



PetraDiamonds

26 January 2015

LSE: PDL

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

Trading Update for the Six Months ended 31 December 2014

Announcement of Dividend Policy and Maiden Dividend

Petra Diamonds Limited announces the following trading update (unaudited) for the six months ended 31 December 2014 (the "Period", "H1 FY 2015" or "H1"), ahead of the publication of the Company's Interim Results for the Period on 19 February 2015.

HIGHLIGHTS

- Production down 2% to 1,601,069 carats (H1 FY 2014: 1,634,576 carats); Petra revises its full year production guidance from ca. 3.2 Mcts to ca. 3.3 Mcts.
- Certain adjustments to guidance for H2 grades and diamond pricing have been made and are covered in the 'Production' and the 'Diamond Market and Sales' commentary. These adjustments may lead to full year results being below current market consensus.
- Revenue up 16% to US\$214.8 million (H1 FY 2014: US\$184.6 million); results for H1 include sales proceeds for two exceptional diamonds for combined revenue of US\$38.7 million.
- Strong safety performance, with the Group LTIFR of 0.28 for the Period demonstrating management's focus on this important area.
- While the market for rough diamonds has been softer than usual in H1, the impact on Petra has been mitigated by the exceptional diamond sales noted above. The weaker Rand is also currently having a favourable effect on Petra's operating costs in US Dollar terms.
- Costs remain well controlled and in line with guidance.
- Capital expenditure ("Capex") of US\$125.2 million (H1 FY 2014: US\$85.3 million), in accordance with the roll out of the Group's fully funded expansion programmes; no change to FY 2015 guidance.
- Robust financial position as at 31 December 2014 with net debt reduced to US\$45.8 million (31 December 2013: US\$108.8 million), cash at bank of US\$129.6 million and debt facilities undrawn and available to the Group of US\$66.9 million.
- Progressive dividend policy adopted; maiden dividend of 2p per share, to be paid for the full 2015 financial year.

H1 FY 2015 Sales, Production and Capex – Summary

| | Unit | 6 months to 31 Dec 2014 ("H1 FY 2015") | 6 months to 31 Dec 2013 ("H1 FY 2014") ¹ | Variance | 12 months to 30 Jun 2014 ("FY 2014") ¹ |
|---|---------------|--|---|-------------|---|
| Sales | | | | | |
| Diamonds sold | Carats | 1,401,575 | 1,414,818 | -1% | 3,131,830 |
| Revenue | US\$m | 214.8 | 184.6 | +16% | 471.8 |
| Production | | | | | |
| ROM diamonds | Carats | 1,167,982 | 1,139,339 | +3% | 2,173,697 |
| Tailings & other ² diamonds | Carats | 433,087 | 495,237 | -13% | 935,988 |
| Total diamonds | Carats | 1,601,069 | 1,634,576 | -2% | 3,109,685 |
| Capex | | | | | |
| Expansion | US\$m | 93.9 | 69.0 | +36% | 155.0 |
| Sustaining | US\$m | 24.7 | 11.6 | +113% | 46.5 |
| Borrowing costs capitalised | US\$m | 6.6 | 4.7 | +40% | 9.7 |
| Total | US\$m | 125.2 | 85.3 | +47% | 211.2 |

Notes:

1. H1 FY 2014 and FY 2014 figures exclude the Star and Sedibeng fissure mines, as they were classified as assets held for sale / discontinued operations.
2. 'Other' includes mining of the Ebenhaezer satellite kimberlite pipe at Koffiefontein and alluvial diamond mining at Williamson.

Johan Dippenaar, Chief Executive Officer, commented:

"These are solid results, with production on track to exceed our previous full year target of 3.2 million carats and revenue boosted by the exceptional diamond sales, despite softer market conditions. FY 2015 is a transitionary period as it marks the last financial year in which the Company is so reliant on production from the mature mining areas at Finsch and Cullinan. From FY 2016 onwards, we will start seeing significant and increasing input from undiluted ore, which is both higher grade and higher margin.

"In light of the strong outlook for Petra and the Company's robust financial position, we have today announced our intention to pay a maiden full year dividend of 2p, which is a major milestone in the development of our company.

"While the rough diamond market may be under short-term pressure, retail demand for diamonds remains solid and the fundamentals for our industry, which are characterised by tight supply and growing demand, are very favourable."

CONFERENCE CALL

Petra's Chief Executive Officer, Johan Dippenaar, and Finance Director, David Aberly, will host a conference call at 9:30am GMT on 26 January 2015 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 0040
 From South Africa (toll free): 0800 222 290
 From the rest of the world: +44 203 428 1542
 Participant passcode: 64678609#

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

From the UK (toll free): 0808 237 0026

From South Africa and the rest of the world: +44 20 3426 2807

Participant passcode: 653039#

COMMENTARY

Production

- H1 production decreased 2% to 1,601,069 carats (H1 FY 2014: 1,634,576 carats). Increased ROM production at Finsch, Koffiefontein, Kimberley Underground and Williamson was offset by reduced ROM production at Cullinan and lower tailings production at Finsch and Koffiefontein.
- South Africa's power issues have been well publicised. Eskom's approach is to consult with industry before implementing load shedding, with advanced notice giving customers time to react appropriately. Petra responds to such requests by temporarily halting tailings production at the applicable South African mines, so as to minimise disruption of the higher value underground ROM production. This strategy has ensured that there has been no material impact on production. Petra remains highly focused on managing this ongoing issue and, while it is disruptive to operations, it does not represent a material risk at this point in time.
- Finsch performed well during H1 FY 2015, with overall carat production increasing by 4% to 1,013,117 carats (H1 FY 2014: 974,431 carats), driven by increased ROM grades. Due to the increase in throughput and grades, and the higher recovery of smaller diamonds, the Company revises its guidance for H2 to ROM tonnes of 1.5 Mt at a ROM grade of 42.5 cpht and revises its guidance for the tailings grade to ca. 29.0 cpht. This equates to an increase of ca. 200,000 carats for FY 2015 compared to previous guidance.
- Cullinan's diamond production decreased 15% to 391,398 carats (H1 FY 2014: 461,338 carats), due to the ROM grade of 25.8 cpht being lower than guidance of 27.4 cpht for H1. As previously reported, there are no separate waste handling facilities at the mine and therefore all development waste has to be treated through the main plant with the ROM production tonnages, which leads to plant treatment and final recovery overloads. In the short term this remains challenging given that the expansion programme is at an advanced stage, with a high level of development metres being achieved thereby producing a significant amount of development waste material.

Petra does not expect any further reduction in the ROM grade due to a declining volume of waste tonnes from development, a gradual increase of the initial undiluted tonnes, and the Company's initiatives to open up access to higher grade mining areas in H2. The ROM grade at Cullinan for H2 is guided at 27.2 cpht (previously 29.4 cpht). H2 tailings throughput is guided at 1.3 Mt at a grade of ca. 5.0 cpht. Restated ROM and tailings guidance equates to a full year FY 2015 production decrease of ca. 100,000 carats compared to previous guidance.

- ROM production at Koffiefontein increased by 6% to 9,709 carats (H1 FY 2014: 9,158 carats) as kimberlite development in the 560 mL sub level cave ("SLC") yielded the first undiluted ROM tonnes from this new production area. However, overall production decreased by 30% largely due to the scheduled depletion of recovery tailings treated in the comparative period. Full-scale SLC production will commence during Q3 FY 2015, boding well for increased ROM production, as well as diamond values in H2. H2 ROM production is expected to be significantly higher at circa 45,000 carats.

- Kimberley Underground's production increased 14% to 72,012 carats (H1 FY 2014: 63,436 carats) due to an increase in ROM tonnes treated, partially offset by reduced grades following the treatment of lower-grade surface resources to utilise available plant capacity.
- Williamson's diamond production increased 15% to 98,949 carats (H1 FY 2014: 86,309 carats), with increased plant throughput of 2.0 Mt treated during H1 FY 2015 (H1 FY 2014: 1.5 Mt) offsetting the lower ROM grades achieved (4.8 cpht versus the expected 5.5 cpht (H1 FY 2014: 5.2 cpht)).
- As previously announced, a business review of Helam was undertaken during H2 FY 2014 and the Company plans to complete this process shortly.

Diamond Market and Sales

- The rough diamond market exhibited its customary seasonal softness in Q1 FY 2015, but further pressure on prices is currently evident due to some short-term indigestion in the pipeline caused by issues relating to liquidity, polished inventory levels and the impact of the strong US Dollar on US Dollar denominated diamond prices.
- These softer market conditions are expected to continue in the near term, however solid demand from Christmas sales, plus the ongoing retail festive period (including Chinese New Year which commences on 19 February 2015), should precipitate steady activity in the pipeline in the months to come, resulting in firmer pricing towards the end of H2 FY 2015.
- Petra estimates that diamond prices achieved by the Company on a like for like basis were down on average by 8 to 9% in H1, however the impact was largely mitigated by the Rand weakening by ca. 9% in the Period and the boost to revenue from the sale of exceptional diamonds. Petra achieved an average value of US\$154 per carat in H1 FY 2015 versus US\$130 per carat in H1 FY 2014.
- Revenue for H1 FY 2015 was up 16% to US\$214.8 million (H1 FY 2014: US\$184.6 million). Carats sold were down 1% to 1,401,575 carats (H1 FY 2014: 1,414,818). Carat sales were lower than carats produced due to the seasonal timing of Petra's tenders; as usual, Petra held three tenders in H1 (equating to five months' production) and will hold four tenders in H2 (equating to seven months' production).
- Due to the softness in the diamond market noted (and additional recovery of smaller diamonds at Finsch), actual prices achieved for certain mines for H1 FY 2015 were lower than Petra's original FY 2015 guidance, as set out in the table below. The Company has therefore adjusted its guidance for Finsch, Cullinan and Koffiefontein downwards; guidance for Williamson's average value has been adjusted upwards.

| Mine | Average price (US\$/ct) ¹ H1 FY 2015 | Original Management guidance (US\$/ct) FY 2015 | Updated Guidance H2 FY 2015 | Updated Guidance FY 2015 |
|-----------------------|---|--|-----------------------------|--------------------------|
| Finsch | 85 | 108 | 93 | 90 |
| Cullinan | 247 (124 excluding exceptionals) | 152 ² | 135 ² | 130 ² |
| Koffiefontein | 389 | 654 | 620 | 556 |
| Kimberley Underground | 321 | 329 | 320 | 320 |
| Williamson | 352 | 295 | 305 | 325 |

Notes:

1. All sales (both ROM and tailings) including exceptional diamonds were used to calculate the above average values.
2. Excludes guidance for exceptional diamonds.

Expansion projects and Capex

- The Group's expansion projects at Finsch, Cullinan and Koffiefontein continue to progress well. The development of the SLC 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.
- Capex for H1 FY 2015 was US\$118.6 million, split US\$93.9 million on expansion Capex and US\$24.7 million on sustaining Capex.

Dividend policy and maiden dividend

- With the aim of generating long-term sustainable value for shareholders, the Board of Petra considers it appropriate to commence the payment of dividends for FY 2015. Petra intends to pay a progressive dividend as the Company moves through its current phase of significant capital spend and increasing free cashflow. Petra will thus pay a maiden full year dividend of 2.0p for the 2015 financial year.
- Petra will continue to adopt a prudent capital management strategy in relation to excess capital generated from operations. The Board will periodically review the wider capital requirements of the business and will return excess capital to shareholders when appropriate.

Guidance

- In light of the guidance adjustments noted, the Company has uploaded the document 'Analyst Guidance – Update – 26 January 2015' to:
<http://www.petradiamonds.com/investors/analysts/analyst-guidance>.

Notes:

1. The following exchange rates have been used for this announcement: average rate for the Period US\$1:ZAR10.99; closing rate as at 31 December 2014 US\$1:ZAR11.57.
2. The following definitions have been used in this announcement:
 - a. ct: carat
 - b. cpht: carats per hundred tonnes
 - c. Exceptional diamonds: stones that sell for more than US\$5 million each
 - d. LTIFR: lost time injury frequency rate
 - e. Mcts: million carats
 - f. mL: metre level
 - g. Mt: million tonnes
 - h. 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.

~ Ends ~

For further information, please contact:

Petra Diamonds, London
Cathy Malins
Cornelia Grant

Telephone: +44 20 7494 8203
cathym@petradiamonds.com
cornelia.grant@petradiamonds.com

Buchanan
(PR Adviser)
Bobby Morse
Anna Michniewicz

Telephone: +44 20 7653 4000

bobbym@buchanan.uk.com
annam@buchanan.uk.com

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 member of the FTSE 250.

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

APPENDIX – MINE BY MINE PRODUCTION TABLES

Finsch – South Africa

| | Unit | H1 FY 2015 | H1 FY 2014 | Variance | FY 2014 |
|-----------------------------|--------|------------|------------|----------|-----------|
| Sales | | | | | |
| Revenue | US\$m | 77.3 | 83.2 | -7% | 183.7 |
| Diamonds sold | Carats | 906,214 | 863,319 | +5% | 1,856,939 |
| Average price per carat | US\$ | 85 | 96 | -11% | 99 |
| ROM Production | | | | | |
| Tonnes treated | Tonnes | 1,530,455 | 1,505,356 | +2% | 2,910,195 |
| Diamonds produced | Carats | 651,068 | 565,334 | +15% | 1,109,022 |
| Grade ¹ | Cpht | 42.5 | 37.6 | +13% | 38.1 |
| Tailings Production | | | | | |
| Tonnes treated | Tonnes | 1,216,244 | 1,320,796 | -8% | 2,668,278 |
| Diamonds produced | Carats | 362,049 | 409,097 | -12% | 776,138 |
| Grade ¹ | Cpht | 29.8 | 31.0 | -4% | 29.1 |
| Total Production | | | | | |
| Tonnes treated | Tonnes | 2,746,699 | 2,826,152 | -3% | 5,578,473 |
| Diamonds produced | Carats | 1,013,117 | 974,431 | +4% | 1,885,160 |
| Capex | | | | | |
| Expansion Capex | US\$m | 28.4 | 19.9 | +43% | 50.7 |
| Sustaining Capex | US\$m | 2.4 | 2.5 | -4% | 12.3 |
| Borrowing costs capitalised | US\$m | 3.0 | 2.3 | +30% | 4.8 |
| Total Capex | US\$m | 33.8 | 24.7 | +37% | 67.8 |

Note:

1. 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 – South Africa

| | Unit | H1 FY 2015 | H1 FY 2014 | Variance | FY 2014 |
|----------------------------|--------|------------------|------------|----------|------------------|
| Sales | | | | | |
| Revenue | US\$m | 77.7 | 61.3 | +27% | 162.8 |
| Diamonds sold | Carats | 314,957 | 409,117 | -23% | 881,343 |
| Average price per carat | US\$ | 247 ¹ | 150 | +65% | 185 ² |
| ROM Production | | | | | |
| Tonnes treated | Tonnes | 1,292,895 | 1,291,208 | 0% | 2,546,383 |
| Diamonds produced | Carats | 333,770 | 399,819 | -17% | 706,728 |
| Grade | Cpht | 25.8 | 31.0 | -17% | 27.8 |
| Tailings Production | | | | | |
| Tonnes treated | Tonnes | 1,212,368 | 1,020,252 | +19% | 2,149,571 |
| Diamonds produced | Carats | 57,628 | 61,519 | -6% | 116,891 |
| Grade | Cpht | 4.8 | 6.0 | -20% | 5.4 |

| | | | | | |
|-----------------------------|--------|-----------|-----------|------|-----------|
| Total Production | | | | | |
| Tonnes treated | Tonnes | 2,505,263 | 2,311,460 | +8% | 4,695,954 |
| Diamonds produced | Carats | 391,398 | 461,338 | -15% | 823,619 |
| Capex | | | | | |
| Expansion Capex | US\$m | 47.0 | 30.1 | +56% | 73.5 |
| Sustaining Capex | US\$m | 3.4 | 4.7 | -28% | 14.7 |
| Borrowing costs capitalised | US\$m | 3.6 | 2.4 | +50% | 4.9 |
| Total Capex | US\$m | 54.0 | 37.2 | +45% | 93.1 |

Notes:

1. Excluding exceptional diamonds, the average value for H1 FY 2015 was US\$124 per carat.
2. Excluding exceptional diamonds, the average value for FY 2014 was US\$146 per carat.

Koffiefontein – South Africa

| | Unit | H1 FY 2015 | H1 FY 2014 | Variance | FY 2014 |
|---|--------|------------|------------|----------|---------|
| Sales | | | | | |
| Revenue | US\$m | 7.1 | 8.1 | -12% | 26.7 |
| Diamonds sold | Carats | 18,215 | 18,058 | +1% | 49,250 |
| Average price per carat | US\$ | 389 | 451 | -14% | 542 |
| ROM Production | | | | | |
| Tonnes treated | Tonnes | 132,202 | 122,872 | +8% | 245,833 |
| Diamonds produced | Carats | 9,709 | 9,158 | +6% | 17,502 |
| Grade | Cpht | 7.3 | 7.5 | -3% | 7.1 |
| Tailings / Ebenhaezer Production | | | | | |
| Tonnes treated | Tonnes | 329,965 | 279,662 | +18% | 431,833 |
| Diamonds produced | Carats | 9,967 | 18,843 | -47% | 32,873 |
| Grade | Cpht | 3.0 | 6.7 | -55% | 7.6 |
| Total Production | | | | | |
| Tonnes treated | Tonnes | 462,167 | 402,534 | +15% | 677,666 |
| Diamonds produced | Carats | 19,676 | 28,001 | -30% | 50,375 |
| Capex | | | | | |
| Expansion Capex | US\$m | 12.3 | 5.0 | +146% | 25.1 |
| Sustaining Capex | US\$m | 1.2 | 1.0 | +20% | 5.6 |
| Total Capex | US\$m | 13.5 | 6.0 | +125% | 30.7 |

Kimberley Underground – South Africa

| | Unit | H1 FY 2015 | H1 FY 2014 | Variance | FY 2014 |
|-------------------------|--------|------------|------------|----------|---------|
| Sales | | | | | |
| Revenue | US\$m | 18.1 | 16.1 | +12% | 38.8 |
| Diamonds sold | Carats | 56,470 | 54,055 | +5% | 127,729 |
| Average price per carat | US\$ | 321 | 297 | +8% | 303 |

| Total Production (all ROM) | | | | | |
|-----------------------------------|--------|---------|---------|------|---------|
| Tonnes treated | Tonnes | 578,761 | 409,651 | +41% | 908,498 |
| Diamonds produced | Carats | 72,012 | 63,436 | +14% | 126,917 |
| Grade | Cpht | 12.4 | 15.5 | -20% | 14.0 |
| Capex | | | | | |
| Expansion Capex | US\$m | 4.5 | 2.3 | +96% | 5.8 |
| Sustaining Capex | US\$m | 1.4 | 1.0 | +40% | 4.3 |
| Total Capex | US\$m | 5.9 | 3.3 | +79% | 10.1 |

Williamson – Tanzania

| | Unit | H1 FY 2015 | H1 FY 2014 | Variance | FY 2014 |
|----------------------------|--------|------------|------------|----------|-----------|
| Sales | | | | | |
| Revenue | US\$m | 34.6 | 12.9 | +168% | 53.9 |
| Diamonds sold | Carats | 98,270 | 50,778 | +94% | 178,171 |
| Average price per carat | US\$ | 352 | 254 | +39% | 303 |
| ROM Production | | | | | |
| Tonnes treated | Tonnes | 2,002,080 | 1,537,417 | +30% | 3,405,524 |
| Diamonds produced | Carats | 95,506 | 80,531 | +19% | 178,379 |
| Grade | Cpht | 4.8 | 5.2 | -8% | 5.2 |
| Alluvial Production | | | | | |
| Tonnes treated | Tonnes | 170,052 | 211,448 | -20% | 405,166 |
| Diamonds produced | Carats | 3,443 | 5,778 | -40% | 10,086 |
| Grade | Cpht | 2.0 | 2.7 | -26% | 2.5 |
| Total Production | | | | | |
| Tonnes treated | Tonnes | 2,172,132 | 1,748,865 | +24% | 3,810,690 |
| Diamonds produced | Carats | 98,949 | 86,309 | +15% | 188,465 |
| Capex | | | | | |
| Expansion Capex | US\$m | 1.6 | 3.3 | -52% | 2.4 |
| Sustaining Capex | US\$m | 4.3 | 1.5 | +187% | 6.5 |
| Total Capex | US\$m | 5.9 | 4.8 | +23% | 8.9 |