



**Petra**Diamonds

24 April 2017

LSE: PDL

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

### **Trading Update – Q3 FY 2017 Production and Sales Report**

Petra Diamonds Limited announces the following trading update (unaudited) for the period from 1 January 2017 to 31 March 2017 (the "Period", "Q3 FY 2017" or "Q3").

#### **HIGHLIGHTS**

- Production during the Period was flat at 999,768 carats (Q3 FY 2016: 995,905 carats), but ROM production for Q3 increased 18% to 760,916 carats (Q3 FY 2016: 646,850 carats) further to ROM grade improvements as a result of the ongoing ramp-up of underground expansion projects. Q3 tailings and open pit volumes were impacted by unseasonably high rainfall in both South Africa and Tanzania.
- Production for nine months to 31 March 2017 up 15% to 3,014,856 carats (nine months to 31 March 2016: 2,625,308 carats). The Group maintains full year production guidance of ca. 4.4 Mcts.
- Revenue down 1% to US\$119.1 million, with no revenue from Exceptional Diamonds, (Q3 FY 2016: US\$120.5 million, including US\$15.0 million from Exceptional Diamonds). Excluding Exceptional Diamonds, revenue increased 13%.
- Revenue for nine months to 31 March 2017 up 27% to US\$347.6 million, including US\$10.9 million from Exceptional Diamonds, (Q3 FY 2016: US\$274.4 million, including US\$25.0 million from Exceptional Diamonds). Excluding Exceptional Diamonds, revenue increased 35%.
- Rough diamond prices up ca. 2% on a like-for-like basis in comparison to the average for H1 FY 2017.
- Underground expansion programmes remain in line with expectations. Commissioning of the new Cullinan plant commenced towards the end of Q3 FY 2017, with initial production expected during May 2017 and full commissioning planned to be achieved by the end of Q4 FY 2017.
- Cash at bank at 31 March 2017 of US\$66.2 million (31 March 2016: US\$39.0 million), diamond inventories of US\$49.3 million (31 March 2016: US\$54.3 million) and diamond debtors of US\$37.9 million (31 March 2016: US\$46.0 million).
- Net debt at 31 March 2017 was US\$508.4 million (31 March 2016: US\$395.6 million); unrestricted cash and bank facilities of US\$60.0 million (31 March 2016: US\$140.9 million).
- Post Period end, the Company announced the issuance of US\$650 million of 7.25% senior secured second lien notes due 2022 (the "Notes Issue") and the redemption of the Group's US\$300 million 8.25% senior secured second lien notes due 2020, issued in 2015 (the "Redemption"). Concurrent with the Notes Issue and the Redemption, the Group's debt facilities were amended and simplified, including through the repayment of all drawn bank debt and a reduction in total facilities, thereby rationalising the Company's capital structure.

## Q3 FY 2017 Production and Sales – Summary

	Unit	Q3 FY 2017	Q3 FY 2016	Variance	Nine months to 31 March 2017	Nine months to 31 March 2016	Variance
<b>Production</b>							
ROM diamonds	Carats	760,916	646,850	+18%	2,092,531	1,890,556	+11%
Tailings & other diamonds	Carats	238,852	349,055	-32%	922,325	734,752	+26%
<b>Total diamonds</b>	<b>Carats</b>	<b>999,768</b>	<b>995,905</b>	<b>0%</b>	<b>3,014,856</b>	<b>2,625,308</b>	<b>+15%</b>
<b>Sales</b>							
Diamonds sold	Carats	1,069,886	937,526	+14%	2,979,999	2,240,568	+33%
<b>Gross revenue</b>	<b>US\$M</b>	<b>119.1</b>	<b>120.5</b>	<b>-1%</b>	<b>347.6</b>	<b>274.4</b>	<b>+27%</b>

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

*“Further progress has been made with our expansion programmes during the Period, as evidenced by the higher ROM grades achieved as a consequence of the increased contribution from undiluted ore.*

*“The significant strengthening of the Company’s balance sheet following the recent debt restructuring, as well as the positive signs we are seeing in the diamond market, position us well as we continue to ramp up production from our capital programmes.”*

### CONFERENCE CALL

Petra’s Chief Executive Officer, Johan Dippenaar, and Chief Financial Officer, Jacques Breytenbach will host a conference call at 9.30am and 4:00pm BST today to discuss the Q3 FY 2017 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 BST

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: 29125750#

A replay of the conference call will be available on the following numbers from 12:00pm BST on 24 April 2017:

From UK (toll free): 0808 237 0026  
 From South Africa and the rest of the world: +44 203 426 2807  
 Playback passcode: 686058#

#### Second Call - 4.00pm BST / 11.00am Eastern Time

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  
 From South Africa (toll free): 0800 222 290  
 Participant passcode: 29125750#

## COMMENTARY

### Production

- Q3 FY 2017 production remained flat at 999,768 carats (Q3 FY 2016: 995,905 carats) following an 18% increase in ROM carats produced to 760,916 carats (Q3 FY 2016: 646,850 carats), offset by the guided drop in Finsch tailings production and the restriction of surface mining operations (tailings and Williamson's open pit ROM) due to unseasonably high rainfall experienced during the Period.
- Finsch ROM production increased 23% to 468,429 carats (Q3 FY 2016: 381,266 carats) further to the increasing production from the newly established Block 5 SLC resulting in ROM grades significantly improving by 22% to 54.2 cpht (Q3 FY 2016: 44.3 cpht).

The shortfall in ROM tonnes mined compared to guidance relates to challenges associated with the allocation of equipment and work streams in the transitioning period as the old Block 4 is decommissioned and the Block 5 SLC ramps up. Production of ca. 900,000 tonnes of undiluted ore is now expected for FY 2017, which is marginally below guidance of ca. 1 Mtpa. The commissioning of additional mining equipment at the start of Q4 is expected to address the challenges mentioned above.

The planned reduction in tailings carats resulted in overall production decreasing by 1% to 522,515 carats (Q3 FY 2016: 530,138 carats), however we have increased tailings production to mitigate any shortfall in ROM tonnes mined, producing 1.4 Mt for the first nine months of FY 2017, above full year guidance of 1.3 Mt.

- Cullinan production increased 20% to 227,523 carats (Q3 FY 2016: 190,329 carats) mainly due to a 23% increase in ROM carat production as the new C-Cut Phase 1 mining area continued to ramp-up as planned, with resultant improved ROM grades increasing by 26% to 38.4 cpht (Q3 FY 2016: 30.5 cpht). ROM production from the C-Cut is expected to reach ca. 1 Mt for full year FY 2017.

With construction of the new Cullinan plant nearing completion, commissioning commenced towards the end of Q3 FY 2017, focusing on the first of two mills as well as the electrical-, water- and slimes-handling infrastructure. Production through the old plant ceased in mid-April 2017 to facilitate the switch over to the new plant. The first ROM material will be processed through the new plant in May 2017 utilising the existing DMS and final recovery sections. The remainder of the new plant sections (the second mill, HPGR, large diamond recovery (XRL) and new final recovery sections) will be fully commissioned by the end of Q4 FY 2017. As previously reported, any untreated ROM stockpile material at Cullinan will be processed in H1 FY 2018, owing to the excess capacity of the new plant.

- Koffiefontein's ROM production decreased 3% to 13,184 carats (Q3 FY 2016: 13,537 carats), impacted by a slower than anticipated start-up post the production shutdown in the previous quarter. Despite this disappointing performance, ROM production is expected to improve over the next two quarters to levels exceeding of 20,000 carats per quarter.

Due to the increased contribution of ore from undiluted areas, accessed by the newly established SLC, Koffiefontein's average price improved by 54% to US\$652 per carat (Q3 FY 2016: US\$424 per carat).

- Kimberley Ekapa Mining's attributable production delivered 185,144 carats (Q3 FY 2016: 202,830 carats), with surface operations negatively impacted by rainfall. Treatment of underground ROM ore increased compared to previous quarters following the commissioning of the ROM crushing circuit in the Combined Treatment Plant, with a further increase in ROM throughput expected during Q4 FY 2017. Tailings grades of 11 cpht were achieved for the Period, above guidance of 9 – 10 cpht, due to the increased recovery of diamonds in the smaller size categories.
- Williamson's diamond production decreased 9% to 51,402 carats (Q3 FY 2016: 56,232 carats) as the final stages of commissioning of the new mill section were undertaken. Unseasonably high rainfall during the Period adversely impacted both access to blasted ROM tonnes in the open pit and the handling and treatment of the resultant wet ore.

The newly commissioned mill section delivered a 22% increase in the ROM grade to 6.2 cph (Q3 FY 2016: 5.1 cph). The higher recovery of smaller diamonds resulted in a ca. 7% decrease in the mine's average price per carat excluding Exceptional Diamonds to US\$236 (H1 FY 2017: US\$253).

## Sales and Diamond Market

### *Diamond Market*

- Signs of stabilisation in the rough diamond market are evident with steady demand across all size ranges, including goods which were previously impacted by Indian demonetisation.
- We continue to witness further evidence of improving retail demand, with some encouraging trends in Mainland China, as well as narrowing declines in Hong Kong and Macau.

### *Petra Sales*

- Q3 FY 2017 Revenue down 1% to US\$119.1 million, with no revenue from Exceptional Diamonds (Q3 FY 2016: US\$120.5 million, including US\$15.0 million from Exceptional Diamonds). Revenue for nine months to 31 March 2017 up 27% to US\$347.6 million, including US\$10.8 million from Exceptional Diamonds, (Q3 FY 2016: US\$274.4 million, including US\$25.0 million from Exceptional Diamonds).

### *Diamond Prices*

- Rough diamond prices were up ca. 2% for Q3 FY 2017 on a like-for-like basis in comparison to Petra's results for H1 FY 2017.
- A further two tenders will be held during Q4 (April to June 2017) and Petra expects market conditions to remain stable during this time, with Q4 being traditionally Petra's strongest sales period.

Mine	Actual <sup>1</sup> (US\$/ct) Q3 FY 2017	Actual <sup>1</sup> (US\$/ct) 9 months to 31 March 2017	Guidance <sup>2</sup> (US\$/ct) FY 2017	Actual <sup>1</sup> (US\$/ct) FY 2016
Finsch	99	98	100 – 105	89
Cullinan	98	115 <sup>3</sup>	105 – 115	126 <sup>4</sup>
Koffiefontein	652	535	520 – 550	462
KEM JV	94	94	125 – 130	132 <sup>5</sup>
Williamson	236	278 <sup>6</sup>	220 – 230	384 <sup>7</sup>

#### Notes:

1. All sales (both ROM and tailings) including Exceptional Diamonds were used to calculate the average values.
2. Weighted average (ROM and tailings), Excluding Exceptional Diamonds.
3. Excluding Exceptional Diamonds, the average value per carat was US\$106.
4. Excluding Exceptional Diamonds, the average value per carat was US\$109.
5. The average value per carat for FY 2016 reflects the dilutive impact of combining tailings and ROM sales from H2 FY 2016 onwards.
6. Excluding Exceptional Diamonds, the average value per carat was US\$247.
7. Excluding Exceptional Diamonds, the average value per carat was US\$238.

## Health and safety

- The Group's lost time injury frequency rate ("LTIFR") for Q3 FY 2017 was 0.23 (Q3 FY 2016: 0.33). Petra remains highly focused on this most important area.
- The Company notes with regret the fatality of an employee of a contracting company at Cullinan in an equipment-related incident following the Period end. This incident highlights the requirement for a further renewed focus on safety. Petra is committed to a zero harm policy.

## Corporate

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

	Unit	31 Mar 2017	31 Dec 2016	30 Jun 2016	31 Mar 2016
<i>Closing exchange rate used for conversion</i>		<i>R13.49:US\$1</i>	<i>R13.73:US\$1</i>	<i>R14.68:US\$1</i>	<i>R14.76/US\$1</i>
Cash at bank	US\$m	66.2	49.0	48.7	39.0
Diamond inventories	US\$m	49.3	56.6	43.6	54.3
	Carats	602,891	673,031	549,620	721,259
Diamond debtors	US\$m	37.9	1.9	63.4	46.0
US\$ loan notes (including accrued interest)	US\$m	308.2	302.1	302.0	308.2
Bank loans and borrowings	US\$m	266.4	210.5	131.5	126.4
Net debt	US\$m	508.4	463.6	384.8	395.6
Bank facilities undrawn and available	US\$m	6.0	57.1	110.0	114.2

- On 12 April 2017, the Group completed the issuance of US\$650 million of new 7.25% senior secured second lien notes due 2022, and the redemption of the Group's US\$300 million 8.25% senior secured second lien notes due 2020.
- Following the simplification of the Company's debt structure at the time of the Notes Issue, the Company's total financing facilities now comprise US\$650 million of notes and ZAR1,500 million of bank facilities (consisting of ZAR1,000 million revolving credit and ZAR500 million working capital).
- The maintenance and distribution covenants for the bank facilities were renegotiated as part of the process and are shown below. The calculation of consolidated net debt now includes diamond debtors which were previously excluded.

	Maintenance Covenants <sup>1</sup>			Distribution Covenants		
	30 Jun 2017	31 Dec 2017	30 Jun 2018 and after	30 Jun 2017	31 Dec 2017	30 Jun 2018 and after
Consolidated Net Debt <sup>2</sup> : Consolidated EBITDA	2.80:1	2.80:1	2.50:1	2.00:1	2.00:1	2.00:1
Consolidated EBITDA: Consolidated Net Finance Charges	3.50:1	3.85:1	4.00:1	6.00:1	6.00:1	6.00:1
Consolidated Net Senior Debt <sup>3</sup> : Book Equity <sup>4</sup>	0.4:1	0.4:1	0.4:1	0.3:1	0.3:1	0.3:1

1. Covenant ratios will be measured semi-annually on a rolling twelve month period at 30 June and 31 December, respectively.
2. Consolidated net debt is loans and borrowings, less cash, less diamond debtors.
3. Consolidated Net Senior Debt means at any time the Consolidated Gross Debt (excluding any second lien and other subordinated debt).
4. Book Equity is Equity excluding accounting reserves.

**Notes:**

1. *The following exchange rate has been used for this announcement:*
  - a. *closing rate as at 31 March 2017 US\$1:ZAR13.49 (31 March 2016 US\$1:ZAR14.76)*
2. *The following definitions have been used in this announcement:*
  - a. *ct: carat*
  - b. *cpht: carats per hundred tonnes*
  - c. *DMS: dense media separation*
  - d. *Exceptional Diamonds: stones that sell for more than US\$5 million each*
  - e. *HPGR: high pressure grinding rolls*
  - f. *LTIFR: lost time injury frequency rate*
  - g. *'Other diamonds' includes mining of the Ebenhaezer satellite kimberlite pipe at Koffiefontein and alluvial diamond mining at Williamson.*
  - h. *Mcts: million carats*
  - i. *Mt: million tonnes*
  - j. *ROM: run-of-mine, i.e. relating to production from the primary orebody*
  - k. *SLC: sub-level cave, a variation of block caving*
  - l. *XRL: X-Ray Luminescence*
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 operations: three underground mines in South Africa (Finsch, Cullinan and Koffiefontein), the Kimberley Ekapa Mining joint venture (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 [www.petradiamonds.com](http://www.petradiamonds.com).

## APPENDIX – MINE BY MINE PRODUCTION TABLES

### Finsch – South Africa

	Unit	Q3 FY 2017	Q3 FY 2016	Variance	Nine months to 31 March 2017	Nine months to 31 March 2016	Variance
<b><u>Sales</u></b>							
Revenue	US\$M	52.1	53.1	-2%	151.5	128.3	+18%
Diamonds sold	Carats	527,782	579,772	-9%	1,537,797	1,491,840	+3%
Average price per carat	US\$	99	92	+8%	98	86	+14%
<b><u>ROM Production</u></b>							
Tonnes treated	Tonnes	864,148	860,333	0%	2,362,597	2,516,589	-6%
Diamonds produced	Carats	468,429	381,266	+23%	1,284,430	1,131,221	+14%
Grade	cpht	54.2	44.3	+22%	54.4	45.0	+21%
<b><u>Tailings Production</u></b>							
Tonnes treated	Tonnes	344,135	517,173	-34%	1,385,893	1,753,501	-21%
Diamonds produced	Carats	54,086	148,871	-64%	269,645	493,996	-45%
Grade	cpht	15.7	28.8	-46%	19.5	28.2	-31%
<b><u>Total Production</u></b>							
Tonnes treated	Tonnes	1,208,283	1,377,506	-12%	3,748,490	4,270,090	-12%
Diamonds produced	Carats	522,515	530,138	-1%	1,554,075	1,625,216	-4%

**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	Q3 FY 2017	Q3 FY 2016	Variance	Nine months to 31 March 2017	Nine months to 31 March 2016	Variance
<b><u>Sales</u></b>							
Revenue	US\$M	24.8	21.3	+16%	70.8	46.3	+53%
Diamonds sold	Carats	251,391	217,134	+16%	614,504	444,893	+38%
Average price per carat	US\$	98	98	0%	115	104	+11%
<b><u>ROM Production</u></b>							
Tonnes treated	Tonnes	553,481	568,101	-3%	1,592,899	1,748,499	-9%
Diamonds produced	Carats	212,545	173,061	+23%	571,366	476,461	+20%
Grade	cpht	38.4	30.5	+26%	35.9	27.2	+32%
<b><u>Tailings Production</u></b>							
Tonnes treated	Tonnes	177,653	235,667	-25%	437,484	632,825	-31%
Diamonds produced	Carats	14,978	17,268	-15%	75,910	36,233	+110%
Grade	cpht	8.4	7.3	+15%	17.4	5.7	+205%
<b><u>Total Production</u></b>							
Tonnes treated	Tonnes	731,134	803,768	-9%	2,033,383	2,381,324	-15%
Diamonds produced	Carats	227,523	190,329	+20%	647,277	512,694	+26%

## Koffiefontein – South Africa

	Unit	Q3 FY 2017	Q3 FY 2016	Variance	Nine months to 31 March 2017	Nine months to 31 March 2016	Variance
<b><u>Sales</u></b>							
Revenue	US\$M	6.7	7.5	-11%	21.5	17.3	+24%
Diamonds sold	Carats	10,315	17,623	-42%	40,103	39,191	+2%
Average price per carat	US\$	652	424	+54%	535	442	+21%
<b><u>ROM Production</u></b>							
Tonnes treated	Tonnes	183,790	183,366	0%	542,834	472,583	+15%
Diamonds produced	Carats	13,184	13,537	-3%	37,954	38,377	-1%
Grade	cpht	7.2	7.4	-3%	7.0	8.1	-14%
<b><u>Ebenhaezer / Tailings Production</u></b>							
Tonnes treated	Tonnes	-	108,677	-100%	-	371,219	-100%
Diamonds produced	Carats	-	2,839	-100%	-	9,759	-100%
Grade	cpht	-	2.6	-100%	-	2.6	-100%
<b><u>Total Production</u></b>							
Tonnes treated	Tonnes	183,790	292,043	-37%	542,834	843,802	-36%
Diamonds produced	Carats	13,184	16,376	-20%	37,954	48,136	-21%

## Kimberley Ekapa Mining – South Africa

	Unit	Q3 FY 2017 <sup>1</sup>	Q3 FY 2016 <sup>1</sup>	Variance	Nine months to 31 March 2017 <sup>1</sup>	Nine months to 31 March 2016 <sup>2</sup>	Variance
<b><u>Sales</u></b>							
Revenue	US\$M	20.5	14.1	+45%	58.5	29.6	+98%
Diamonds sold	Carats	217,761	85,301	+155%	624,427	146,414	+326%
Average price per carat	US\$	94	165	-43%	94	202	-53%
<b><u>ROM Production</u></b>							
Tonnes treated	Tonnes	134,304	198,348	-32%	343,602	681,458	-50%
Diamonds produced	Carats	18,842	24,109	-22%	49,189	100,348	-51%
Grade	cpht	14.0	12.2	+15%	14.3	14.7	-3%
<b><u>Tailings Production</u></b>							
Tonnes treated	Tonnes	1,516,186	1,434,497	+6%	4,836,562	1,632,700	+196%
Diamonds produced	Carats	166,302	178,721	-7%	568,128	186,839	+204%
Grade	cpht	11.0	12.5	-12%	11.7	11.4	+3%
<b><u>Total Production</u></b>							
Tonnes treated	Tonnes	1,650,490	1,632,845	+1%	5,180,164	2,314,158	+124%
Diamonds produced	Carats	185,144	202,830	-9%	617,317	287,188	+115%

### Notes:

1. Data for the nine months ending 31 March 2017, Q3 FY 2017 and Q3 FY 2016 in the table above represent Petra's 75.9% attributable share in the KEM JV.
2. Data for the nine months ending 31 March 2016 in the table above represent production from Kimberley Underground ROM and Tailings production for the period 1 July 2015 to 17 January 2016 and Petra's 75.9% attributable production from the Combined Kimberley Operations for the period 18 January 2016 to 30 June 2016.



## Williamson – Tanzania

	Unit	Q3 FY 2017	Q3 FY 2016	Variance	Nine months to 31 March 2017	Nine months to 31 March 2016	Variance
<b><u>Sales</u></b>							
Revenue	US\$M	14.8	24.2	-39%	45.4	53.6	-15%
Diamonds sold	Carats	62,572	37,665	+66%	163,284	118,024	+38%
Average price per carat	US\$	236	642	-63%	278	455	-39%
<b><u>ROM Production</u></b>							
Tonnes treated	Tonnes	778,633	1,051,325	-26%	2,792,732	2,876,240	-3%
Diamonds produced	Carats	47,916	53,445	-10%	149,592	142,717	+5%
Grade	cpht	6.2	5.1	+22%	5.4	5.0	+8%
<b><u>Alluvial Production</u></b>							
Tonnes treated	Tonnes	110,787	95,098	+17%	302,149	302,319	-0%
Diamonds produced	Carats	3,486	2,787	+25%	8,641	9,356	-8%
Grade	cpht	3.1	2.9	+7%	2.9	3.1	-7%
<b><u>Total Production</u></b>							
Tonnes treated	Tonnes	889,420	1,146,423	-22%	3,094,881	3,178,559	-3%
Diamonds produced	Carats	51,402	56,232	-9%	158,233	152,073	+4%