



PetraDiamonds

This announcement contains inside information

24 October 2016

LSE: PDL

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

Trading Update – Q1 FY 2017 Production and Sales Report

Petra Diamonds Limited announces the following trading update (unaudited) for the period from 1 July 2016 to 21 October 2016, covering production and sales from 1 July 2016 to 30 September 2016 ("Q1 FY 2017" or "Q1" or the "Period").

SUMMARY

- Q1 production up 30% to 1,097,523 carats (Q1 FY 2016: 842,796 carats), due to increased contribution from undiluted ROM ore, improving ROM grades and additional tailings production from Kimberley Ekapa Mining.
- Q1 revenue US\$94.7 million from 745,447 carats sold (Q1 FY 2016: no tender held).
- Following the Period end, Petra closed its second tender of FY 2017 yielding ca. US\$66.4 million (ca. 574 kcts sold), with a third and final tender for H1 FY 2017 scheduled for early December 2016. Prices achieved during the second tender held firm with year-to-date rough diamond prices remaining flat on a like for like basis in comparison to H2 FY 2016.
- Expansion programmes, including the Cullinan plant project, remain on track and in line with expectations. The new caves being installed at Cullinan and Finsch are both starting to deliver undiluted ore and will result in a continued increasing ROM grade profile and improved product mix.
- Net debt at Period end of US\$463.9 million (30 June 2016: US\$384.8 million) within expected levels and excludes cash from the October diamond tender. The Company has undrawn bank facilities of US\$70.0 million (30 June 2016: US\$110.0 million), with an additional unrestricted cash balance of US\$30 million (30 June 2016: US\$36.7 million) available at Period end. Petra remains on track to become free cash flow positive from H2 FY 2017 onwards.
- Tragically, despite historically having an exceptional safety record, it is with deep regret that the Company announces that three unrelated incidents lead to four Petra employees being fatally injured during the Period.

Production and Sales – Summary

	Unit	Q1 FY 2017 ¹	Q1 FY 2016	Variance	FY 2016 ¹
Sales					
Diamonds sold	Carats	745,447	n/a	n/a	3,448,084
Gross revenue	US\$M	94.7	n/a	n/a	430.9
Production					
ROM tonnes	Mt	2,796,670	2,593,336	+8%	11.3
Tailings & other tonnes	Mt	2,577,792	1,262,822	+104%	7.7
Total tonnes treated	Mt	5,374,462	3,856,158	+39%	19.0
ROM diamonds	Carats	720,475	646,051	+12%	2,582,135
Tailings & other ² diamonds	Carats	377,048	196,745	+92%	1,119,270
Total diamonds	Carats	1,097,523	842,796	+30%	3,701,405

1. Production and sales includes 75.9% of Kimberley Ekapa Mining from 18 January 2016.
2. 'Other' includes mining of the Ebenhaezer satellite kimberlite pipe at Koffiefontein and alluvial diamond mining at Williamson.

Johan Dippenaar, Chief Executive Officer, commented:

“Operationally, the Group has made a strong start to FY 2017 delivering close to 1.1 Mcts for Q1 and we continue to expect full year production of 4.4 to 4.6 Mcts, in line with earlier guidance. The newly established caves at both Finsch and Cullinan, accessing higher grade undiluted areas, are starting to meaningfully contribute to ROM production, which is continuing to ramp-up in line with expectations.

The diamond market is holding firm with prices on a like for like basis matching those realised in the period January to June 2016 (our H2 FY 2016).

Petra has always taken pride in excellent safety results posted by its operations. It is therefore with deep regret that we report fatal injuries suffered by four of our employees. Across the Group, we have embarked upon renewed safety drives to reiterate our zero-tolerance approach to unsafe acts and working conditions with an aim of zero harm to our workforce and contractors.

“Petra’s focus remains on the health and safety of our workforce, maintenance of a healthy balance sheet, the tight control of costs and the successful roll-out of our expansion plans, which will continue to deliver increased contributions from higher quality production areas.”

CONFERENCE CALL

Petra’s CEO, Johan Dippenaar, and Chief Financial Officer, Jacques Breytenbach, will host a conference call at 9:30am BST today to discuss the Trading Update with investors and analysts. Participants may join the call by dialling one of the following numbers shortly before the call:

From the UK (toll free): 0808 237 0040
 From South Africa (toll free): 0800 222 290
 From South Africa (toll): 021 672 4008
 From the rest of the world: +44 203 428 1542
 Participant passcode: 47970202#

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 and the rest of the world: +44 203 426 2807
 Playback passcode: 678166#

An additional conference call to cater for North American and other international investors will be held at 4:00pm BST today.

Participants are advised to listen to the replay of the first conference call in advance of this call, as the main management commentary on the results 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

From South Africa (toll free): 0800 222 290

Participant passcode: 54443386#

COMMENTARY

Production

- Q1 production increased 30% to 1,097,523 carats (Q1 FY 2016: 842,796 carats) primarily due to initial production from undiluted areas improving ROM grades at both Cullinan and Finsch, coupled with increased tailings production from Kimberley Ekapa Mining.
- Finsch ROM carat production increased by 9% to 458,396 carats (Q1 FY 2016: 419,451 carats) following improved ROM grades of 52.4 cpht (Q1 FY 2016: 46.6 cpht) further to the pillar mining in Block 4 and the gradual increase from production from the Block 5 SLC. Overall production decreased by 2% to 582,127 carats (Q1 FY 2016: 590,799 carats) as the planned decline in tailings production more than offset the ROM increase; however, the increased contribution from undiluted ore from the Block 5 SLC will further improve overall product mix and resultant diamond prices.
- Cullinan's production increased 44% to 208,974 carats (Q1 FY 2016: 145,385 carats) with ROM grades benefiting from initial production from the newly established C-Cut phase 1 production area and pillar and reclamation mining. As a result, ROM grades for the Period measured 33.2cpht (Q1 FY 2016: 23.6 cpht), in line with guidance of 33 to 35 cpht for H1 FY 2017, which were approximately 10% higher than ROM grades in H2 FY 2016. As guided, Cullinan's planned FY 2017 production is weighted towards H2 as the commissioning of the new plant is on schedule to commence during Q3 FY 2017.
- Koffiefontein's ROM tonnage throughput increased 59% to 227,387 tonnes (Q1 FY 2016: 143,198 tonnes), while rough diamond production increased 8% to 15,481 carats (Q1 FY 2016: 14,350 carats); ROM grades for the Period were negatively impacted by production from the lower-grade 52 Level as production from the SLC were hampered by various issues encountered in the SLC ore handling infrastructure; these issues will be addressed during Q2 FY 2017, however, production for the second quarter will be impacted as a result. Koffiefontein's ROM production is expected to return to planned levels from H2 FY 2017 onwards.
- Kimberley Ekapa Mining's attributable production increased to 237,906 carats (Q1 FY 2016: 49,107), further to the acquisition of the Kimberley Mines in January 2016 and the subsequent formation of the Kimberley Ekapa Mining JV effective 1 July 2016. As planned, ROM treatment was restricted during the Period with commissioning of a temporary ROM crushing circuit towards the end of the Period. This modification was required to enable the treatment of ROM tonnes through the CTP plant. ROM stockpiles of ca. 150 Kt built up since June 2016 will be treated during the remainder of FY 2017. Tailings treatment yielded grades exceeding guidance with 12.4 cpht achieved during Q1 FY 2017 versus 9-10 cpht guided for the full year. Management maintains its guidance for the remainder of FY 2017.
- Williamson's production increased 23% to 53,034 carats (Q1 FY 2016: 43,155 carats), with increased ROM tonnes treated. Construction of the new mill section was largely completed during the Period with commissioning due to commence during Q2 FY 2017. Upon commissioning, both throughput and grades will improve to achieve guided levels of production for FY 2017.

Diamond market and sales

- Petra continued to witness strong signs of a stabilising diamond market, with prices for the Period remaining flat when compared to H2 FY 2016.
- The Diamond Producers Association, of which Petra is a founding member, launched its first advertising campaign, “Real is Rare. Real is a Diamond”, in the US in October 2016, with the plan to target consumers ahead of the prime festive selling period. Future campaigns will be planned to target important new markets, such as China and India in due course.

Diamond Sales and Prices

- Revenue for Q1 FY 2017 was US\$94.7 million (Q1 FY 2016: nil) and included the sale of a 138.57 carat white stone from Cullinan which sold for US\$6.5 million, and a 10.64 carat pink stone from Williamson which sold for US\$5.2 million.
- Diamond inventory as at 30 September 2016 was 902,211 carats (30 September 2015: 1,181,822 carats, with no tenders held in Q1 FY 2016).
- Diamond prices achieved in our first tender for FY 2017 maintained levels comparable to those realised during Petra’s H2 FY 2016 on a like for like basis. Product mix is expected to further improve average diamond prices as the contribution from undiluted areas increases.

Mine	Actual Q1 FY 2017 (US\$/ct)	Guidance FY 2017 (US\$/ct)	Actual FY 2016 (US\$/ct)
Finsch	95	100-105	89
Cullinan	164 ¹	105-115	126 ¹
Koffiefontein	483	520-550	462
Kimberley Ekapa Mining	87 ²	125-130	132
Williamson	360 ³	220-230	384 ³

Notes:

1. Excluding exceptional diamonds, the average value for Q1 FY 2017 was US\$108 per carat and for FY 2016 US\$109 per carat.
2. The average value for Kimberley Ekapa Mining for Q1 FY 2017 represents tailings carats only with no ROM contribution in this sales cycle due to the planned plant modifications as mentioned earlier in this report; tailings prices below guidance more than offset by over performance in grades.
3. Excluding exceptional diamonds, the average value for Q1 FY 2017 was US\$249 per carat and for FY 2016 was US\$238 per carat.

Corporate and Financial:

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

	Unit	30 September 2016	30 June 2016	30 September 2015
<i>Closing exchange rate used for conversion</i>		<i>R13.71:US\$1</i>	<i>R14.68:US\$1</i>	<i>R13.84:US\$1</i>
Cash at bank	US\$m	42.2	48.7	57.2
Diamond inventories ¹	US\$m	69.0	43.6	103.4
	Carats	902,211	549,620	1,181,822

Diamond debtors	US\$m	0.7	63.4	0.0
US\$ loan notes (including accrued interest)	US\$m	308.3	302.0	309.5
Bank loans and borrowings	US\$m	197.8	131.5	53.9
Net debt ²	US\$m	463.9	384.8	306.2
Bank facilities undrawn and available	US\$m	70.0	110.0	208.4

Notes:

1. Recorded at the lower of cost and net realisable value.
2. Net debt is the US\$ loan notes and bank loans and borrowing net of cash at bank; it excludes diamond debtors and diamond inventories.

- Net debt at Period end of US\$463.9 million (30 June 2016: US\$384.8 million) is within expected levels and excludes cash from the October diamond tender of ca. US\$66.4 million. Net debt increased over the Period with the expected increase in diamond inventories, due to the timing of our tenders, as well as the capital spend profiles weighted towards H1 FY 2017, as guided. Capital expenditure during Q1 included finalising all major equipment purchases associated with the new Cullinan plant to meet the Q3 FY 2017 commissioning target.
- The Company has undrawn bank facilities of US\$70.0 million (30 June 2016: US\$110.0 million), with an additional unrestricted cash balance of US\$30 million (30 June 2016: US\$36.7 million) available at Period end.
- Petra remains on track to become free cash flow positive from H2 FY 2017 onwards, as Capex requirements will reduce from Q3 FY 2017, due to the advanced nature of the expansion projects.

Health and safety:

- Despite an improving lost time injury frequency rate (“LTIFR”) of 0.28 for Q1 FY 2017 (Q1 FY 2016: 0.40), the Company had a tragic start to 2016 with four fatalities in Q1 FY 2017. At Williamson, two unrelated incidents resulted in three employees being fatally injured, with another fatality occurring at the Cullinan Diamond mine.
- Throughout the Group, we have increased our safety initiatives, involving all levels of employees, serving to reiterate our zero-tolerance approach to unsafe acts and working conditions and to reinforce safety as the single most important personal and organisational value.

Notes:

1. 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 each
 - c. Kcts: thousand carats
 - d. Kt: thousand tonnes
 - e. Mcts: million carats
 - f. Mt: million tonnes
 - g. Q: quarter of the financial year
 - h. ROM: run-of-mine (i.e. production from the primary orebody)
 - i. SLC: sub level cave

~ 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 operations: three underground mines in South Africa (Finsch, Cullinan and Koffiefontein), the Kimberley Operations (including the Kimberley Underground mine and extensive tailings retreatment operations) and one open pit mine in Tanzania (Williamson). It also maintains an exploration programme in Botswana.

Petra has a core objective to steadily increase annual production to ca. 5.3 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 constituent of the FTSE4Good Index. For more information, visit the Company's website at www.petradiamonds.com.

APPENDIX A – MINE BY MINE PRODUCTION TABLES

Finsch – South Africa

	Unit	Q1 FY 2017	Q1 FY 2016	Variance	FY 2016
Sales					
Diamonds sold	Carats	422,230	n/a	n/a	2,085,123
Average price per carat	US\$	95	n/a	n/a	89
Revenue	US\$M	40.3	n/a	n/a	186.4
ROM Production					
Tonnes treated	Tonnes	875,116	900,560	-3%	3,547,798
Diamonds produced	Carats	458,396	419,451	+9%	1,572,725
Grade ¹	cpht	52.4	46.6	+12%	44.3
Tailings Production					
Tonnes treated	Tonnes	539,864	560,477	-4%	2,295,918
Diamonds produced	Carats	123,731	171,349	-28%	641,339
Grade ¹	cpht	22.9	30.6	-25%	27.9
Total Production					
Tonnes treated	Tonnes	1,414,980	1,461,037	-3%	5,843,716
Diamonds produced	Carats	582,127	590,799	-2%	2,214,064

Note:

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

Cullinan – South Africa

	Unit	Q1 FY 2017	Q1 FY 2016	Variance	FY 2016
Sales					
Diamonds sold	Carats	116,805	n/a	n/a	663,175
Average price per carat	US\$	164 ¹	n/a	n/a	126 ²
Revenue	US\$M	19.2	n/a	n/a	83.3
ROM Production					
Tonnes treated	Tonnes	557,540	555,748	0%	2,302,892
Diamonds produced	Carats	184,897	131,153	+41%	643,724
Grade	cpht	33.2	23.6	+41%	28.0
Tailings Production					
Tonnes treated	Tonnes	111,565	355,492	-69%	886,289
Diamonds produced	Carats	24,077	14,232	+69%	37,089
Grade	cpht	21.6	4.0	+440%	4.2
Total Production					
Tonnes treated	Tonnes	669,105	911,240	-27%	3,189,181
Diamonds produced	Carats	208,974	145,385	+44%	680,813

Notes:

1. Excluding exceptional diamonds, the average value was US\$108 per carat.
2. Excluding exceptional diamonds, the average value was US\$109 per carat.

Koffiefontein – South Africa

	Unit	Q1 FY 2017	Q1 FY 2016	Variance	FY 2016
Sales					
Diamonds sold	Carats	11,497	n/a	n/a	55,500
Average price per carat	US\$	483	n/a	n/a	462

Revenue	US\$M	5.6	n/a	n/a	25.7
<u>ROM Production</u>					
Tonnes treated	Tonnes	227,387	143,198	+59%	681,344
Diamonds produced	Carats	15,481	10,920	+42%	50,825
Grade	cpht	6.8	7.6	-11%	7.5
<u>Tailings / Ebenhaezer Production</u>					
Tonnes treated	Tonnes	-	137,380	n/a	446,854
Diamonds produced	Carats	-	3,430	n/a	11,365
Grade	cpht	-	2.5	n/a	2.5
<u>Total Production</u>					
Tonnes treated	Tonnes	227,387	280,578	-19%	1,128,198
Diamonds produced	Carats	15,481	14,350	+8%	62,190

Kimberley Operations – South Africa

	Unit	Q1 FY 2017 ¹	Q1 FY 2016	Variance	FY 2016 ¹
<u>Sales</u>					
Diamonds sold	Carats	148,213	n/a	n/a	438,680
Average price per carat	US\$	87	n/a	n/a	132
Revenue	US\$M	13.0	n/a	n/a	57.7
<u>ROM Production</u>					
Tonnes treated	Tonnes	77,836	241,867	n/a	721,513
Diamonds produced	Carats	11,334	44,425	n/a	88,572
Grade	cpht	14.6	18.4	n/a	12.3
<u>Tailings Production</u>					
Tonnes treated	Tonnes	1,829,590	115,366	n/a	3,583,758
Diamonds produced	Carats	226,572	4,682	n/a	442,897
Grade	cpht	12.4	4.1	n/a	12.4
<u>Total Production</u>					
Tonnes treated	Tonnes	1,907,426	357,233	n/a	4,305,271
Diamonds produced	Carats	237,906	49,107	n/a	531,469

Note:

1. Stated on a 75.9% attributable basis from 18 January 2016.

Williamson – Tanzania

	Unit	Q1 FY 2017	Q1 FY 2016	Variance	FY 2016
<u>Sales</u>					
Diamonds sold ¹	Carats	46,703	n/a	n/a	205,548
Average price per carat	US\$	360	n/a	n/a	384
Revenue	US\$M	17.0	n/a	n/a	78.9
<u>ROM Production</u>					
Tonnes treated	Tonnes	1,058,792	751,963	+41%	4,003,180
Diamonds produced	Carats	50,368	40,102	+26%	199,796
Grade	cpht	4.8	5.3	-9%	5.0
<u>Alluvial Production</u>					
Tonnes treated	Tonnes	96,773	94,107	+3%	417,452
Diamonds produced	Carats	2,667	3,052	-13%	13,073
Grade	cpht	2.8	3.2	-13%	3.1
<u>Total Production</u>					
Tonnes treated	Tonnes	1,155,565	846,070	+37%	4,420,632
Diamonds produced	Carats	53,034	43,155	+23%	212,869