shareholdings

At 22 November 2010 the interests as indicated in the table below 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).

## 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 ("IFRS") as adopted by the European Union and the rules of the London Stock Exchange for companies trading securities on AIM. The Directors have chosen to prepare financial statements for the Company in accordance with IFRS, as adopted by the European Union.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cashflows. 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 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 10 January 2011.



By order of the Board

David Abery

Director

24 November 2010