



PetraDiamonds

16 April 2015

LSE: PDL

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

Trading Update – Q3 FY 2015 Production and Sales Report

Petra Diamonds Limited announces the following trading update (unaudited) for the period from 1 January to 31 March 2015 (the "Period", "Q3 FY 2015" or "Q3").

HIGHLIGHTS

Q3 FY 2015 TRADING

- Production up 6% to 791,443 carats (Q3 FY 2014: 743,424 carats).
- Production for nine months to 31 March 2015 up 1% to 2,392,511 carats (nine months to 31 March 2014: 2,379,140 carats).
- Revenue down 31% to US\$96.1 million (Q3 FY 2014 revenue: US\$138.3 million excluding sale of a US\$25.6 million 'exceptional stone'; US\$163.9 million on an as reported basis), due to the earlier timing of the March tender resulting in lower sales volumes, change in product mix (lower incidence of high quality stones and higher volumes of smaller diamonds), the lower ROM grade at Cullinan and the previously reported softer diamond market in comparison to Q3 FY 2014.
- The lower ROM grade at Cullinan is, as previously reported, due to the mature and highly diluted production areas coupled with the impact of the high density waste material. The Company has previously outlined its strategy for addressing these issues and expects the ROM grade profile at Cullinan to improve over the coming quarters.
- The diamond market stabilised during Q3, with prices on a like for like basis slightly higher compared to Q2; however average prices achieved by Petra were lower than January 2015 pricing guidance, due to the product mix of diamonds sold during Q3.
- Beneficiation (cutting and polishing) of the 122 carat blue diamond (that Petra sold in September 2014 and retained a 15% interest) has been completed and has produced four polished stones of significance; Petra and its beneficiation partner are considering the most appropriate route to market.
- Cash at bank at Period end of US\$41.8 million (Q3 FY 2014: US\$29.7 million) and net debt of US\$99.3 million (Q3 FY 2014: US\$118.0 million).

OUTLOOK

- As previously reported, FY 2015 is a transitional year for the Company due to production, mainly at Finsch and Cullinan, being sourced from mature diluted mining areas. This is particularly the case at Cullinan, where the significant dilution of the current mining areas has negatively impacted the ROM grade, whilst the mature cave and resultant finer ore affected the product mix. This variability in grade and product mix is expected to lead to the Group full year financial results being below the range of current market estimates.
- The Company's expansion programmes to deliver undiluted ore remain on track, with both physical delivery and capital expenditure in line with expectations.

- Group production of 3.2 million carats is expected for the full year, lower than the Company's current guidance of 3.3 million carats due to the reasons set out above.
- The Company reiterates its commencement of dividend payments, with a maiden dividend of 2.0p per share to be paid for FY 2015.

Johan Dippenaar, Chief Executive Officer, commented:

"We have delivered production growth in Q3 by an increase in tonnes treated at all operations. The current reliance on production from the mature mining areas at our underground mines is expected to change over the coming quarters as the Company passes through this transitional period and starts to access undiluted ore."

"The 122 carat blue diamond that Petra retains an interest in has produced some exceptional polished stones and the Company looks forward, with its partner, to the marketing of these stones over the coming months."

CONFERENCE CALL

The Company will host a conference call on 16 April at 9:30am BST 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 4281 542
 Participant passcode: 86225185#

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

From UK (toll free): 0808 237 0026
 From South Africa (toll free): 0800 002 877
 From the rest of the world: +44 203 4262 807
 Playback passcode: 656520#

COMMENTARY

Q3 Production and Sales – Summary¹

	Unit	Q3 FY 2015	Q3 FY 2014	Variance	Nine months to 31 March 2015	Nine months to 31 March 2014	Variance
Sales							
Diamonds sold	Carats	826,815	905,781	-9%	2,228,377	2,323,475	-4%
Gross revenue	US\$M	96.1	163.9	-41%	311.0	349.4	-11%
Production							
ROM diamonds	Carats	563,902	482,825	+17%	1,731,884	1,623,304	+7%
Tailings and alluvial diamonds	Carats	227,541	260,599	-13%	660,627	755,836	-13%
Total diamonds	Carats	791,443	743,424	+6%	2,392,511	2,379,140	+1%

Note:

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

Q3 FY 2015 Production

- Q3 production increased 6% to 791,443 carats (Q3 FY 2014: 743,424 carats), following increases across all operations barring Cullinan, where ROM grade volatility remains a constraint.
- Finsch had a strong quarter, with production increasing by 12% to 515,744 carats (Q3 FY 2014: 460,144 carats) due to an 11% increase in ROM and tailings tonnes treated. The ROM grade for the period was 42.3 cpht (Q3 FY 2014: 34.6 cpht), in line with revised guidance, while the tailings grade decreased to 26.3 cpht (Q3 FY 2014: 33.5 cpht), due to the mining sequence moving through a lower grade area of the tailings dumps; the Q4 tailings grade is expected to see a return to ca. 29 cpht in Q4 FY 2015.
- Cullinan production decreased 10% to 166,846 carats (Q3 FY 2014: 186,121 carats) due to the declining ROM grade as a result of primarily mining mature and highly diluted production areas. This was further aggravated by the downstream impact of the previously reported high density waste, derived from the development tunnelling in the host rock, all of which had to be processed through the main treatment plant.

As a result, a ROM grade of 20.9 cpht was achieved for the Period (Q3 FY 2014: 24.9 cpht). The impact of the declining grade was partially negated by a 4% increase in ROM tonnes treated to 658,818 tonnes (Q3 FY 2014: 633,049 tonnes), coupled with a 19% increase in tailings tonnes treated to 682,506 tonnes (Q3 FY 2014: 575,405 tonnes).

The Company has in the past outlined its strategy to combat these challenges, and though the mitigating initiatives in place did not yield improvements as anticipated in Q3, it expects the ROM grade profile at Cullinan to improve over the coming quarters.

The Company is mitigating its dependence on mining highly diluted areas by opening up access to tonnages from the BA5 area at the 645 mL and in the BA-West area, as well as by the migration of mining from the more diluted AUC North area to the AUC South area. Access to the new 645 mL production area was completed during Q3 with the ore handling infrastructure now in place; production from this undiluted and high grade area will commence during Q4 FY2015.

The Company is introducing XRF X-ray sorting machines to assist in the handling of the high density luminescent material associated with waste development.

The decrease in waste development activities, additional measures to access higher grade areas in the old block cave, and the commencement of C-Cut Phase 1 undercut will lead to an improved ROM grade profile at Cullinan.

- Koffiefontein production increased 32% to 15,862 carats (Q3 FY 2014: 12,024 carats) further to higher levels of production from the 52 Level production area and the commencement of production from the 56 Level SLC. As a result, ROM carats increased significantly to 11,095 carats (Q3 FY 2014: 3,545 carats).

Despite this positive development, the ramp-up of production from the SLC has been hampered by problems related to the civil groundworks of the 62 Level crusher. Corrective action is nearing completion and the underground production build-up will resume during Q4. The ROM recovered grade improved 34% to 9.4 cpht (Q3 FY 2014: 7.0 cpht) in line with expectations.

- Kimberley Underground production increased 11% to 35,201 carats (Q3 FY 2014: 31,792 carats). Total tonnes treated exceeded 300,000 tonnes for Q3 (Q3 FY 2014: 237,323 tonnes). The recovered grade was down slightly due to increased throughput of the lower grade surface resources, sourced from the east blow pipe and tailings.
- Williamson production increased 27% to 57,542 carats (Q3 FY 2014: 45,477 carats) with ROM tonnes treated remaining above 1 Mt for the Period.
- As previously announced, a business review of Helam was undertaken during H2 FY 2014 and the mine has now been placed on care and maintenance.

Diamond market and sales

- The diamond market stabilised during Q3, with prices slightly higher on a like for like basis compared to Q2; however Petra's average mine values achieved in Q3 were lower than guidance, due to the product mix of sales during Q3.
- The Company's two tenders in Q3 were well attended and strong interest in the remaining two tenders of FY 2015 is evident in terms of the level of advance enquiries.
- The market continues to face headwinds associated with credit availability to buyers in the pipeline and the impact of the strong US Dollar on US Dollar denominated diamond prices. While these issues remain a concern in the short term, there have been reports in recent weeks regarding new sources of financing becoming available to diamantaires in the pipeline, and retail demand for diamonds remains stable.
- Revenue for Q3 decreased 41% to US\$96.1 million (Q3 FY 2014: US\$163.9 million). Revenue for the comparative period included US\$25.6 million further to the sale of a 29.6 carat blue diamond, while the softer diamond market in comparison to Q3 FY 2014, product mix and lower sales volumes further impacted gross revenues.
- Carats sold decreased 9% to 826,815 carats (Q3 FY 2014: 905,781) due to earlier tender timings in Q3, which led to an earlier cut-off to prepare the goods for sale in comparison to Q3 FY 2014.
- Average values achieved by Cullinan were affected by product mix; Koffiefontein's average value is expected to continue an upward trend with the ramp-up of higher valued ROM production. Values at Kimberley Underground and Williamson were impacted by quarter on quarter variability of product mix and do not reflect market conditions.
- The table below sets out the average diamond prices achieved by mine for Q3 and year to date. Further to the prices realised for the nine months to 31 March 2015, which were affected by product mix as noted above, revised full year expected prices are also set out in the table below:

Mine	Average ¹	Average ¹	Management guidance
	(US\$/ct)	(US\$/ct)	(US\$/ct)
	Q3 FY 2015	Nine months to 31 March 2015	FY 2015
Finsch	88	86	90
Cullinan	106	193 (117 excluding exceptional diamonds)	120 ²
Koffiefontein	385	387	480
Kimberley Underground	249	292	300
Williamson	253	314	315

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.

122 carat blue diamond

- Beneficiation (cutting and polishing) of the 122.5 carat Cullinan blue diamond has been completed and has yielded four polished blue stones of significance, being:
 - a 26.1 carat, radiant cut, intense fancy blue diamond;
 - an 11.3 carat, pear cut diamond (which is still undergoing GIA certification with regards to colour/clarity);
 - a 10.3 carat, radiant cut, fancy blue diamond; and

- a 7.0 carat, cushion cut, fancy blue diamond.
- The Company retains a 15% share in the net sales proceeds of the polished. Petra and its beneficiation partner are continuing to evaluate the most appropriate route to market for these important blue diamonds.

Financial

- A summary of the Group's current cash, diamond inventories, debtors, borrowings and net debt is set out below.

	Unit	31 March 2015 ¹	31 March 2014	30 June 2014
<i>Exchange rate used for conversion</i>		<i>R12.13/US\$1</i>	<i>R10.52/US\$1</i>	<i>R10.63/US\$1</i>
Cash at bank	US\$m	41.8	29.7	34.0
Diamond inventories	US\$m	37.3	35.0	27.0
	Carats	486,537	404,210	321,948
Diamond debtors	US\$m	15.0	64.9	55.4
Bank loans and borrowings	US\$m	141.1	155.0	158.9
Foreign exchange settlement lines	US\$m	14.2	7.3	11.6
Black Economic Empowerment ("BEE") loans due to Petra	US\$m	25.8 ¹	85.0	89.2
Net debt	US\$m	99.3	118.0	124.9
Facilities undrawn and available	US\$m	91.1	57.0	40.0

Note:

1. Relating to the acquisition and financing of the expansions of the Koffiefontein and Kimberley Underground mines.

Health and safety

- Group ("LTIFR") for Q3 improved to 0.26 (Q3 FY 2014: 0.39) further to the continued high level of focus placed upon this area across the Group.

Notes:

1. Exchange rates of R12.1255/US\$1 as at 31 March 2015 and R10.5225/US\$1 as at 31 March 2014 have been used for the purposes of this announcement.
2. The following definitions have been used in this announcement:
 - a. ct: carat
 - b. cpht: carats per hundred tonnes
 - c. exceptional diamonds: diamonds that sell for more than US\$5 million each
 - d. ha: hectares
 - e. km: kilometres
 - f. LTIFR: lost time injury rate
 - g. Mctpa: million carats per annum
 - h. Mcts: million carats
 - i. Mt: million tonnes
 - j. Mtpa: million tonnes per annum
 - k. ROM: run-of-mine (i.e. production from the primary orebody)
 - l. SLC: sub-level cave

- m. tailings: the oversize reject material from the plant which sits at surface in a designated tailings dump area; it is available to be processed through the plant again in order to capture any further diamonds that may have been missed the first time around
 - n. tpa: tonnes per annum
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 member of the FTSE 250.

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

APPENDIX – MINE BY MINE PRODUCTION AND SALES TABLES

Finsch – South Africa

	Unit	Q3 FY 2015	Q3 FY 2014	Variance	Nine months to 31 March 2015	Nine months to 31 March 2014	Variance
Sales							
Diamonds sold	Carats	518,051	511,555	+1%	1,424,265	1,374,874	+4%
Average price per carat	US\$	88	103	-15%	86	99	-13%
Revenue	US\$M	45.5	52.6	-13%	122.8	135.8	-10%
ROM Production							
Tonnes treated	Tonnes	766,147	690,142	+11%	2,296,602	2,195,498	+5%
Diamonds produced	Carats	324,394	238,881	+36%	975,462	804,215	+21%
Grade	cpht	42.3	34.6	+22%	42.5	36.6	+16%
Tailings Production							
Tonnes treated	Tonnes	728,439	659,766	+10%	1,944,683	1,980,562	-2%
Diamonds produced	Carats	191,350	221,263	-14%	553,399	630,360	-12%
Grade	cpht	26.3	33.5	-22%	28.5	31.8	-11%
Total Production							
Tonnes treated	Tonnes	1,494,586	1,349,908	+11%	4,241,285	4,176,060	+2%
Diamonds produced	Carats	515,744	460,144	+12%	1,528,861	1,434,575	+7%

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	Q3 FY 2015	Q3 FY 2014	Variance	Nine months to 31 March 2015	Nine months to 31 March 2014	Variance
Sales							
Diamonds sold	Carats	197,456	275,555	-28%	512,413	684,672	-25%
Average price per carat	US\$	106	256	-58%	193	193	0%
Revenue	US\$M	21.0	70.6	-70%	98.8	131.9	-25%
ROM Production							
Tonnes treated	Tonnes	658,818	633,049	+4%	1,951,713	1,924,257	+1%
Diamonds produced	Carats	137,928	157,393	-12%	471,698	557,212	-15%
Grade	cpht	20.9	24.9	-16%	24.2	29.0	-17%
Tailings Production							
Tonnes treated	Tonnes	682,506	575,405	+19%	1,894,874	1,595,657	+19%
Diamonds produced	Carats	28,918	28,728	+1%	86,546	90,247	-4%
Grade	cpht	4.2	5.0	-15%	4.6	5.7	-19%
Total Production							
Tonnes treated	Tonnes	1,341,324	1,208,454	+11%	3,846,587	3,519,914	+9%
Diamonds produced	Carats	166,846	186,121	-10%	558,244	647,459	-14%

Koffiefontein – South Africa

	Unit	Q3 FY 2015	Q3 FY 2014	Variance	Nine months to 31 March 2015	Nine months to 31 March 2014	Variance
Sales							
Diamonds sold	Carats	13,038	18,448	-29%	31,253	36,506	-14%
Average price per carat	US\$	385	591	-35%	387	522	-26%
Revenue	US\$M	5.0	10.9	-54%	12.1	19.0	-36%
ROM Production							
Tonnes treated	Tonnes	118,032	50,631	+133%	250,234	173,503	+44%
Diamonds produced	Carats	11,095	3,545	+213%	20,804	12,703	+64%
Grade	cpht	9.4	7.0	+34%	8.3	7.3	+14%
Ebenhaezer / Tailings Production							
Tonnes treated	Tonnes	135,899	75,031	+81%	465,864	354,693	+31%
Diamonds produced	Carats	4,767	8,479	-44%	14,734	27,322	-46%
Grade	cpht	3.5	11.3	-69%	3.2	7.7	-59%
Total Production							
Tonnes treated	Tonnes	253,931	125,662	+102%	716,098	528,196	+36%
Diamonds produced	Carats	15,862	12,024	+32%	35,538	40,025	-11%

Kimberley Underground – South Africa

	Unit	Q3 FY 2015	Q3 FY 2014	Variance	Nine months to 31 March 2015	Nine months to 31 March 2014	Variance
Sales							
Diamonds sold	Carats	37,320	35,996	+4%	93,790	90,051	+4%
Average price per carat	US\$	249	336	-26%	292	313	-6%
Revenue	US\$M	9.3	12.1	-23%	27.4	28.2	-3%
ROM Production¹							
Tonnes treated	Tonnes	300,966	237,323	+27%	879,727	646,974	+36%
Diamonds produced	Carats	35,201	31,792	+11%	107,213	95,228	+13%
Grade	cpht	11.7	13.4	-13%	12.2	14.7	-17%

Note:

1. Petra only produces from ROM (underground) operations at Kimberley Underground.

Williamson – Tanzania

	Unit	Q3 FY 2015	Q3 FY 2014	Variance	Nine months to 31 March 2015	Nine months to 31 March 2014	Variance
Sales							
Diamonds sold	Carats	60,972	52,306	+17%	159,242	103,084	54%
Average price per carat	US\$	253	304	-17%	314	279	+13%
Revenue	US\$M	15.5	15.9	-3%	50.0	28.8	+74%
ROM Production							
Tonnes treated	Tonnes	1,038,179	840,545	+24%	3,040,259	2,377,962	+28%
Diamonds produced	Carats	55,036	43,348	+27%	150,542	123,879	+22%
Grade	cpht	5.3	5.2	+3%	5.0	5.2	-5%

Alluvial Production							
Tonnes treated	Tonnes	110,021	96,310	+14%	280,073	307,758	-9%
Diamonds produced	Carats	2,506	2,129	+18%	5,948	7,907	-25%
Grade	cpht	2.3	2.2	+3%	2.1	2.6	-17%
Total Production							
Tonnes treated	Tonnes	1,148,200	936,855	+23%	3,320,332	2,685,720	+24%
Diamonds produced	Carats	57,542	45,477	+27%	156,491	131,786	+19%