



PetraDiamonds

25 January 2016

LSE: PDL

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

Trading Update for the Six Months ended 31 December 2015

Petra Diamonds Limited announces the following trading update (unaudited) for the six months ended 31 December 2015 (the "Period", "H1 FY 2016" or "H1"), ahead of the publication of the Company's Interim Results for the Period on 22 February 2016.

HIGHLIGHTS

- Production up 2% to 1,629,403 carats (H1 FY 2015: 1,601,069 carats). The Company has exceeded its production target for H1 of 1.5 Mcts and remains on track to reach full year production guidance of 3.3 – 3.4 Mcts for FY 2016 and ca. 5 Mcts for FY 2019.
- Revenue down 28% to US\$154.0 million (H1 FY 2015: US\$214.8 million); excluding Exceptional Diamonds, revenue of US\$144.0 million was down 18% (H1 FY 2015: US\$176.1 million).
- Diamonds sold down 7% for the Period to 1,303,051 carats (H1 FY 2015: 1,401,575 carats). In line with past years, H2 is expected to be a stronger sales period due to timing of tenders; H2 FY 2016 sales volumes expected to be 1.9 – 2.0 Mcts.
- Rough diamond prices down ca. 9% for H1 FY 2016 on a like for like basis in comparison to Q4 FY 2015, however the expected improvement in product mix has favourably impacted the average value per carat achieved for each of the Company's operations. The cashflow impact of lower pricing on Petra's financial results has been mitigated by the significant weakening of the South African Rand over this Period.
- Capital expenditure ("Capex") of US\$151.3 million (H1 FY 2015: US\$125.2 million) including capitalised borrowing costs, in accordance with guidance and the roll out of the Group's expansion programmes; the increase is mainly due to the construction of the new Cullinan plant.
- Robust financial position as at 31 December 2015 with net debt of US\$324.4 million (30 June 2015: US\$171.7 million), cash at bank of US\$41.6 million (30 June 2015: US\$166.6 million) and debt facilities undrawn and available to the Group of US\$177.1 million (30 June 2015: US\$255.1 million).
- Kimberley Mines transaction completed on 18 January 2016. Petra's FY 2016 production guidance excludes input from the Kimberley Mines operations; the Company will provide an update in due course after the initial handover period.

H1 FY 2016 Sales, Production and Capex – Summary

	Unit	6 months to 31 Dec 2015 ("H1 FY 2016")	6 months to 31 Dec 2014 ("H1 FY 2015")	Variance	12 months to 30 Jun 2015 ("FY 2015")
Sales					
Revenue	US\$m	154.0	214.8	-28%	425.0
Diamonds sold	Carats	1,303,051	1,401,575	-7%	3,168,650
Production					
ROM diamonds	Carats	1,243,706	1,167,982	+7%	2,276,168
Tailings & other ¹ diamonds	Carats	385,697	433,087	-11%	910,307
Total diamonds	Carats	1,629,403	1,601,069	+2%	3,186,475
Capex					
Expansion	US\$m	127.0	93.8	+35%	212.0
Sustaining	US\$m	12.8	24.8	-48%	47.4
Borrowing costs capitalised	US\$m	11.5	6.6	+74%	14.7
Total	US\$m	151.3	125.2	+21%	274.1

Note:

1. 'Other' includes mining of the Ebenhaezer satellite kimberlite pipe at Koffiefontein and alluvial diamond mining at Williamson.

Johan Dippenaar, Chief Executive Officer, commented:

"We have made a good start to the year, with production of 1.6 Mcts ahead of our target for H1 FY 2016 of 1.5 Mcts, placing us in a good position to achieve full year guidance of 3.3 – 3.4 Mcts.

"Importantly our expansion programmes remain on track to deliver the first significant input of undiluted ore from the new mining areas in H2 FY 2016, which will lead to improved ROM grades and a better product mix. Also, the construction of the new plant at Cullinan is on track, and we look forward to the significant benefits this new plant will bring to bear at the mine. As always we remain focused on operational delivery, while maintaining a tight control of our cost base."

CONFERENCE CALL

Petra's Chief Executive Officer, Johan Dippenaar, and Finance Director, David Abery, will host two conference calls at 9.30am and 4.00pm GMT today to discuss the H1 FY 2016 Trading Update with investors and analysts. Participants may join the calls by dialling one of the following numbers shortly before the call:

First Call – 9.30am GMT

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: 62477976#

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

From UK (toll free): 0808 237 0026

From South Africa and the rest of the world: +44 203 426 2807

Playback passcode: 666249#

Second Call – 4.00pm GMT / 11.00am EST

This will be a Q&A call only to cater for international investors. Participants are therefore advised to listen to the replay of the earlier conference call in advance, as the main management commentary on the Trading Update and Guidance announcements will not be repeated.

From the United States (toll free): 1866 928 7517

From the rest of the world: +44 203 428 1542

From the UK (toll free): 0808 237 0040

Participant passcode: 51670993#

COMMENTARY

Production

- H1 production increased 2% to 1,629,403 carats (H1 FY 2015: 1,601,069 carats).
- Finsch performed well during H1 FY 2016, with overall carat production increasing by 8% to 1,095,078 carats (H1 FY 2015: 1,013,117 carats), driven by continued improvements in the ROM tonnes and grade achieved.
- Cullinan's diamond production decreased 18% to 322,366 carats (H1 FY 2015: 391,398 carats), in line with the Company's guidance that it will produce lower tonnages at the mine in FY 2016 in order to focus on grade control. This approach has had a positive impact, with the ROM grade further improving to 27.6cpht in Q2, following the 23.6 cpht achieved in Q1 FY 2016 (H1 2016: overall grade of 25.7 cpht). During the Period, the Company decided to use tailings processing capacity to treat ROM material to assist in addressing previously reported ROM grade challenges.
- Production at Koffiefontein increased by 61% to 31,760 carats (H1 FY 2015: 19,676 carats), further to the significant ramp up of the new SLC production area underground, with ROM tonnes treated up 119% to 289,217 tonnes (H1 FY 2015: 132,202 tonnes) and the achieved grade up 18% to 8.6 cpht (H1 FY 2015: 7.3 cpht).
- Kimberley Underground's production increased 17% to 84,358 carats (H1 FY 2015: 72,012 carats) due to the increased ROM grade of 15.8 cpht (H1 FY 2015: 12.4 cpht) and the continued treatment of tailings resources to utilise available plant capacity.
- Williamson's diamond production decreased 3% to 95,841 carats (H1 FY 2015: 98,949 carats), following planned downtime to effect plant modifications during the Period.

Sales and Diamond Market

- Revenue for H1 FY 2016 was down 28% to US\$154.0 million (H1 FY 2015: US\$214.8 million) and included the sale of the 23.16 carat pink stone from Williamson for US\$10.05 million, as reported on 9 December 2015. Petra retains a 20% interest in the polished resulting from this pink stone, which is expected to be sold in calendar 2016.
- The number of carats sold (1,303,051) was lower than carats produced (1,629,403) due to the seasonal timing of Petra's tenders; Petra held two tenders in H1 and will hold four tenders in H2. The cut-off date for production sold in the second tender of FY 2016 was the end of October 2015 and therefore carats produced after this date will be offered for sale in the Company's upcoming first tender of H2 FY 2016.
- Diamond inventory as at 31 December 2015 was 666,357 carats valued at US\$57.4 million (31 December 2014: 521,987 carats valued at US\$43.6 million).

Diamond Market

- The rough diamond market continued to be impacted by excess polished inventory in the pipeline, liquidity issues in the midstream, the strong US Dollar and a slowdown in retail demand from China.
- A number of steps have been taken to address the market challenges, including reduced supply from the major diamond producers (via production cuts and decreased sales volumes), reduced rough diamond pricing, and increased consumer marketing (both branded and generic diamond marketing). Initial data from the key Christmas sales period shows encouragingly solid results from North America (which accounts for +40% of the market).
- In line with most market commentators, Petra expects market conditions to remain stable in H2 FY 2016 (January to June 2016), with the prospect of improved trading conditions in H1 FY 2017 (July to December 2016).

Diamond Prices

- Rough diamond prices were down ca. 9% for H1 FY 2016 on a like for like basis in comparison to Petra's results for Q4 FY 2015. However the impact on Petra's financial results has been mitigated by the significant weakening of the South African Rand over this period, with a closing rate of ZAR15.46 / USD on 31 December 2015 compared to ZAR12.21 / USD on 30 June 2015, while the average rate for the Period was ZAR13.61 / USD (H1 FY 2015: ZAR10.99 / USD).
- The table below summarises diamond pricing achieved in H1 FY 2016 set against the last financial year. It also includes a column demonstrating the ranges of values achieved from tender to tender in FY 2015, thereby demonstrating the variability across the full year.

Mine	Actual ¹			Actual	Actual Ranges of Individual Tender Results ³
	H1 FY 2016			FY 2015	FY 2015
	Carats	US\$m	(US\$/ct)	(US\$/ct)	(US\$/ct)
Finsch	912,069	75.2	82	90	82 – 112
Cullinan	227,759	25.0	110	174 ²	106 – 135
Koffiefontein	21,568	9.9	459	386	226 – 536
Kimberley Underground	61,113	15.5	254	302	246 – 376
Williamson	80,359	29.5	367 ⁴	298	217 – 354
Total	1,302,868	155.1	119	<i>n/a</i>	<i>n/a</i>

Notes:

1. Includes sales to Petra's in-house cutting and polishing subsidiary Tarorite (Pty) Ltd totalling 295.5 carats valued at US\$1.28 million across the operations; excludes sales by Helam and Tarorite totalling 477.9 carats, US\$0.21m.
2. Excluding Exceptional Diamonds, the average value per carat was US\$119.
3. Excluding Exceptional Diamonds.
4. Excluding Exceptional Diamonds, the average value per carat was US\$241.

Expansion projects, Cullinan plant 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.
- The construction of the new Cullinan plant is progressing in line with expectations. During H1, the on-site project teams focused on the completion of bulk earthworks and the commencement of civil and structural construction activities. Engineering design, procurement and off-site fabrication are all on track to meet the end of FY 2017 ramp-up.
- Capex for H1 FY 2016 was US\$139.8 million (H1 FY 2015: US\$118.6 million), split as to US\$127.0 million on expansion Capex (H1 FY 2015: US\$93.8 million) and US\$12.8 million (H1 FY 2015: US\$24.8 million) on sustaining Capex. Capex in H1 was in line with the Group's overall budgets for FY 2016.

Health and safety:

- The Group's lost time injury frequency rate ("LTIFR") for H1 FY 2016 was 0.37 (H1 FY 2015: 0.28).

Corporate

- Robust financial position as at 31 December 2015 with debt facilities undrawn and available to the Group of US\$177.1 million (30 June 2015: US\$255.1 million), cash at bank of US\$41.6 million (30 June 2015: US\$166.6 million) and net debt of US\$324.4 million (30 June 2015: US\$171.7 million). Net debt has increased by US\$152.7 million largely due to Capex spend of US\$151.3 million, in line with expectations.
- On 1 December 2015, Petra announced that it had entered into an agreement to acquire an interest in the Kimberley Mines in South Africa from De Beers Consolidated Mines Proprietary Limited in a consortium with Ekapa Mining (Pty) Ltd, an established Kimberley-based diamond tailings producer. The transaction introduces a number of tailings deposits in the Kimberley area, as well as a 6 Mtpa 'state-of-the-art' processing plant, and provides the opportunity to ensure a sustainable future for the diamond mining industry in Kimberley.

The transaction completed on 18 January 2016 and Petra's 49.9% share in the earnings from the Kimberley Mines production will be included within Petra's results reported from that date onwards.

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

	Unit	31 December 2015	30 June 2015	31 December 2014
<i>Closing exchange rate used for conversion</i>		<i>R15.46/US\$1</i>	<i>R12.16/US\$1</i>	<i>R11.57/US\$1</i>
Cash at bank	US\$m	41.6	166.6	129.6
Diamond inventories	US\$m	57.4	33.5	43.6
	Carats	666,357	339,489	521,987
Diamond debtors	US\$m	1.4	57.6	0.0
US\$ loan notes (including accrued interest)	US\$m	302.1	303.3	n/a

Bank loans and borrowings	US\$m	63.9	35.0	175.4
Net debt	US\$m	324.4	171.7	45.8
Bank facilities undrawn and available	US\$m	177.1	255.1	45.2

Notes:

1. The following exchange rates have been used for this announcement:
 - a. closing rate as at 31 December 2015 US\$1:ZAR15.46 (31 December 2014 US\$1:ZAR11.57)
 - b. average rate H1 FY2016 US\$1:ZAR13.61 (H1 FY2015 US\$1:ZAR10.99)
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
 - i. SLC: sub-level cave, a variation of block caving
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
cathy.malins@petradiamonds.com
cornelia.grant@petradiamonds.com

Buchanan

(PR Adviser)
Bobby Morse
Anna Michniewicz

Telephone: +44 20 7466 5000
bobbym@buchanan.uk.com
annam@buchanan.uk.com

RBC Capital Markets

(Joint Broker)
Matthew Coakes
Jonathan Hardy

Telephone: +44 20 7653 4000
matthew.coakes@rbccm.com
jonathan.hardy@rbccm.com

Barclays

(Joint Broker)
Bertie Whitehead
Philip Drake

Telephone: +44 20 7623 2323
bertie.whitehead@barclays.com
philip.e.drake@barclays.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 six producing operations: five mines in South Africa (Finsch, Cullinan, Koffiefontein and Kimberley Underground), extensive tailings operations in Kimberley (via its interest in the Kimberley Mines, and one mine in Tanzania (Williamson). It also maintains an exploration programme in Botswana.

Petra has a core objective to steadily increase annual production to ca. 5 million carats by FY 2019. The Group has a significant resource base of ca. 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'. For more information, visit the Company's website at www.petradiamonds.com.

APPENDIX – MINE BY MINE PRODUCTION TABLES

Finsch – South Africa

	Unit	H1 FY 2016	H1 FY 2015	Variance	FY 2015
Sales					
Revenue	US\$m	75.2	77.3	-3%	185.4
Diamonds sold	Carats	912,069	906,214	+1%	2,067,933
Average price per carat	US\$	82	85	-4%	90
ROM Production					
Tonnes treated	Tonnes	1,656,256	1,530,455	+8%	3,016,385
Diamonds produced	Carats	749,954	651,068	+15%	1,298,914
Grade ¹	Cpht	45.3	42.5	+7%	43.1
Tailings Production					
Tonnes treated	Tonnes	1,236,328	1,216,244	+2%	2,656,471
Diamonds produced	Carats	345,124	362,049	-5%	766,960
Grade ¹	Cpht	27.9	29.8	-6%	28.9
Total Production					
Tonnes treated	Tonnes	2,892,584	2,746,699	+5%	5,672,856
Diamonds produced	Carats	1,095,078	1,013,117	+8%	2,065,875
Capex					
Expansion Capex	US\$m	25.4	28.4	-11%	65.1
Sustaining Capex	US\$m	2.6	8.1	-68%	16.1
Borrowing Costs Capitalised	US\$m	4.6	3.0	+53%	6.8
Total Capex	US\$m	32.6	39.5	-17%	88.0

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 2016	H1 FY 2015	Variance	FY 2015
Sales					
Revenue	US\$m	25.0	77.7	-68%	122.2
Diamonds sold	Carats	227,759	314,957	-28%	700,896
Average price per carat	US\$	110	247 ¹	-56%	174 ²
ROM Production					
Tonnes treated	Tonnes	1,180,399	1,292,895	-9%	2,513,004
Diamonds produced	Carats	303,400	333,770	-9%	611,993
Grade	Cpht	25.7	25.8	0%	24.4
Tailings Production					
Tonnes treated	Tonnes	397,158	1,212,368	-67%	2,458,306
Diamonds produced	Carats	18,966	57,628	-67%	117,503
Grade	Cpht	4.8	4.8	0%	4.8
Total Production					
Tonnes treated	Tonnes	1,577,557	2,505,263	-37%	4,971,310
Diamonds produced	Carats	322,366	391,398	-18%	729,496
Capex					
Expansion Capex	US\$m	73.2	47.0	+56%	104.8
Sustaining Capex	US\$m	4.4	3.4	+29%	8.8
Borrowing Costs Capitalised	US\$m	6.9	3.6	+92%	7.9
Total Capex	US\$m	84.5	54.0	+57%	121.5

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 2015 was US\$119 per carat.

Koffiefontein – South Africa

	Unit	H1 FY 2016	H1 FY 2015	Variance	FY 2015
Sales					
Revenue	US\$m	9.9	7.1	+39%	17.8
Diamonds sold	Carats	21,568	18,215	+18%	46,033
Average price per carat	US\$	457	389	+17%	386
ROM Production					
Tonnes treated	Tonnes	289,217	132,202	+119%	341,783
Diamonds produced	Carats	24,840	9,709	+156%	27,756
Grade	Cpht	8.6	7.3	+18%	8.1
Tailings / Ebenhaezer Production					
Tonnes treated	Tonnes	262,542	329,965	-20%	524,244
Diamonds produced	Carats	6,920	9,967	-31%	17,628
Grade	Cpht	2.6	3.0	-13%	3.4

Total Production					
Tonnes treated	Tonnes	551,759	462,167	+19%	866,027
Diamonds produced	Carats	31,760	19,676	+61%	45,384
Capex					
Expansion Capex	US\$m	14.0	12.3	+14%	23.1
Sustaining Capex	US\$m	1.3	1.2	+9%	3.7
Total Capex	US\$m	15.3	13.5	+13%	26.8

Kimberley Underground – South Africa

	Unit	H1 FY 2016	H1 FY 2015	Variance	FY 2015
Sales					
Revenue	US\$m	15.5	18.1	-14%	41.8
Diamonds sold	Carats	61,113	56,470	+8%	138,052
Average price per carat	US\$	253	321	-21%	302
ROM Production					
Tonnes treated	Tonnes	483,110	578,761	-17%	1,196,269
Diamonds produced	Carats	76,240	72,012	+6%	137,226
Grade	Cpht	15.8	12.4	+27%	11.5
Tailings Production					
Tonnes treated	Tonnes	198,203	n/a	n/a	n/a
Diamonds produced	Carats	8,118	n/a	n/a	n/a
Grade	Cpht	4.1	n/a	n/a	n/a
Total Production					
Tonnes treated	Tonnes	681,313	578,761	+18%	1,196,269
Diamonds produced	Carats	84,358	72,012	+17%	137,226
Capex					
Expansion Capex	US\$m	6.0	4.5	+33%	10.5
Sustaining Capex	US\$m	1.8	1.4	+29%	3.4
Total Capex	US\$m	7.8	5.9	+32%	13.9

Williamson – Tanzania

	Unit	H1 FY 2016	H1 FY 2015	Variance	FY 2015
Sales					
Revenue	US\$m	29.5	34.6	-15%	62.1
Diamonds sold	Carats	80,359	98,270	-18%	208,351
Average price per carat	US\$	366	352	+4%	298
ROM Production					
Tonnes treated	Tonnes	1,824,915	2,002,080	-9%	4,056,638
Diamonds produced	Carats	89,272	95,506	-7%	194,048
Grade	Cpht	4.9	4.8	+2%	4.8

Alluvial Production					
Tonnes treated	Tonnes	207,221	170,052	+22%	369,406
Diamonds produced	Carats	6,569	3,443	+91%	8,216
Grade	Cpht	3.2	2.0	+60%	2.2
Total Production					
Tonnes treated	Tonnes	2,032,136	2,172,132	-6%	4,426,044
Diamonds produced	Carats	95,841	98,949	-3%	202,265
Capex					
Expansion Capex	US\$m	8.7	1.6	+444%	8.3
Sustaining Capex	US\$m	1.0	4.3	-77%	7.9
Total Capex	US\$m	9.7	5.9	+64%	16.2

Capex reconciliation

Capex	Unit	H1 FY 2016	H1 FY 2015	Variance	FY 2015
Finsch	US\$m	32.6	39.5	-17%	88.0
Cullinan	US\$m	84.5	54.0	+57%	121.5
Koffiefontein	US\$m	15.3	13.5	+13%	26.8
Kimberley Underground	US\$m	7.8	5.9	+32%	13.9
Williamson	US\$m	9.7	5.9	+64%	16.2
Helam	US\$m	0.0	0.4	n/a	0.3
Subtotal – Capex incurred by operation	US\$m	149.9	119.2	+26%	266.7
Corporate / exploration	US\$m	2.2	5.9	-63%	7.2
Petra internal projects division – Capex under construction / invoiced to operations	US\$m	0.1	0.1	0%	0.2
Other Corporate – Capex under construction / invoiced to operations	US\$m	(0.9)	n/a	n/a	n/a
Total Group Capex	US\$m	151.3	125.2	+21%	274.1

Notes:

1. Capex for the Period includes US\$11.5 million (H1 FY 2015: US\$6.6 million) of capitalised borrowing costs, which is also included in the applicable mine by mine tables above.
2. Petra's annual Capex guidance is cash based and excludes capitalised borrowing costs. Given that the majority of Petra's debt funding is in relation to its expansion and development programmes, Petra's guidance is to assume that the majority of interest and financing fees will be capitalised for the duration of the project phase and not expensed through the income statement.
3. The Group (Petra internal projects and Other Corporate) incurs capital spend on behalf of the operations and although this spend is reported in the Group's total Capex, it is policy not to account for it on a specific mine's Capex until the work completed is invoiced to the relevant operation. Group Capex includes US\$0.8 million for the Period (H1 FY 2015: US\$0.1 million), which was incurred and invoiced by the Group's internal projects facility and Corporate division. Therefore the mine by mine tables plus the internal projects and other corporate Capex will add together to make the Capex total in the relevant sections above.