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Petra Diamonds Limited
("Petra Diamonds" or "the Company" or "the Group")

Exploration update

Acceleration of Petra's strategic focus on cash-generative diamond production

Petra Diamonds, the international diamond mining group, announced on 19 December 2008 that it is focusing on building its cash-generative, world-class production portfolio. The Group has completed the strategic exploration review and today updates the market on developments.

Key features

- The strategic exploration review (including the decisions announced on 19 December) has reduced Petra's annual exploration spend by some US\$25 million
- Botswana - a scaled down but highly focused exploration campaign will reduce spend to US\$500,000 for the 6 months to June 2009. Thereafter, Petra has earmarked an annual spend of US\$500,000 in Botswana, the only group exploration spend going forward
- Sierra Leone - Petra's joint venture partner at Kono has assumed sole funding of the Kono advanced exploration project. Petra has until December 2009 to elect to refund its partner for the 51% of the 2009 exploration spend, or to dilute its interest in Kono
- Angola - Petra Diamonds previously announced its withdrawal from the Alto Cuilo project and has now also withdrawn from the neighbouring Luangue project

Johan Dippenaar, Chief Executive Officer, comments:

"Petra has reduced its exploration programme in order to focus resources on the development of its cash-positive producing operations as well as on exploration in Botswana, which requires minimal spend but is highly prospective.

"The decision to focus on cash generative production at our world-class assets is the right move

to enhance our growing business momentum. As one of the lower cost diamond producers, our portfolio of world-class assets, low levels of debt and our robust management team places the group in a strong position to benefit as soon as diamond prices normalise."

Background

Petra Diamonds has rapidly established itself as one of the world's largest independent diamond groups, with a total resource base of 265 million carats. The Company's objective is to bring this world-class resource base to account and the Group is on track to produce over 1 million carats in the full year to June 2009.

The Board has now completed a strategic review of the Group's exploration activities (announced 19 December 2008), taking 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 can be achieved by investment into the Group's world class production portfolio, as compared with continued spend on early stage exploration.

Botswana

As previously announced, Petra Diamonds has reduced the level of exploration activity and commensurate spend for its Kalahari Diamonds operation in Botswana, but the Company will not relinquish any licence areas of interest and remains committed to operations in the country.

Botswana still offers an exceptional basis for exploration in that it ranks highly with regards to diamond prospectivity and very favourably with regards to operating costs and ease of logistical operation. The Company's spend in Botswana for the six months to June 2009 is estimated to be US\$500,000. Thereafter, Petra has earmarked an annual spend of US\$500,000 in Botswana, the only group exploration spend going forward.

Sierra Leone - Kono

Petra Diamonds has been reviewing options regarding the Kono advanced exploration project with its joint venture partner, Stellar Diamonds Limited. The interests in the Kono project are currently 51% Petra and 49% Stellar, and to date the parties have funded the project development in line with these respective interests.

From 1 January 2009, Stellar will assume sole funding of the Kono project. Petra has until the end of 2009 to elect to refund Stellar for the 51% of the exploration spend incurred since 1 January 2009, or to alternatively dilute its interest in Kono.

Stellar's assumption of the funding will, with effect from 1 January 2009, reduce Petra's annual group exploration cash flow budget by US\$1.5 million. Petra has the option of maintaining its interest at the end of 2009, depending on the progress achieved at the project during the year.

Angola - Project Luangue

Petra Diamonds has decided, based on the ongoing exploration results and global weakness in financial markets, to withdraw from the Luangue project (effective end December 2008). Care and maintenance is not an option that is permissible under the Angolan contractual conditions, so Petra's interest in Luangue will now revert to Endiama.

~ Ends ~

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About Petra Diamonds

Petra Diamonds is a rapidly growing diamond mining group, focused on the African continent. A number of recent acquisitions have established Petra Diamonds as one of the world's largest independent diamond groups by resources, with a total resource base of 265 million carats, worth US\$27.3 billion (as at September 2008 Resource Statement). The Company's objective is to continue to develop its stature as a leading diamond producer in all of the countries in which it operates.

In South Africa, Petra Diamonds has five producing mines - Cullinan, Koffiefontein, Helam, Sedibeng and Star - and has also reached agreement to acquire, from De Beers, the Kimberley Underground mines. In Tanzania, Petra has entered into an agreement with De Beers to acquire a 75% interest in the Williamson mine. Petra Diamonds is on track to increase its annual production from 200,000 carats in the year to June 2008 to over 1 million carats in the year to June 2009.

Petra Diamonds will only commit to working in countries which are members of the Kimberley Process and shareholders can remain assured that the Company's diamonds will only ever be 100% conflict free. Petra Diamonds is listed in London under the share code PDL and is AIM's largest diamond group by market capitalisation.

This information is provided by RNS
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