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**24 April 2015** **LSE: PDL**

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

**Proposed US$300 Million Notes Issue and Increase in Senior Lender Debt Facilities**

**Construction of Modern Plant at Cullinan**

Petra Diamonds Limited announces the launch of a US$300 million notes issue, increases to its senior lender debt facilities and plans to construct a modern processing plant at the Cullinan mine in South Africa.

## HIGHLIGHTS

### Proposed US$ Notes Issuance and Increases in Senior Lender Debt Facilities

- Petra is announcing today its intention to offer US$300 million in aggregate principal amount of senior secured second lien notes due 2020 (the "Notes").

- Petra's lender group has agreed in principle, subject to the closing of the Notes, to increase the Group's debt facilities by ca. US$81.6 million to ca. US$302.4 million, along with certain amended availability and repayment terms.

- Proceeds from the Notes will be used to settle (but not cancel) certain existing debt and, together with future drawdowns from the Group's debt facilities, to fund the construction of a modern processing plant at Cullinan, for general corporate purposes and to pay fees and expenses associated with the Notes.

- The Notes, along with the increase in lender group debt facilities, will diversify Petra's sources of funding, providing the Group with additional financial flexibility as it pursues its stated growth strategy.

### New Cullinan Plant

- The Company is planning the construction of a modern, fit-for-purpose processing plant at Cullinan for a capital cost of ca. R1,650 million (US$142.8 million). This new plant is expected to:
    - improve the recovery of the full spectrum of diamonds (thereby increasing the volume of stones recovered, as well as better protecting large stones from breakage); and
    - improve the efficiency of the material flow, thereby significantly lowering operating costs.

**Johan Dippenaar, Chief Executive Officer, commented:**

*"The announcement today of the proposed US$300 million notes issue will settle (but not cancel) existing bank debt and ensure the Group is well financed as it completes the execution of its expansion plans.*

*"Petra will be using a portion of the Notes financing to construct a modern processing plant at Cullinan, which we believe will significantly improve returns at the mine by delivering enhanced diamond recoveries, especially of the large, high-value diamonds for which the mine is known, as well as substantial savings to operating costs.*

*"In addition to the Notes' proceeds, Petra's lender group has agreed in principle to extend and increase the Group's working capital and debt facilities to approximately US$300 million, which will remain largely undrawn at the time of closing the Notes issue. We believe that this new, more diversified, funding package better serves our needs as a business as we continue to grow and evolve and provides additional financial flexibility as we pursue our stated growth strategy."*

## CONFERENCE CALL

The Company will host a conference call on 24 April at 9:30am BST to discuss the proposed new Cullinan plant 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 (0) 203 428 1542
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): +44 (0) 203 426 2807
From the rest of the world: +44 (0) 203 426 2807
Playback passcode: 656876#

## COMMENTARY

### Proposed US$ Bond Issuance

- Petra today announces an intention to offer US$300 million in aggregate principal amount of senior secured second lien notes due 2020. The Notes will be issued by Petra Diamonds US$ Treasury Plc, a wholly owned subsidiary of Petra Diamonds Limited.
- Proceeds from the Notes will be used to settle (but not cancel) certain existing debt and, together with future drawdowns from the Group's debt facilities, to fund the construction of a modern processing plant at Cullinan, for general corporate purposes and to pay fees and expenses associated with the Notes.
- Petra has mandated Barclays and RBC Capital Markets as Global Co-ordinators and Joint Bookrunners and Rand Merchant Bank as a Joint Bookrunner.
- The interest rate will be determined at the time of pricing of the offering, subject to market conditions.

### Restructure of Senior Lender Debt Facilities

- Petra's lender group, comprising Absa Bank Limited (acting through its Corporate and Investment Banking division) ("ABSA"), FirstRand Bank Limited (acting through its Rand Merchant Bank division) ("RMB") and IFC (a member of the World Bank Group) has agreed in principle, subject to the closure of the Notes, to increase the Group's lender facilities by ca. US$81.6 million to ca. US$302.4 million (the "Amended Facilities").

- An outline of the current facilities versus the Amended Facilities is below:

| Current Facilities (ca. US$220.8 million) | Amended Facilities (ca. US$302.4 million) |
|---|---|
| • ZAR800 million amortising term facility | • ZAR800 million amortising term facility |
| • ZAR500 million revolving credit facility | • ZAR1,500 million revolving credit facility |
| • ZAR500 million working capital facility | • ZAR500 million working capital facility |
| • US$35 million amortising term facility | • US$35 million amortising term facility |
| • US$25 million revolving credit facility | • US$25 million revolving credit facility |
| • US$5 million general banking facility | • The Company has not renewed this facility |

- Following the issue of the Notes, Petra will settle (but not cancel) the ZAR amortising term and revolving credit debt with ABSA and RMB and settle (but not cancel) the US$ revolving credit debt with the IFC.
- Following the issue of the Notes, the ABSA and RMB ZAR revolving credit facility will increase from ZAR500 million to ZAR1,500 million (the increase of ZAR1,000 million will be taken up by ABSA), with an extended availability period from 20 August 2018 to 20 November 2019 and an extension to the single capital repayment from 20 September 2018 to 20 December 2019.
- The ABSA and RMB ZAR amortising term facility remains unchanged at ZAR800 million, but the availability period will (on issue of the Notes) be extended to 20 March 2017, and will be repaid in 3 semi-annual payments, commencing on 20 March 2018, of 33.3%, 33.3% and 33.4% respectively.
- The IFC USD revolving credit facility remains unchanged at US$25 million, but the availability period will (on issue of the Notes) be extended from 20 August 2018 to 20 November 2019 and there will be an extension to the single capital repayment from 20 September 2019 to 20 December 2019.
- The IFC amortising term facility will remain unchanged and drawn at US$35 million (on issue of the Notes) and will be repaid in 3 semi-annual payments, commencing on 20 March 2018, of 33.3%, 33.3% and 33.4% respectively.

**New Cullinan Plant**

- The current Cullinan plant was originally commissioned in 1947 and has undergone various refurbishments over the years since its initial construction. Due to its age and operational complexity, it is expensive to maintain, requiring significant stay-in-business capex, and costly to operate, particularly given the large size of its footprint. It is also based on old crushing technology, which the Company believes does not offer the best potential for optimal diamond recoveries.
- The Company is planning the construction of a modern, fit-for-purpose processing plant at Cullinan with a throughput capacity of 6 Mtpa. The new plant is expected to improve the recovery of the full spectrum of diamonds (thereby increasing the volume of stones recovered, as well as better protecting large stones from breakage) and improve the efficiency of the material flow, thereby significantly lowering operating costs.

- The new plant will incorporate:
  - autogenous (AG) milling – a gentler recovery process that breaks down ore via attrition rather than crushing, thereby better protecting the large, high-value stones for which the Cullinan mine is known;
  - high pressure grinding rolls (HPGR) technology – a gentler liberation technique incorporating inter-particle crushing, thereby moving away from high impact cone crushing; and
  - enhanced utilisation of XRF X-ray technology to replace conventional Dense Media Separation (DMS) plants to treat coarser +12mm material.
- Cullinan is known to consistently produce large, high-value diamonds, including the 3,106 carat Cullinan diamond (the largest gem diamond ever recovered), and at the time the mine was taken over by Petra it had produced a quarter of all the world's diamonds greater than 400 carats. The new plant is expected to reduce large stone breakage with a resultant positive impact on recoveries and sales revenues.
- In addition to the benefits to large stone recoveries, the improved diamond liberation technologies outlined above are expected to lead to an improvement in the currently guided overall grade achieved at Cullinan.
- The new plant will reduce the processing footprint at Cullinan from ca. 26 hectares to ca. 5 hectares with the associated reduction of engineering infrastructure deployed, including an expected reduction in the number of conveyor belts used from 151 (spanning 15 kilometres) to 22 (spanning 3 kilometres).
- Operating efficiencies and security improvements will be driven through increased automation, reduced tonnes in circulation and improved energy efficiencies, with an expected improvement in energy efficiency per tonne. Based on these efficiencies, the Company will target overall direct cash cost savings of up to ZAR15 per tonne treated.
- The bulk of the project related work will be executed by MDM Engineering. The total project spend is ca. R1,650 million (US$142.8 million), which management plans to incur between June 2015 and end FY 2017.
- The new plant is expected to be commissioned and fully operational in Q4 FY 2017. The Company expects there to be no impact to current day-to-day operations or throughput at Cullinan while the new plant is being constructed.

Note:

1. An exchange rate of R11.5531/US$1 has been used for the purposes of this announcement.

**~ 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 has a core objective to steadily increase annual production to 5 million carats by FY 2019. The Group has a significant 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

*This announcement and the information contained herein are for information purposes only and do not constitute a prospectus or an offer to sell or a solicitation of an offer to buy or subscribe for any securities in the United States of America ("U.S.") or in any jurisdiction to persons to whom or in which jurisdiction such offer or solicitation is unlawful. Any securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the laws of any state of the U.S., and may not be offered, sold or otherwise transferred in the U.S. absent registration or pursuant to an available exemption from registration under the Securities Act. Neither Petra Diamonds Limited nor its shareholder intends to register any securities referred to herein in the U.S.*

*Within the United Kingdom, this announcement is directed only at persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("relevant persons"). The investment or investment activity to which this announcement relates is only available to and will only be engaged in with relevant persons and person who receive this announcement who are not relevant persons should not rely or act upon it.*

*This announcement contains or incorporates by reference "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "aims", "plans", "predicts", "may", "will", "seeks", "could", "would", "shall" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the Group concerning, among other things, the Group's results of operations, financial condition, prospects, growth, strategies and the industries in which the Group operates.*

*By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the Group's control. Forward-looking statements are not guarantees of future performance and are based on one or more assumptions. The Group's actual results of operations and financial condition and the development of the industries in which the Group operates may differ materially from those suggested by the forward-looking statements contained in this announcement. In addition, even if the Group's actual results of operations, financial condition and the development of the industries in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.*