18 August 2014 **LSE: PDL**

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

Guidance Update

Petra Diamonds Limited announces its analyst guidance for the year to 30 June 2015 (“FY 2015”) and high level guidance for the period thereafter to FY 2019.

Petra’s Chief Executive, Johan Dippenaar, and Finance Director, David Abery, will host a conference call at 9:30am BST on Monday 18 August 2014 to discuss the guidance with investors and analysts – the call details can be found at the end of this announcement or visit www.petradiamonds.com. A glossary of abbreviations used can also be found at the end of this announcement.

Highlights of the guidance are given below; the detailed guidance documents can be downloaded from the ‘Analyst Guidance’ page of Petra’s website at:
www.petradiamonds.com/investors/analysts/analyst-guidance.

Highlights

- FY 2015 carat production of ca. 3.2 Mcts, an increase of ca. 3% on FY 2014 production (3.1 Mcts).
- Consistent with previously guided mine plans, the increased contribution from undiluted ROM ore from FY 2016 onwards will accelerate the growth in carat production and Petra remains firmly on track to meet its target of ca. 5 Mcts p.a. by FY 2019.
- Total operating costs to remain well controlled and largely in line with prior guidance.
- Diamond prices for FY 2015 guided above actual average values achieved in FY 2014 (apart from Williamson); expectations for average prices to rise even higher in the period to FY 2019 as the growth will come from ROM production (as opposed to tailings) which will deliver higher value carats to Petra’s product mix.
- FY 2015 Capex for the South African operations of ca. ZAR1,900 million, an increase of ca. ZAR300 million (ca. 19%) against previous guidance (ZAR1,600 million, in comparable FY 2015 money terms[1]), due to value accretive scope changes at Finsch and Koffiefontein – see the mine sections to follow.
- Capex to FY 2019 remains fully funded via Company cashflows and current debt facilities; Company funding headroom and dividend commencement remain in line with management’s expectations.

Key FY 2015 Operating and Capex Assumptions

	Unit	Finsch	Cullinan	Koffiefontein	Kimberley Underground	Williamson
ROM tonnes						
Tonnes treated	Mt	2.83	2.69	0.74	1.17	3.74
Grade	Cpht	38.3	28.4	9.3	14.3	5.6
Operating cost	ZAR/t	268	237	270	230	US$12/t
Tailings/Other tonnes						
Tonnes treated	Mt	2.59	2.71	0.8	n/a	0.42
Grade	Cpht	27.3	6.2	2.0 - 3.0	n/a	2.0
Operating cost	ZAR/t	38	40	80	n/a	n/a
Total production						
Tonnes treated	Mt	5.42	5.40	1.54	1.17	4.16
Operating cost	ZAR/t	158	138	169	230	US$11/t
Capex						
Expansion Capex	ZARm	619	959	198	123	US$7m
Sustaining Capex	ZARm	120	70	51	41	US$6m
Total Capex	ZARm	739	1,029	249	164	US$13m

Notes:
1. *For further commentary and detail on the figures above, please download the document 'Analyst Guidance – Detailed' available from the Company's website at: http://www.petradiamonds.com/investors/analysts/analyst-guidance.*
2. *All Capex numbers in this announcement exclude capitalised borrowing costs, in line with previous guidance.*

General note on ROM and tailings grades
Grades stated are recovered grades with appropriate dilution and plant modification factors already applied.

Finsch
As previously reported, Petra lowered the plant bottom cut-off at Finsch in Q4 FY 2013 in order to capture the high quality smaller stones produced by the orebody. This resulted in a higher ROM grade, which is expected to continue for FY 2015 at 38.3 cpht.

ROM throughput is guided at 2.8 Mt for FY 2015 with an expected ramp-up to 3.2 Mtpa by FY 2017 and 3.5 Mtpa from FY 2018 onwards. Prior guidance indicated ramp-up to 3.5 Mtpa from FY 2021 onwards. This earlier ramp-up to 3.5 Mtpa from FY 2018 is made possible by the addition of mining from the Block 5 South West Precursor ("SWPC"), as well as an enhanced Block 5 sub-level cave ("SLC"), as described in more detail below.

The scope change provides for the addition of a fourth level and the further enlargement of the mining area of the Block 5 SLC with the following benefits:

- mining of the SWPC on the 700 metre level ("mL"), adding 3.4 Mt to the Block 5 SLC mine plan;
- earlier ramp up to 3.5 Mtpa;
- deferral of the Block 5 Block Cave capital, reducing overall expansion capital by ca. ZAR350 million for the period FY 2017 to FY 2019 compared to previous guidance; and
- the incremental NPV (based on Company assumptions) associated with this scope change is ca. US$100 million (100% attributable terms).

FY 2015 expansion capital is guided at ZAR619 million, an increase of ZAR160 million in comparable FY 2015 money terms due to this value enhancing scope change. Please refer to the 'Analyst Guidance – Capex' supporting guidance document available at www.petradiamonds.com/investors/analysts/analyst-guidance.

The Block 5 Block Cave expansion capital (post FY 2019) is guided at ca. ZAR260 million p.a. (FY 2015 money terms) to be incurred over the five year period FY 2020 to FY 2024, with this new block cave contributing 3.5 Mtpa from FY 2023/FY 2024 up to FY 2030 at an average recovered grade of ca. 60 cpht.

As the mine's production profile gradually changes from diluted to undiluted ore, the ROM grade is expected to increase to ca. 46 cpht by FY 2016 and to ca. 58 cpht from FY 2017 onwards (up from previous guidance of 56 cpht, more accurately reflecting the impact of the plant changes).

Treatment of the 'Pre 79 Tailings' is planned at 2.6 Mt for FY 2015 and is expected to be mined for a further three years (including FY 2015) at a grade of 27.3 cpht (increased from prior year guidance as a result of the abovementioned plant changes). The Pre 79 Tailings grade is guided at 25 cpht for FY 2016 and 22 cpht for FY 2017.

The treatment of 'Post 79 tailings' material has been removed from the mine plan.

Cullinan

In FY 2014, Cullinan recorded a ROM grade of 27.8 cpht due to 85% of the tonnes being sourced from highly diluted areas, compounded by increased waste from the development activities, which has to be processed through the plant as there are no separate waste handling facilities at the mine.

For FY 2015 there will be an increase in production of undiluted kimberlite tonnes, as well as a reduction in development waste. Up to 22% of underground tonnes is expected to be sourced from undiluted areas (initiatives to mine on the BA5 645 mL, the BAW Phase 1 and the C-Cut Phase 1 kimberlite development), whilst grades will be further supported by the migration of mining to the AUC South area (from the more diluted AUC North area).

During FY 2015, development activities will shift towards tunnel development through the orebody (kimberlite development, rather than surrounding host rock development); therefore the total waste content in the tonnes mined will reduce by up to 30% compared to FY 2014. The impact of development waste on plant efficiencies will be further negated through the introduction of a NIR (near infra-red) waste sorting machine that can identify and remove waste in the coarser size fractions. This is planned to be operational from Q2 FY 2015.

FY 2015 ROM tonnes treated are guided at ca. 2.7 Mt at a grade of 28.4 cpht, with a gradual increase in tonnes treated to 4.0 Mtpa by FY 2019. Tailings treatment guidance remains materially unchanged.

ROM grade is expected to increase in FY 2016 to ca. 33 cpht. This will be achieved by increased C-Cut Phase 1 contribution, supplemented by BA5 645 mL and BA5 673 mL production. ROM grade is expected to increase to ca. 41 cpht by FY 2017, ca. 46 cpht by FY 2018 and to in excess of 50 cpht by FY 2019, when Cullinan's C-Cut Phase 1 block cave is in full production.

Expansion Capex for FY 2015 is guided at ZAR959 million and is in line with previous guidance.

Koffiefontein

At Koffiefontein, management has focused on the bottleneck issues that have been experienced in the past and expects the improvements made at the mine to be reflected in FY 2015 and onwards.

As at Finsch, management has identified the opportunity to put in place a value accretive change of scope to the mine plan at Koffiefontein. Our previously announced plan was to mine an SLC from 560mL to 580mL, while the revised mining scope will expand the footprint of the SLC to a depth of 600mL. Development on the 560 mL of the SLC is well advanced, with production to commence during Q2 FY 2015. Sample results carried out on the 560 mL SLC material confirmed the previously guided grade of ca. 9 to 10 cpht and resulted in an increase in ROM prices to US$800/carat.

In addition to the SLC, Petra has opened up access to new production areas on the 520 mL area, which will commence operation during Q1 FY 2015.

ROM throughput of 0.74 Mt is planned for FY 2015, at a grade of 9.3 cpht. Underground production is expected to increase to 1.1 Mt by FY 2017 in line with previous guidance. The increase in contribution from underground ROM production is expected to increase recovery of the larger and more valuable stones (including Type II diamonds) for which Koffiefontein is well known, which will further bolster the average US$/carat values (as noted in the diamond price guidance table above).

Surface mining of the Ebenhaezer satellite pit will continue in FY 2015 with ca. 0.8 Mt planned to be treated at a grade of 2 to 3 cpht. Mining of the Ebenhaezer pit is expected to continue for two years (including FY 2015), in order to supplement the underground ROM tonnes.

The change in scope outlined above results in FY 2015 expansion Capex of ca. ZAR198 million, an increase on prior guidance of ca. ZAR90 million[1].

Kimberley Underground

The planned ROM tonnes treated for FY 2015 is guided as 1.17 Mt, remaining at ca. 1.2 Mtpa from FY 2016 onwards, as supported by treatment results in Q4 FY 2014 reaching 261,000 tonnes, equating to an annualised rate exceeding 1 Mtpa.

FY 2015 expansion Capex is guided at ca. ZAR123 million and is in line with previous guidance.

Williamson

Williamson's mine plan is consistent with earlier guidance with FY 2015 tonnage throughput at ca. 3.7 Mt, ramping up to 4.3 Mt in FY 2016 and steady state production of ca. 5 Mtpa from FY 2017 onwards.

ROM grade is expected at 5.6 cpht for FY 2015 and 6.0 cpht from FY 2016 onwards.

Expansion Capex is guided at US$7 million for FY 2015.

Note:

1. *An inflation increase of 8% in ZAR terms has been applied to update all Capex from FY 2014 money terms to FY 2015 money terms. All Capex changes are therefore given in inflation adjusted comparable FY 2015 money terms.*

Guidance post current mine plans

Due to the nature of Petra's kimberlite orebodies, the resources remain open ended at depth. As a result, significant residual resources remain available for mining after the stated current mine plans. This is most pronounced at both Cullinan and Finsch, where extensive residual resources have been well defined and are included in both mines' current total resource figures (SAMREC), indicating substantial mine lives post FY 2030 (end of current mine plans at both operations). This implies significant residual values post the current mine plans.

Mine plans beyond FY 2030 will leverage off infrastructure established as part of the current capital programmes. Plans to extend mine lives beyond current estimates will be made available in future guidance.

Current project estimates indicate a capital spend of ca. ZAR100 per tonne (FY 2015 money terms) to access these residual resources. This spend is comparable to an open pit mine with a strip ratio of around 3:1, confirming the favourable economics to open up new ore using the block cave mining method.

Diamond prices

- From 2004 to 2014, real diamond prices increased at a CAGR of 7% p.a. Refer to the 'Analyst Guidance – Rough Diamond Index' supporting guidance document available at www.petradiamonds.com/investors/analysts/analyst-guidance where Petra has overlaid the Bloomberg Rough Diamond Index with the price performance of goods from Cullinan and Helam, thereby confirming this price trend.
- The market for rough diamonds is expected to remain underpinned by a firmer US market (the world's major market for polished diamonds), as well as continued growth in demand from emerging markets. Furthermore, constrained supply is also expected to support future rough diamond price increases.
- Detailed guidance on expected prices per mine, split into ROM and tailings/other, is provided below. Given the significant increase in the contribution from ROM production going forward at all of Petra's mines, it is important that analysts use this ROM and tailings/other split, rather than the weighted average price based on the current production profile. As the contribution from ROM carats increases, the weighted average diamond price will increase due to the fact that ROM carats are of significantly higher value than the tailings/other carats.
- Exceptional stones are classified by Petra as stones with a sales value greater than US$5 million per stone; the value of these stones is excluded from the average prices guided below. Exceptional stones added an average of ca. US$18 million per annum to revenues over the last six years (2008 being the date at which Petra took over the Cullinan mine). Over the last two years, this average has increased to ca. US$26 million per annum (excluding the value of the 122.5 carat blue stone planned to be sold in September 2014).

The table below sets out the per carat price guidance for FY 2015 which excludes all sales proceeds from exceptional stones.

Mine	Guidance ROM US$/ct FY 2015	Guidance Tailings / Other US$/ct FY 2015	Guidance Weighted Average US$/ct FY 2015	Actual Weighted Average[1] US$/ct FY 2014
Finsch	140	60	108	99
Cullinan	170	70	152	185[2]
Koffiefontein	800	300	654	542
Kimberley Underground	329	N/A	329	303
Williamson	300	190	295	307

Notes:

1. *The actual FY 2014 prices are the average of the mix of ROM and tailings/other production, as Petra tenders production from each mine on a mixed ROM and tailings/other parcel basis. 'Other' includes the Ebenhaezar satellite pipe at Koffiefontein and limited alluvial mining at Williamson.*
2. *The average value at Cullinan included a 126.4 carat white diamond that sold for US$8.5 million in December 2013 and a 29.6 carat blue diamond that sold for US$25.6 million in February 2014; the average value for FY 2014 excluding these stones was USS$146 per carat.*

Capex and funding

- Expansion Capex expected across the South African operations for FY 2015 of ca. ZAR1,900 million, an increase of ca. ZAR300 million (ca. 18%) against previous guidance (ZAR1,600 million, in comparable FY 2015 money terms[1]). This increase is mainly due to the aforementioned scope changes at Finsch and Koffiefontein.
- The expansion capital for the period FY 2016 to FY 2019 is expected to increase in aggregate by ca. ZAR300 million (ca. 10%) compared to previous guidance (in comparable FY 2015 money terms), ZAR230 million of which is due to the weakening ZAR over this period given the significant proportion of US$ denominated capital items.

- The expansion capital programmes remain fully funded from operational cashflow and available debt facilities, combined with the positive effects of the weaker ZAR on US$ sales (as Petra's operating costs are largely in ZAR but it sells its diamonds in US$) and the forthcoming sale of the 122.5 carat blue diamond. The Company's funding headroom and dividend commencement remain in line with management's expectations.

Note

1. *An inflation increase of 8% in ZAR terms has been applied to update all Capex figures from FY 2014 money terms to FY 2015 money terms. All Capex changes are therefore given in inflation adjusted comparable FY 2015 money terms.*

FY 2015 Analyst Guidance Conference Call

Petra's Chief Executive, Johan Dippenaar, and Finance Director, David Abery, will host a conference call at 9:30am BST on Monday 18 August 2014 to discuss the guidance with investors and analysts.

Participants are requested to access the detailed guidance documents from the Company's website and have them to hand before the call. Please note that management will cover the headline matters on the call, but any detailed questions relating to modelling should be addressed to Andre Pienaar by email (andre.pienaar@petradiamonds.com), cc Cathy Malins (cathy.malins@petradiamonds.com).

Participants may join the call by dialling one of the following three numbers shortly before the call:
From UK (toll free): 0808 237 0030
From South Africa (toll free): 0800 222 290
From 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 2:00pm BST on the day:

Playback UK Number (toll free): 0808 237 0026
Playback Number from rest of the world: +44 20 3426 2807
Playback pin code: 649858#

Notes

1. *The following exchange rates have been used for this announcement: average for FY 2015 (management expectation) US$1: R10.3.*
2. *The following definitions have been used in this announcement:*
    a. *ct: carat*
    b. *cpht: carats per hundred tonnes*
    c. *Mctpa: million carats per annum*
    d. *Mcts: million carats*
    e. *mL: metre level*
    f. *Mt: million tonnes*
    g. *Mtpa: million tonnes per annum*
    h. *NPV: net present value*
    i. *ROM: run-of-mine, i.e. relating to production from the primary orebody*
    j. *Type II: Type II diamonds have no measurable nitrogen impurities, meaning they are often of top quality in terms of colour and clarity.*

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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.