



PetraDiamonds

27 October 2014

LSE: PDL

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

Interim Management Statement and Q1 FY 2015 Production and Sales Report

Petra Diamonds Limited announces its Interim Management Statement ("IMS") for the period from 1 July 2014 to 24 October 2014, covering production and sales from 1 July 2014 to 30 September 2014 ("Q1 FY 2015" or "Q1").

HIGHLIGHTS

- Production for Q1 FY 2015 was up 2% to 833,744 carats (Q1 FY 2014: 816,735 carats), the highest quarterly production in the Company's history.
- Revenue for Q1 FY 2015 was up 55% to US\$100.8 million (Q1 FY 2014: US\$65.1 million); results for Q1 include the sale of an 85% interest in the 122 carat Cullinan blue diamond for US\$23.5 million.
- Post Q1, the 232 carat Cullinan white diamond sold for US\$15.2 million on 24 October 2014.
- The diamond market is exhibiting customary seasonal softness in the post summer period, but Petra expects it to firm up as usual towards the end of the calendar year. There are no changes to FY 2015 diamond price guidance.
- All expansion programmes remain on track and in line with expectations.
- On the back of continued strong production and financial results, Petra's lender group has agreed to increase the Group's overall financing facilities, at reduced lending rates, by the equivalent of ca. US\$40.4 million to ca. US\$260 million, thereby providing additional funding headroom, financial flexibility and further strengthening of the balance sheet.

Q1 Production and Sales – Summary¹

	Unit	Q1 FY 2015 ²	Q1 FY 2014 ³	Variance	FY 2014 ⁴
Sales					
Diamonds sold	Carats	532,250	589,233	-10%	3,134,706
Gross revenue	US\$M	100.8	65.1	+55%	472.6⁵
Production					
ROM diamonds	Carats	600,499	577,161	+4%	2,174,835
Tailings and alluvial diamonds	Carats	233,245	239,574	-3%	935,988
Total diamonds	Carats	833,744	816,735	+2%	3,110,823

Notes:

1. There are no detailed tables for the Fissure Mines (Helam, Sedibeng and Star) in the appendix to this announcement. The Helam mine has commenced a shift towards care and maintenance and the Sedibeng and Star mines were sold in April 2014.

2. Q1 FY 2015 includes 5,579 ROM carats produced, 4,437 carats sold and gross revenue of US\$0.6 million relating to Helam.
3. Q1 FY 2014 includes 11,391 ROM carats produced and 8,898 carats sold relating to Helam, Sedibeng and Star.
4. FY 2014 includes 36,287 ROM carats produced, 41,275 carats sold and gross revenue of US\$6.7 million relating to Helam, Sedibeng and Star.
5. Includes revenue of US\$0.8 million in respect of the Sedibeng and Star mines; in the Company's FY 2014 audited results, revenue from Sedibeng and Star was included in loss on discontinued operations.

Johan Dippenaar, Chief Executive Officer, commented:

“These results demonstrate a strong performance for the Group, with record Q1 production and sales. It is particularly pleasing to see the meaningful contribution from the smaller mines, Koffiefontein, Kimberley Underground and Williamson, as each of these operations have been ramping up output successfully. Our major expansion plans at Finsch and Cullinan are progressing as planned, with the targeted output of 3.2 million carats for FY 2015 and ca. 5 million carats for FY 2019 firmly on track.”

CONFERENCE CALL

Petra's CEO, Johan Dippenaar, and Finance Director, David Aberly, will host a conference call at 9:30am GMT today to discuss the IMS 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 0040
 From South Africa (toll free): 0800 222 290
 From the rest of the world: +44 2034 281 542
 Participant passcode: 61912674#

A replay of the conference call will be available on the following numbers from 12:00pm GMT today:

From UK (toll free): 0808 237 0026
 From South Africa and the rest of the world: +44 2034 262 807
 Playback passcode: 651269#

COMMENTARY

Production

- Q1 production increased 2% to 833,744 carats (Q1 FY 2014: 816,735 carats); primarily due to the continued ramp-up of production at Williamson, Koffiefontein and Kimberley Underground, offset by a slight reduction at Cullinan, lower production at Helam due to the operation moving towards care and maintenance and the sale of the Sedibeng and Star mines in April 2014.
- Finsch maintained its production level, in line with its business plan for FY 2015, by achieving 517,998 carats (Q1 FY 2014: 517,667 carats). Improvements were recorded in the ROM grade (42.9 cpht; Q1 FY 2014: 41.7 cpht) and the tailings grade (31.3 cpht; Q1 FY 2014 30.3 cpht).
- Cullinan's production decreased 4%, delivering 209,632 carats (Q1 FY 2014: 217,400 carats), primarily due to the lower ROM grade of 27.2 cpht (Q1 FY 2014: 31.2 cpht), which was in line with management expectations for the quarter; the guided ROM grade for FY 2015 of 28.4 cpht is based on a grade of 27.4 cpht for H1 FY 2015, rising to 29.4 cpht for H2 FY 2015 as the Company's initiatives to establish access to higher-grade areas start contributing tonnages to the mine's production mix.
- Koffiefontein's production increased 37% to 10,618 carats (Q1 FY 2014: 7,778 carats), further to the continued ramp up from the underground operations, with production from the 560mL sub level cave ("SLC") on track to commence during Q2 as guided. As the new underground mining areas commence production, the ROM grade is set to increase in line with guidance (9.3 cpht for FY 2015) and the mine's average value per carat is also set to

rise substantially, given the much higher value of Koffiefontein's ROM carats in comparison to carats produced from the open pit Ebenhaezar satellite pit (currently being mined to fill plant capacity while the underground operations ramp up).

- Kimberley Underground production increased 31% to 36,036 carats (Q1 FY 2014: 27,523 carats), due to the planned ramp-up of Wesselton's treatment plant. The average ROM grade of 12.3 cph (Q1 FY 2014: 14.2 cph) was slightly below management expectations due to the treatment of lower-grade surface resources to utilise available throughput at the Joint Shaft plant.
- Williamson's production increased 54% to 53,880 carats (Q1 FY 2014: 34,976 carats), after reaching throughput levels exceeding the planned 3.7 Mtpa for FY 2015. Due to the approaching seasonal rainy season, which can temporarily affect production, guidance remains unchanged and has not been adjusted upwards following Q1's strong performance.
- As previously announced, a business review of Helam was undertaken during H2 FY 2014 and the Company is continuing discussions with employee representatives as to the future of the operation; a process commenced in Q1 to place the operation on care and maintenance and will be finalised in Q2.

Diamond market and sales

- The diamond market is currently exhibiting its customary post summer softness, which is typically the quietest time for rough diamond sales. Petra's average pricing, taking the production mix into account, was ca. 3% down compared to H2 FY 2014 (January to June 2014) tender results. The Company expects the market to firm up towards the calendar year end once the festive sales period (from late November onwards) starts to improve trading conditions resulting in increased investment in rough diamond inventory and improved liquidity.
- Demand from the major US consumer market and emerging markets, such as China and India, remains firm and the longer term outlook for the diamond market remains favourable, underpinned by constrained supply from mining production.
- Revenue for Q1 FY 2015 was up 55% to US\$100.8 million (Q1 FY 2014: US\$65.1 million), due to increased production and the sale of an 85% interest in the 122 carat blue diamond from Cullinan for US\$23.5 million; Petra retains a 15% interest in the sale of the polished yield (after beneficiation and related expenses).
- Carats sold were down 10% to 532,250 carats (Q1 FY 2014: 589,233 carats) owing to an earlier cut-off for the first tender cycle of FY 2015 and the resultant increase in inventory (622,910 carats versus 483,557 carats as at 30 September 2013), which will be sold in the Company's Q2 tender cycle.
- In line with Petra's standard sales cycle, Petra held one tender in Q1 and will hold a further two tenders in Q2.
- The table below gives the Company's average prices for Q1 in comparison to management guidance for FY 2015 and to actual prices achieved in FY 2014. There are no changes to FY 2015 diamond price guidance.

Mine	Actual (US\$/ct) Q1 FY 2015	Management guidance (US\$/ct) FY 2015	Actual (US\$/ct) FY 2014
Finsch	90 ¹	108	99
Cullinan	293 ²	152 ³	185 ²
Koffiefontein	503 ⁴	654	542
Kimberley Underground	327	329	303
Williamson (ROM only)	352 ⁵	295	307

Notes:

1. The average value per carat was impacted by improved grades, resulting in increased proportions of smaller diamonds, thus reducing overall unit prices but boosting revenue per tonne processed.
2. Excluding exceptional diamonds, the average for Q1 FY 2015 was US\$134 and the average for FY 2014 was US\$146 per carat.
3. Excludes guidance for exceptional diamonds.
4. The average value per carat was impacted by product mix, with an expected increase in the remainder of FY 2015 as the contribution of higher value ROM production carats increases.
5. The average value per carat was favourably impacted by the sale of the 16.4 carat pink diamond for US\$2.2 million.

Financial:

- On the back of continued strong production and financial results, Petra's lender group¹ has agreed to increase the Group's overall financing facilities, at reduced lending rates, by the equivalent of ca. US\$40.4 million to ca. US\$260 million, thereby providing additional funding headroom, financial flexibility and further strengthening of the balance sheet.
- On 24 October 2014, the lender group agreed to increase the Group's debt and hedging facilities by an additional ZAR400 million comprised of:
 - an increase in the current revolving credit facility ("RCF") of ZAR200 million to ZAR500 million;
 - an increase in the Group's working capital facility ("WCF") of ZAR150 million to ZAR500 million; and
 - an increase in the Group's pre settlement lines (FX hedging facilities) of ZAR50 million to ZAR400 million.
- The lenders have also reduced the interest rate on the RCF to JIBAR plus 5.0% margin (previously plus 5.5%), on the WCF to SA prime rate less 1% (previously less 0.5%) and on the Group's amortising term facility (there has been no change to the size of this facility) to JIBAR plus 3.5% margin (previously plus 4.0%).
- Petra has also entered into an agreement with Barclays Bank PLC for a new London working capital facility of US\$5 million.
- A summary of the Group's current cash, diamond inventories, debtors, borrowings and net debt is set out below. These numbers are before the revisions to debt facilities described above.

	Unit	30 September 2014	30 September 2013	30 June 2014
<i>Exchange rate used for conversion</i>		<i>R11.28/US\$1</i>	<i>R.10.03/US\$1</i>	<i>R10.63/US\$1</i>
Cash at bank	US\$m	45.2	55.3	34.0
Diamond inventories	US\$m	48.4	43.2	27.0
	Carats	622,910	483,557	321,948
Diamond debtors	US\$m	3.6	2.1	55.4
Bank loans and borrowings	US\$m	152.5	167.4	158.9
Foreign exchange settlement lines	US\$m	21.0	4.6	11.6
Black Economic Empowerment (BEE) loans due to Petra	US\$m	86.3	84.6	89.2

Net debt	US\$m	107.3	112.1	124.9
Facilities undrawn and available	US\$m	28.3	47.6	40.0

Note:

1. The lender group comprises FirstRand Bank Limited (acting through its Rand Merchant Bank division), Absa Bank Limited (acting through its Corporate and Investment Banking division), IFC (a member of the World Bank Group) and Barclays Bank PLC.

Health and safety:

- The Group's lost time injury frequency rate ("LTIFR") for Q1 FY 2015 was 0.34 (Q1 FY 2014: 0.43).
- This safety performance remains in line with the 0.32 LTIFR achieved by the Group in FY 2014 and demonstrates management's keen focus on this area.

Notes:

1. Exchange rates of R11.28/US\$1 as at 30 September 2014, R10.03/US\$1 as at 30 September 2013 and R10.63/US\$1 as at 30 June 2014 have been used for the purposes of this announcement.
2. The following definitions have been used in this announcement:
 - a. cpht: carats per hundred tonnes
 - b. exceptional diamonds: stones that sell for +US\$5 million
 - c. Mcts: million carats
 - d. mL: metre level
 - e. Mt: million tonnes
 - f. Q: quarter of the financial year
 - g. ROM: run-of-mine (i.e. 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.

~ Ends ~

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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 five producing mines: four in South Africa (Finsch, Cullinan, Koffiefontein and Kimberley Underground) 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	Q1 FY 2015	Q1 FY 2014	Variance	FY 2014
Sales					
Diamonds sold	Carats	295,488	359,741	-18%	1,856,939
Average price per carat	US\$	90	90	0%	99
Revenue	US\$M	26.7	32.3	-17%	183.7
ROM Production					
Tonnes treated	Tonnes	744,397	751,459	-1%	2,910,195
Diamonds produced	Carats	319,037	313,393	+2%	1,109,022
Grade ¹	cpht	42.9	41.7	+3%	38.1
Tailings Production					
Tonnes treated	Tonnes	634,740	675,276	-6%	2,668,278
Diamonds produced	Carats	198,961	204,274	-3%	776,138
Grade ¹	cpht	31.3	30.3	+3%	29.1
Total Production					
Tonnes treated	Tonnes	1,379,137	1,426,735	-3%	5,578,473
Diamonds produced	Carats	517,998	517,667	0%	1,885,160

Note:

1. The ROM / tailings grade split is theoretical based on the resource grades as ore from both sources is processed through the same plant.

Cullinan – South Africa

	Unit	Q1 FY 2015	Q1 FY 2014	Variance	FY 2014
Sales					
Diamonds sold	Carats	147,388	170,971	-14%	881,343
Average price per carat	US\$	293 ¹	100	+193%	185 ¹
Revenue	US\$M	43.2	17.0	+154%	162.8
ROM Production					
Tonnes treated	Tonnes	673,099	610,945	+10%	2,546,383
Diamonds produced	Carats	182,870	190,409	-4%	706,728
Grade	cpht	27.2	31.2	-13%	27.8
Tailings Production					
Tonnes treated	Tonnes	533,602	422,416	+26%	2,149,571
Diamonds produced	Carats	26,762	26,991	-1%	116,891
Grade	cpht	5.0	6.4	-22%	5.4
Total Production					
Tonnes treated	Tonnes	1,206,701	1,033,361	+17%	4,695,954
Diamonds produced	Carats	209,632	217,400	-4%	823,619

Note:

1. Excluding exceptional diamonds, the average value for Q1 FY 2015 was US\$134 per carat (Q1 FY 2014: US\$100 per carat; FY 2014: US\$146 per carat).

Koffiefontein – South Africa

	Unit	Q1 FY 2015	Q1 FY 2014	Variance	FY 2014
Sales					
Diamonds sold	Carats	7,321	5,404	+35%	49,250
Average price per carat	US\$	503	456	+10%	542
Revenue	US\$M	3.7	2.5	+48%	26.7
ROM Production					
Tonnes treated	Tonnes	65,088	50,790	+28%	245,833
Diamonds produced	Carats	4,658	2,293	+103%	17,502
Grade	cpht	7.2	4.5	+60%	7.1
Ebenhaezer Production					
Tonnes treated	Tonnes	175,173	163,504	+7%	431,833
Diamonds produced	Carats	5,960	5,485	+9%	32,873
Grade	cpht	3.4	3.4	0%	7.6
Total Production					
Tonnes treated	Tonnes	240,261	214,294	+12%	677,666
Diamonds produced	Carats	10,618	7,778	+37%	50,375

Kimberley Underground – South Africa

	Unit	Q1 FY 2015	Q1 FY 2014	Variance	FY 2014
Sales					
Diamonds sold	Carats	23,897	22,328	+7%	127,729
Average price per carat	US\$	327	294	+11%	303
Revenue	US\$M	7.8	6.6	+18%	38.8
ROM Production					
Tonnes treated	Tonnes	292,681	193,740	+51%	908,498
Diamonds produced	Carats	36,036	27,523	+31%	126,917
Grade	cpht	12.3	14.2	-13%	14.0

Williamson – Tanzania

	Unit	Q1 FY 2015	Q1 FY 2014	Variance	FY 2014
Sales					
Diamonds sold ¹	Carats	53,719	21,891	+145%	178,171
Average price per carat					
- ROM	US\$	352	244	+44%	307
- Alluvials	US\$	266	179	+49%	227
Revenue	US\$M	18.8	5.2	+262%	53.9
ROM Production					
Tonnes treated	Tonnes	989,204	585,438	+69%	3,405,524
Diamonds produced	Carats	52,319	32,152	+63%	178,379
Grade	cpht	5.3	5.5	-4%	5.2
Alluvial Production					
Tonnes treated	Tonnes	74,274	92,761	-20%	405,166
Diamonds produced	Carats	1,561	2,824	-45%	10,086
Grade	cpht	2.1	3.0	-30%	2.5
Total Production					
Tonnes treated	Tonnes	1,063,478	678,199	+57%	3,810,690
Diamonds produced	Carats	53,880	34,976	+54%	188,465

Note: Diamonds sold split as to 52,261 ROM and 1,458 alluvials; (Q1 FY 2014: 19,714 ROM and 2,177 alluvials; FY 2014: 167,947 ROM and 10,224 alluvials).