



For release 7 September 2005

Petra Diamonds Limited

Proposed Acquisition of Kalahari Diamonds

Petra Diamonds Limited ('Petra' or 'the Company'), the AIM-quoted and ASX-listed diamond mining group, announces that it has entered into a conditional agreement to acquire in a share-for-share transaction the entire issued share capital of Kalahari Diamonds Limited ('Kalahari') ('the Transaction').

Kalahari, through its wholly-owned Botswana subsidiary, Sekaka Diamonds (Pty) Limited, is the holder of approximately 77,000 km² of highly prospective diamond prospecting licences in Botswana. Botswana is the world's largest diamond producer by value and hosts two of the world's biggest diamond mines, Orapa and Jwaneng. Kalahari also has a relationship with BHP Billiton whereby Kalahari has rights to direct the deployment of BHP Billiton's proprietary Falcon technology and access to an experienced Falcon data acquisition and geophysics team.

The Transaction represents a significant step in Petra's strategy of building a quality exploration portfolio to complement its current producing mines, as Petra continues with its objective of becoming a significant player in the diamond industry. One of Petra's objectives has been to increase its geographical spread of assets across the African continent, focusing on areas that are known to hold major diamond deposits so as not to be overly reliant on any one country.

The acquisition of Kalahari will:

- meet one of Petra's objectives to geographically diversify its African asset base
- give Petra the largest land area under prospecting licence in Botswana, all of that land being on craton and highly prospective
- give Petra an important base in Botswana, the world's largest diamond producer, offering a modern, highly developed mining, commercial and financial environment
- through Kalahari's agreements with BHP Billiton, give Petra access to the unique benefits of the proprietary Falcon technology as well as an experienced Falcon data acquisition and geophysics team
- give Petra access to five known kimberlites in the Gope area, as well as other potential kimberlites in other licence areas. Petra's track record in the development of small and medium sized orebodies will provide a new dimension in the evaluation of these kimberlite occurrences

- give Petra access to more than 200,000 line km of Falcon data which has already been flown and is currently being analysed
- in due course following completion, introduce as Petra shareholders some of the world's largest and most influential diamantaires, as well as the International Finance Corporation (a subsidiary of the World Bank) and new institutional investors
- in due course following completion, increase BHP Billiton's shareholding in Petra
- include approximately US\$3m of cash expected to be held by Kalahari at 30 September 2005, being the anticipated completion date

Details of the Transaction

Petra has entered into a conditional agreement to acquire in a share-for-share transaction the entire issued share capital of Kalahari from Kalahari Diamonds Resources Plc ('KDR'). The Transaction is conditional on the approval of KDR shareholders at an EGM scheduled to be held on 26 September 2005.

Petra will issue 16,166,529 shares ('the Consideration Shares') (representing 12.3% of Petra's current issued share capital) to KDR in consideration for the sale of Kalahari's entire issued share capital to Petra.

Based on a price of 85 pence per Petra share (being the price at which shares were issued in Petra's £17.1 million institutional fundraising completed in June 2005), the consideration would value Kalahari at approximately US\$25 million and based on a price of 73.5 pence per Petra share (being Petra's closing price on AIM on 5 September 2005), the consideration would value Kalahari at approximately US\$21.9 million.

Kalahari is currently a 100% owned subsidiary of KDR. The structure of the Transaction is that Petra will acquire the entire share capital of Kalahari from KDR, issuing the Consideration Shares to KDR. Following completion of the Transaction, it is intended to convene a second EGM of KDR at which resolutions will be proposed to initiate a members' voluntary winding-up of KDR to distribute KDR's assets to its shareholders, which at that point will comprise the Consideration Shares. As a consequence KDR shareholders will ultimately become direct shareholders in Petra.

No regulatory approvals are required to complete the Transaction that have not already been obtained.

A Notice of an EGM, including an explanatory letter from the KDR Board, will be dispatched by KDR to its shareholders shortly. The directors of KDR have confirmed to Petra that they intend to unanimously recommend to KDR shareholders that they vote in favour of the Transaction.

Adonis Pouroulis, Chairman of Petra, comments, "The acquisition of Kalahari is part of Petra's stated objective of growing its business in Africa as well as diversifying its spread of assets. Kalahari offers the perfect opportunity for Petra to enter Botswana, a heavyweight in the diamond industry. We believe that Kalahari holds some very exciting exploration ground and we are confident that this will yield highly positive exploration results in the future."

A Petra presentation covering Petra's proposed acquisition of Kalahari and recent developments in Petra's other operations will be posted onto the Company's website, www.petradiamonds.com, from noon London time 7 September 2005.

Information on Kalahari

Kalahari is a diamond exploration company which explores for diamonds in Botswana through a strategic alliance with BHP Billiton. Kalahari's founding shareholders include BHP Billiton (20%), International Finance Corporation (9.36%), some of the world's leading diamantaires (approximately 40%) and institutional investors.

Kalahari applies the airborne Falcon survey method in conducting diamond exploration on its prospecting areas in Botswana. Desert sand covers about 75% of Botswana and this, together with underlying Karoo lava, has meant that diamond exploration programmes have previously faced difficulties in the detection of buried kimberlites. Access to the Falcon system will assist in overcoming these difficulties.

Kalahari currently holds approximately 77,000km² of prospective diamond terrain in Botswana. Botswana is the world's largest producer of diamonds by value, with large producing mines at Jwaneng, Orapa, Letlhakane and Damatshaa. The Orapa and Jwaneng pipes are of an exceptional size and these mines host reserves and resources that support a life of mine in excess of 20 years at present mining rates.

The Falcon technology provides a new dimension in exploration for diamonds. It is able to "see through" the surface cover which overlies much of Botswana and detect anomalies through these cover rocks. Falcon is an airborne system that can cover larger remote areas rapidly and cost effectively. Falcon is of great value in areas covered by desert sand, such as in Botswana, and Petra considers the deployment of Falcon, in conjunction with other geophysical and exploration techniques, to be a more effective approach.

BHP Billiton has back-in rights with respect to the license areas whereby BHP Billiton is entitled to a 51% or 60% joint venture interest (depending on how the relevant prospecting licence was acquired). Upon the exercise of back-in rights, BHP Billiton would pay to Kalahari 400% of the past expenditure on the specific project area and fund Kalahari's share of expenditure of a pre-feasibility study on the relevant property.

For the year to 30 June 2005, Kalahari's loss before tax was US\$1.379 million and as at 30 June 2005 had net assets of US\$18.152 million.

Conditions Precedent

Completion of the Transaction is conditional, inter alia, upon the following key conditions:

- approval from KDR's shareholders at an extraordinary general meeting of KDR
- no material breach of warranty occurring prior to completion
- admission of the Consideration Shares to trading on AIM and quotation of the Consideration Shares on the Australian Stock Exchange.

It is expected that the conditions will be satisfied on or before 30 September 2005.

Anticipated Timetable

Kalahari EGM to approve the Transaction

26 September

Completion and Transaction becomes unconditional

30 September

~ Ends ~

For further information, please visit contact or visit www.petradiamonds.com

Petra Diamonds, South Africa
Adonis Pouroulis/Johan Dippenaar
Tel +27 11 467 6710

Parkgreen Communications, London
Justine Howarth / Cathy Malins
Tel +44 20 7493 3713

John Baillie, Perth
Tel +61 8 9381 8888

Field PR, Adelaide
Kevin Skinner
Tel +61 8 8234 9555
Mobile +61 414 822 631

The information in this update that relates to Mineral Resources or Ore Reserves is based on information compiled by Jim Davidson who is a Member of the Geological Society of South Africa (Registered Natural Scientist), a 'Recognised Overseas Professional Organisation' ('ROPO'), included in a list promulgated by the ASX from time to time. Jim Davidson is a full-time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Jim Davidson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.