



PetraDiamonds

28 July 2014

LSE: PDL

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

Trading Update for the Year ended 30 June 2014

Petra Diamonds Limited announces its Trading Update (unaudited) for the year ended 30 June 2014 (the "Year" or "FY 2014"), ahead of its preliminary results for the Year ("Full Year Results") which will be released on 22 September 2014.

HIGHLIGHTS

- Production up 17% to 3,110,823 carats (FY 2013: 2,668,305 carats), above market guidance of 3 million carats ("Mcts").
- Revenue up 17% to US\$472.6 million (FY 2013: US\$402.7 million).
- Costs remained well controlled despite the ongoing inflationary pressures experienced in the mining industry, specifically labour and electricity; further detail will be given in the Full Year Results announcement.
- Capex of US\$210.0 million (FY 2013: US\$191.2 million), in accordance with the roll-out of the Group's expansion programmes.
- Cash at bank of US\$33.3 million (30 June 2013: US\$26.2 million); this figure excludes debtors received shortly after year end of US\$55.4 million (30 June 2013: US\$74.8 million).
- Net debt at 30 June 2014 of US\$125.6 million (30 June 2013: US\$120.8 million), in line with management's expectations.
- A firmer diamond market was experienced in H2 FY 2014, with rough diamond prices achieved by Petra for FY 2014 either in line with or above guidance.
- Recovery of an exceptional 122.5 carat blue diamond at the Cullinan mine in June 2014, which the Company expects to sell in FY 2015.

FY 2014 Production, Sales and Capex – Summary^{1&2}

	Unit	Year ended 30 June 2014	Year ended 30 June 2013	Variance
Production				
ROM diamonds	Carats	2,174,835	2,038,115	+7%
Tailings & other ³ diamonds	Carats	935,988	630,190	+49%
Total diamonds	Carats	3,110,823	2,668,305	+17%
Sales				
Revenue	US\$M	472.6	402.7	+17%
Diamonds sold	Carats	3,134,706	2,539,844	+23%
Capex				
Expansion	US\$M	153.6	126.3	+20%
Sustaining	US\$M	46.8	52.6	-12%
Borrowing Costs Capitalised	US\$M	9.6	12.3	-22%
Total	US\$M	210.0	191.2	+9%

Notes:

1. For mine by mine production and sales data, please refer to the Appendix to this announcement.

2. *The combined table above includes results from the Star and Sedibeng mines in the comparative periods and includes production from care and maintenance activities for FY 2014.*
3. *'Other' includes mining of the Ebenhaezer satellite kimberlite pipe at Koffiefontein and alluvial diamond mining at Williamson.*

Johan Dippenaar, CEO of Petra Diamonds, commented:

“FY 2014 has seen a further year of solid production and revenue growth, with the Group on track to reach annual production of circa 5 million carats by FY 2019. We have also recorded further progress with our expansion programmes, which remain on schedule and on budget. Petra has experienced a firmer diamond market during the second half of FY 2014 and the outlook remains positive due to constrained supply and a firm US market, as well as continued growth in emerging markets.”

CONFERENCE CALL

Petra’s CEO, Johan Dippenaar, and Finance Director, David Aberly, will host a conference call at 9:30am BST today to discuss the Trading Update with investors and analysts. Participants may join the call by dialling one of the following three numbers shortly before the call:

From the UK (toll free): 0808 237 0030
From South Africa (toll free): 0800 222 290
From the rest of the world: +44 203 139 4830
Participant passcode: 60391485#

A replay of the conference call will be available on the following numbers from 12:00pm BST on 28 July 2014:

From UK (toll free): 0808 237 0026
From South Africa and the rest of the world: +44 203 426 2807
Playback passcode: 648483#

COMMENTARY

Production

- Production rose 17% to 3.11 million carats for FY 2014 (FY 2013: 2.67 million carats) due to increases at Finsch, Williamson, Koffiefontein and Kimberley Underground, partially offset by reductions at Cullinan and Helam.
- Finsch: production increased 33% to 1,885,160 carats (FY 2013: 1,412,465 carats), further to a 12% increase in ROM tonnes treated coupled with the changes to the plant bottom cut (as previously announced), which served to increase the estimated ROM grade to 38.1 cpht (FY 2013: 34.1 cpht) and the estimated tailings grade to 29.1 cpht (FY 2013: 20.1 cpht) The Company is not able to precisely measure the ROM / tailings grade split because ore from both sources is processed through the same plant; the Company therefore back-calculates the grade with reference to resource grades.
- Cullinan: production decreased 5% to 823,619 carats (FY 2013: 868,975 carats) mainly due to a reduced ROM grade of 27.8 cpht (FY 2013: 30.7 cpht). This was partially offset by increased tailings production of 116,891 carats (FY 2013: 73,605 carats), with tailings throughput increasing to 2.1 Mt (FY 2013: 1.5 Mt).
- As previously communicated, Petra is currently operating in diluted ‘mature’ production areas at both Cullinan and Finsch, which will result in ROM grade volatility until the expansion programmes open up access to undiluted ore from the new C-Cut block cave at Cullinan and the new sub-level caves at Finsch.
- Koffiefontein: production increased 45% to 50,375 carats (FY 2013: 34,800 carats) largely owing to increased treatment of recovery tailings, supplemented by ore from the Ebenhaezer satellite pit. A 22% increase in ROM production yielded strong prices in H2 FY 2014, given the increased contribution of higher value ROM carats.

- Kimberley Underground: production increased 10% to 126,917 carats (FY 2013: 115,400 carats) as plant throughput reached 261,000 tonnes during Q4 FY 2014, an annualised rate exceeding 1 Mtpa. Recovered grades were marginally below management's earlier expectations, with the depletion of the Joint Shaft stockpile during H2 FY 2014. The remaining Wesselton stockpile contains circa 244,000 tonnes for future processing.
- Williamson: production increased 15% to 188,465 carats (FY 2013: 164,376 carats). ROM grades decreased by 5%, partly due to the excessive rainfall during Q3 FY 2014 which led to higher grade production areas being made inaccessible, as well as plant constraints which are being addressed. During Q4 FY 2014, 1 Mt of ROM material was treated, giving an annualised equivalent production level in excess of 3.6 Mtpa.

Diamond market and sales

- The rough diamond market maintained its firmer trend throughout H2 FY 2014.
- Gross mine revenue increased 17% to US\$472.6 million (FY 2013: US\$402.7 million), due to increased volumes and the sale of two 'exceptional' (+US\$5 million) Cullinan stones for US\$34.1 million (FY 2013: US\$16.9 million): the 126.4 carat white diamond that sold for US\$8.5 million in December 2013 and the 29.6 carat blue diamond that sold for US\$25.6 million in February 2014.
- Carats sold increased 23% to 3,134,706 (FY 2013: 2,539,844), in line with the increasing trend of production.
- Prices achieved for FY 2014 were in line with or above Petra's guidance for FY 2014, as demonstrated in the table below:

Mine	Actual US\$/ct ¹ FY 2014	Guidance US\$/ct ¹ FY 2014	Actual US\$/ct ¹ Q4 FY 2014	Actual US\$/ct ¹ FY 2013
Finsch	99	100 ²	99	120
Cullinan	185 ³	139 ⁴	157	163 ⁵
Koffiefontein	542	518	599	471
Kimberley Underground	303	301	281	295
Helam	152	145	150	140
Williamson (ROM only)	307	255	340	261

Notes:

1. All sales (both ROM and tailings) including 'exceptional' diamonds (stones above US\$5 million in value) were used to calculate the above average values.
2. Guidance for Finsch was adjusted during the Year from US\$113 per carat to US\$100 per carat due to the plant cut-off changes.
3. The average value at Cullinan includes the two exceptional stones noted above; the average value for FY 2014 excluding these stones is US\$144 per carat.
4. Excludes guidance for exceptional diamonds (stones above US\$5 million in value) of US\$16 million per annum.
5. The average value at Cullinan includes the 25.5 carat blue diamond sold for US\$16.9 million; the average value for FY 2013 excluding this stone is US\$142 per carat.

Expansion projects

- The Group's expansion projects at Finsch, Cullinan and Koffiefontein continue to progress well. The development of the declines at Finsch and the shaft deepening and underground development at Cullinan are key deliverables at these major projects and continue to progress in line with expectations. Further information will be included in Petra's Full Year Results announcement.

- Finsch: a total of 4,055 development metres were delivered during the Year (FY 2013: 2,311 metres). Raiseboring activities continued throughout FY 2014 and yielded 302 metres (FY 2013: 165 metres).
- Cullinan: the C-Cut Phase 1 waste development yielded a total of 5,597 metres for FY 2014 (FY 2013: 4,147 metres), while raiseboring delivered 854 metres (FY 2013: 626 metres). Kimberlite development commenced with 72 metres developed preparing the new block cave.
- Koffiefontein: waste development delivered a total of 1,578 metres for FY 2014 (FY 2013: 1,419 metres) and kimberlite development, which commenced during FY 2014, accounted for 464 metres primarily in the 52 level and 56 sub level cave (“SLC”) level.

Capex

- Total Group Capex for the Year was US\$210.0 million (FY 2013: US\$191.2 million), comprising US\$153.6 million expansion Capex (FY 2013: US\$126.3 million), US\$9.6 million capitalised borrowing cost (FY 2013: US\$12.3 million), US\$44.7 million sustaining Capex (FY 2013: US\$47.2 million) and Corporate/Exploration Capex of US\$2.1 million (FY 2013: US\$5.4 million).
- Capex includes US\$9.6 million of capitalised borrowing costs and ca. US\$10 million of spend in addition to FY 2014 guidance that is due to scope changes at Koffiefontein and the bringing forward from FY 2015 of spend on equipment purchases at Cullinan and Finsch.

Health and Safety

- Group LTIFR for the Year reduced to 0.32 (FY 2013: 0.67).
- The health and safety of all employees is of the utmost importance to the Company and Petra has a wide range of initiatives, training and awareness programmes in place to foster a zero harm workplace.

Financial

- As at 30 June 2014, Petra had cash at bank of US\$33.3 million (30 June 2013: US\$26.2 million).
- Diamond debtors (relating to the June tender, and which were settled in the normal course of business shortly after Year end) at 30 June 2014 were circa US\$55.4 million (30 June 2013: US\$74.8 million).
- Diamond inventory at 30 June 2014 was circa US\$26.4 million, 321,948 carats (30 June 2013: circa US\$31.5 million, 348,403 carats).
- Loans and borrowings as at 30 June 2014 were US\$170.5 million (30 June 2013: US\$150.6 million), comprising bank loans and borrowings of US\$158.9 million (30 June 2013: US\$147.0 million) and utilisation of US\$11.6 million (30 June 2013: US\$3.6 million) of foreign exchange settlement lines.
- Net debt as at 30 June 2014 of US\$125.6 million (30 June 2013: US\$120.8 million) (excluding foreign exchange settlement lines) is in line with management expectations; debt facilities (including the foreign exchange settlement lines) undrawn and available to the Group as at 30 June 2014 of US\$39.9 million (30 June 2013: US\$71.3 million).

Corporate

Sale of Sedibeng and Star

- On 22 September 2013, Petra announced that following a sales process for the Fissure Mines, no acceptable offers had been submitted for the Sedibeng and Star mines and therefore, in Q1 FY 2014, the operations were placed on care and maintenance.
- The Company is pleased to advise that during H2 FY 2014 it entered into new discussions with a further interested party and that effective 30 April 2014 Petra and its BEE partners disposed of their interests in both the Sedibeng and Star mines. The purchase price for the shares and loan accounts for the two mines together was ca. US\$2.4 million.

Helam

- Although the Company had previously announced that the Helam mine would continue to be operated within the Group on a normal commercial basis, a business review of the Helam mine was undertaken during H2 FY 2014 and the Company is in discussions with employee representatives as to the future of the operation, which might include putting the operation on care and maintenance.

Notes

1. *The following exchange rates have been used for this announcement: average for the Year US\$1: R10.3798; 30 June 2014 US\$1: R10.6340.*
2. *The following definitions have been used in this announcement:*
 - a. *ct: carat*
 - b. *cpht: carats per hundred tonnes*
 - c. *Mt: million tonnes*
 - d. *Mtpa: million tonnes per annum*
 - e. *ROM: run-of-mine, i.e. relating to production from the primary orebody*
3. *Diamond inventory carrying values are stated at the lower of cost of production on the weighted average basis or estimated net realisable value.*

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About Petra Diamonds Limited

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company has interests in six producing mines: five in South Africa (Finsch, Cullinan, Koffiefontein, Kimberley Underground and Helam) and one in Tanzania (Williamson). It also maintains an exploration programme in Botswana.

Petra offers an exceptional growth profile, with a core objective to steadily increase annual production to 5 million carats by FY 2019. The Group has a major resource base in excess of 300 million carats.

Petra conducts all operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process. Petra is quoted with a premium listing on the Main Market of the London Stock Exchange under the ticker 'PDL' and is a constituent of the FTSE 250 Index.

For more information, visit the Company's website at www.petradiamonds.com.

APPENDIX – MINE BY MINE PRODUCTION TABLES

Finsch – South Africa

	Unit	H2 FY 2014	H1 FY 2014	FY 2014	FY 2013	Variance
<u>Sales</u>						
Revenue	US\$M	100.5	83.2	183.7	160.6	+14%
Diamonds sold	Carats	993,620	863,319	1,856,939	1,336,418	+39%
Average price per carat	US\$	101	96	99	120	-18%
<u>ROM Production</u>						
Tonnes treated	Tonnes	1,404,839	1,505,356	2,910,195	2,609,935	+12%
Diamonds produced	Carats	543,688	565,334	1,109,022	890,360	+25%
Grade	Cpht	38.7	37.6	38.1	34.1	+12%
<u>Tailings Production</u>						
Tonnes treated	Tonnes	1,347,482	1,320,796	2,668,278	2,600,611	+3%
Diamonds produced	Carats	367,041	409,097	776,138	522,106	+49%
Grade	Cpht	27.2	31.0	29.1	20.1	+45%
<u>Total Production</u>						
Tonnes treated	Tonnes	2,752,321	2,826,152	5,578,473	5,210,546	+7%
Diamonds produced	Carats	910,729	974,431	1,885,160	1,412,465	+33%
<u>Capex</u>						
Expansion Capex	US\$M	30.6	19.9	50.5	33.5	+51%
Sustaining Capex	US\$M	9.8	2.5	12.3	10.6	+16%
Borrowing Costs Capitalised	US\$M	2.4	2.3	4.7	4.5	+4%
Total Capex	US\$M	42.8	24.7	67.5	48.6	+39%

Cullinan – South Africa

	Unit	H2 FY 2014	H1 FY 2014	FY 2014	FY 2013	Variance
<u>Sales</u>						
Revenue	US\$M	101.5	61.3	162.8	133.0	+22%
Diamonds sold	Carats	472,226	409,117	881,343	816,611	+8%
Average price per carat	US\$	215	150	185 ¹	163 ¹	+13%
<u>ROM Production</u>						
Tonnes treated	Tonnes	1,255,175	1,291,208	2,546,383	2,595,004	-2%
Diamonds produced	Carats	306,909	399,819	706,728	795,370	-11%
Grade	Cpht	24.5	31.0	27.8	30.7	-9%
<u>Tailings Production</u>						
Tonnes treated	Tonnes	1,129,319	1,020,252	2,149,571	1,485,889	+45%
Diamonds produced	Carats	55,372	61,519	116,891	73,605	+59%
Grade	Cpht	4.9	6.0	5.4	5.0	+8%
<u>Total Production</u>						
Tonnes treated	Tonnes	2,384,494	2,311,460	4,695,954	4,080,893	+15%
Diamonds produced	Carats	362,281	461,338	823,619	868,975	-5%
<u>Capex</u>						
Expansion Capex	US\$M	41.2	30.1	71.3	64.0	+11%
Sustaining Capex	US\$M	10.0	4.7	14.7	17.2	-15%
Borrowing Costs Capitalised	US\$M	2.5	2.4	4.9	7.8	-37%
Total Capex	US\$M	53.7	37.2	90.9	89.0	+2%

Notes:

1. The average value at Cullinan includes the 126.4 carat white diamond that sold for US\$8.5 million in December 2013 and the 29.6 carat blue diamond that sold for US\$25.6 million in February 2014; the average value for FY 2014 excluding these stones is US\$144 per carat.
2. The average value at Cullinan includes the 25.5 carat blue diamond sold for US\$16.9 million; the average value for FY 2013 excluding this stone is US\$142 per carat.

Koffiefontein – South Africa

	Unit	H2 FY 2014	H1 FY 2014	FY 2014	FY 2013	Variance
<u>Sales</u>						
Revenue	US\$M	18.5	8.1	26.7	16.6	+61%
Diamonds sold	Carats	31,192	18,058	49,250	35,168	+40%
Average price per carat	US\$	594	451	542	471	+15%
<u>ROM Production</u>						
Tonnes treated	Tonnes	122,961	122,872	245,833	239,161	+3%
Diamonds produced	Carats	8,344	9,158	17,502	14,356	+22%
Grade	Cpht	6.8	7.5	7.1	6.0	+18%
<u>Tailings / Ebenhaezer Production</u>						
Tonnes treated	Tonnes	152,171	279,662	431,833	1,242,360	-65%
Diamonds produced	Carats	14,030	18,843	32,873	20,444	+61%
Grade	Cpht	9.2	6.7	7.6	1.6	+375%

<u>Total Production</u>						
Tonnes treated	Tonnes	275,132	402,534	677,666	1,481,521	-54%
Diamonds produced	Carats	22,374	28,001	50,375	34,800	+45%
<u>Capex</u>						
Expansion Capex	US\$M	19.8	5.0	24.8	10.9	+128%
Sustaining Capex	US\$M	4.6	1.0	5.6	9.5	-41%
Total Capex	US\$M	24.4	6.0	30.4	20.4	+49%

Kimberley Underground – South Africa

	Unit	H2 FY 2014	H1 FY 2014	FY 2014	FY 2013	Variance
<u>Sales</u>						
Revenue	US\$M	22.7	16.1	38.8	33.4	+16%
Diamonds sold	Carats	73,674	54,055	127,729	113,383	+13%
Average price per carat	US\$	308	297	303	295	+3%
<u>Total Production (all ROM)</u>						
Tonnes treated	Tonnes	498,847	409,651	908,498	804,725	+13%
Diamonds produced	Carats	63,481	63,436	126,917	115,400	+10%
Grade	Cpht	12.7	15.5	14.0	14.3	-2%
<u>Capex</u>						
Expansion Capex	US\$M	3.6	2.3	5.9	17.6	-66%
Sustaining Capex	US\$M	3.3	1.0	4.3	4.0	+8%
Total Capex	US\$M	6.9	3.3	10.2	21.6	-53%

Helam – South Africa

	Unit	H2 FY 2014	H1 FY 2014	FY 2014	FY 2013	Variance
<u>Sales</u>						
Revenue	US\$M	2.8	3.0	5.8	7.3	-21%
Diamonds sold	Carats	18,908	19,492	38,399	52,350	-27%
Average price per carat	US\$	149	155	152	140	+9%
<u>Total Production</u>						
Tonnes treated	Tonnes	23,204	36,590	59,794	77,358	-23%
Diamonds produced	Carats	14,087	21,061	35,148	52,011	-32%
Grade	Cpht	60.7	57.6	58.8	67.2	-13%
<u>Capex</u>						
Expansion Capex	US\$M	-	-	-	-	n/a
Sustaining Capex	US\$M	0.7	0.3	1.0	2.1	-52%
Total Capex	US\$M	0.7	0.3	1.0	2.1	-52%

Williamson – Tanzania

	Unit	H2 FY 2014	H1 FY 2014	FY 2014	FY 2013	Variance
Sales						
Revenue	US\$M	41.1	12.9	53.9	41.9	+29%
Diamonds sold	Carats	127,393	50,778	178,171	165,324	+8%
Average price per carat	US\$	322	254	303	254	+19%
ROM Production						
Tonnes treated	Tonnes	1,868,107	1,537,417	3,405,524	2,730,133	+25%
Diamonds produced	Carats	97,848	80,531	178,379	150,342	+19%
Grade	Cpht	5.2	5.2	5.2	5.5	-5%
Alluvial Production						
Tonnes treated	Tonnes	193,718	211,448	405,166	385,186	+5%
Diamonds produced	Carats	4,308	5,778	10,086	14,035	-28%
Grade	Cpht	2.2	2.7	2.5	3.6	-31%
Total Production						
Tonnes treated	Tonnes	2,061,825	1,748,865	3,810,690	3,115,319	+22%
Diamonds produced	Carats	102,156	86,309	188,465	164,376	+15%
Capex						
Expansion Capex	US\$M	-0.6	3.3	2.7	8.4	-68%
Sustaining Capex	US\$M	5.0	1.5	6.5	3.3	+97%
Borrowing Costs Capitalised	US\$M	-	-	-	-	n/a
Total Capex	US\$M	4.4	4.8	9.2	11.7	-21%

Capex reconciliation

Capex		FY 2014	FY 2013
Finsch	US\$M	67.5	48.6
Cullinan	US\$M	90.9	89.0
Koffiefontein	US\$M	30.4	20.4
Kimberley Underground	US\$M	10.2	21.6
Williamson	US\$M	9.2	11.7
Fissure Mines	US\$M	1.3	7.0
Subtotal – Capex incurred by operations	US\$M	209.5	198.3
Petra internal projects division – Capex under construction / invoiced to operations	US\$M	(1.6)	(12.5)
Corporate / exploration	US\$M	2.1	5.4
Total Group Capex	US\$M	210.0	191.2

Notes:

- Petra operates an internal projects / construction division and although this division's spend is reported in the Group's total Capex, it is policy not to account for it on a specific mine's Capex until the work completed is invoiced to the relevant operation.
- Capex for the Period includes US\$9.6 million (FY 2013: US\$12.3 million) of capitalised borrowing costs, which is also included in the applicable mine by mine tables above.
- Petra's annual Capex guidance is cash based and excludes capitalised borrowing costs. Given that the majority of Petra's debt funding is in relation to its expansion and development programmes, Petra guidance is to assume that the majority of interest and financing fees will be capitalised for the duration of the project phases and not expensed through the income statement.
- Group Capex includes US\$0.3 million for the Year (FY 2013: US\$4.4 million), which was incurred by the Group's internal projects facility. Therefore the mine by mine tables plus the internal projects Capex will add together to make the Capex total in the relevant sections above.