



## PetraDiamonds

This announcement contains inside information

18 September 2017

LSE: PDL

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

### **Preliminary Results Announcement for the Year ended 30 June 2017 (unaudited)**

Petra Diamonds Limited announces its preliminary results (unaudited) for the year ended 30 June 2017 ("the Year" or "FY 2017").

#### **Financial Highlights**

- Revenue up 11% to US\$477.0 million (FY 2016: US\$430.9 million).
- Adjusted EBITDA<sup>3</sup> down 4% to US\$157.2 million (FY 2016: US\$164.3 million).
- Adjusted net profit after tax<sup>4</sup> down 54% to US\$29.0 million (FY 2016: US\$63.6 million).
- Net profit after tax down 69% to US\$20.7 million (FY 2016: US\$66.8 million).
- Cash generated from operations down 10% to US\$160.2 million (FY 2016: US\$177.3 million).
- Basic EPS: 3.47 US\$ cents per share (FY 2016: 10.38 US\$ cents per share).
- Adjusted EPS<sup>6</sup>: 5.04 US\$ cents per share (FY 2016: 9.76 US\$ cents per share).
- Net debt<sup>9</sup>: US\$555.3 million (30 June 2016: US\$382.8 million).
- Financial results for the Year were negatively impacted by the delayed ramp-up of the expansion programmes, rising on-mine cash costs and the stronger Rand versus the Dollar for the Year.

#### **Operational Highlights**

- Production up 8% to 4.0 Mcts (FY 2016: 3.7 Mcts).
- Capex (excluding capitalised borrowing costs) of US\$254.6 million (FY 2016: US\$295.8 million), reflecting the declining trend due to the advanced stage of the Group's expansion programmes.
- Safety: Group LTIFR improved to 0.27 (FY 2016: 0.29), but tragically the Company experienced six fatalities; extensive safety reviews initiated and ongoing.
- Gross Diamond Resources (inclusive of Reserves) decreased 2% to 304.9 Mcts (30 June 2016: 312.2 Mcts) due to depletion and re-estimation of resources.

#### **Corporate**

- During 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; the Group's debt facilities were amended and simplified, including through the partial repayment of drawn bank debt and a reduction in total facilities, thereby rationalising the Company's capital structure.
- Distribution covenants were not met for the measurement period to 30 June 2017 and Petra will therefore not declare a dividend for FY 2017.
- Agreement reached (post Year-end) with Petra's lender group to waive the two EBITDA measurement covenant tests related to its senior debt facilities for the 12 month period to, and as at, 30 June 2017, and the covenant ratios were reset for the rolling 12 month period to, and as at, 31 December 2017.
- Company tax domicile transferred from Jersey to the UK in May 2017.

## Outlook

- Operations at Williamson in Tanzania have resumed after a four day stoppage, but the Company's parcel of diamonds (71,654 carats) has not been released for export; discussions with the Government are ongoing. The Company's forecasts and expectations as disclosed in this announcement include Williamson in normal operation. Refer to 'Post Year end Developments in Tanzania' on page six for further information.
- The Company has made a solid start to FY 2018 and remains on track to meet production guidance of 4.8 – 5.0 Mcts in FY 2018 and 5.0 – 5.3 Mcts by FY 2019 (includes 0.3 Mctpa from Williamson).
- Increasing volumes to be realised against Petra's fixed cost base are expected to have a positive impact on the Company's financial results for FY 2018 and beyond.
- As the Company continues to ramp up higher value ROM production from the increasing mining footprint established, and its contribution to Petra's carat output increases from 71% in FY 2017 to ca. 85% in FY 2018 (as opposed to lower value tailings production), this is expected to lead to an improved product mix.
- Due to the Company's declining Capex profile, Petra expects net debt levels to start falling from H2 FY 2018, and free cashflow to be generated from H2 FY 2018 onwards.
- The Group's forecasts show that Petra has sufficient liquidity to meet its working capital and capital development requirements. The Company maintains headroom against its financial covenants going forward based on its forecasts.
- Diamond market stable but showing signs of seasonal weakness, with like-for-like pricing achieved by Petra at its first tender of FY 2018 down ca. 3% in comparison to those achieved in H2 FY 2017.

### **Johan Dippenaar, CEO, said:**

*"While Petra remained in growth mode in FY 2017, achieving record production and revenue, the shortfall against guidance, in conjunction with the significant strengthening of the Rand on our predominantly Rand-denominated cost base, impacted our financial results for the Year.*

*"However, the challenges related to the commissioning of the Cullinan Plant have now been overcome and it is ramping up in line with expectations, plus the new mining areas at our two biggest mines, Finsch and Cullinan, are set to deliver double the amount of undiluted ore in FY 2018. The impact of a rising contribution of undiluted ore has already seen ROM grades at both mines rise ca. 30% in FY 2017.*

*"While the diamond market has shown some softness at our first tender of FY 2018, this appears to be attributable to normal seasonal factors, as our assessment of the wider market is that it remains stable. We view the big push in diamond marketing now being made by the Diamond Producers Association, as well as De Beers, as very positive in terms of supporting future consumer demand."*

## **Results Presentation, Webcast and Conference Call**

### *Presentation:*

A presentation for analysts will be held at 9:30am BST on 18 September 2017 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN.

### *Webcast:*

A live webcast of the presentation will be available on Petra's website at [www.petradiamonds.com](http://www.petradiamonds.com) and on: [www.investis-live.com/petra-diamonds/5996b50f2e7a6610000c8a0d/gdrd](http://www.investis-live.com/petra-diamonds/5996b50f2e7a6610000c8a0d/gdrd). A recording will be available from 1:00pm BST on 18 September 2017 on the same link.

A conference call line will also be available to allow participants to listen to the webcast by dialling one of the following numbers shortly before 9:30am BST:

From the UK (toll free): 0800 368 0649  
 From South Africa (toll free): 0800 999 282  
 From the rest of the world: +44 20 3059 8125  
 Participant passcode: Petra Diamonds

#### Conference Call

A conference call with management to cater for North American and other international investors will be held at 4:00pm BST on 18 September 2017. Participants are advised to view the results presentation webcast in advance of the call, as the full 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  
 Participant passcode: 40569091#

### SUMMARY OF RESULTS (unaudited)

	Year ended 30 June 2017 ("FY 2017") US\$ million	Year ended 30 June 2016 ("FY 2016") US\$ million
Revenue	477.0	430.9
Adjusted mining and processing costs <sup>1</sup>	(311.3)	(257.7)
Other direct income	2.8	2.8
<b>Profit from mining activities<sup>2</sup></b>	<b>168.5</b>	<b>176.0</b>
Exploration expense	(0.6)	(2.7)
Corporate overhead	(10.7)	(9.0)
<b>Adjusted EBITDA<sup>3</sup></b>	<b>157.2</b>	<b>164.3</b>
Depreciation	(79.6)	(51.8)
Share-based expense	0.1	(4.1)
Net finance expense	(22.9)	(36.2)
Tax expense	(25.8)	(8.6)
<b>Adjusted net profit after tax<sup>4</sup></b>	<b>29.0</b>	<b>63.6</b>
Kimberley Ekapa Mining JV fair value adjustment <sup>5</sup>	4.1	—
Net unrealised foreign exchange gain	9.9	3.2
Bond redemption premium and unamortised costs <sup>7</sup>	(22.3)	—
<b>Net profit after tax</b>	<b>20.7</b>	<b>66.8</b>
<b>Earnings per share attributable to equity holders of the Company – US\$ cents</b>		
Basic profit per share	<b>3.47</b>	<b>10.38</b>
Adjusted profit per share <sup>6</sup>	<b>5.04</b>	<b>9.76</b>

	Unit	As at 30 June 2017	As at 30 June 2016
Cash at bank (including restricted amounts)	US\$M	203.7	48.7
Diamond debtors	US\$M	41.5	63.4
Diamond inventories	US\$M	50.2	43.6
Diamond inventories	Carats	570,264	549,620
US\$650 million loan notes (issued April 2017) <sup>8</sup>	US\$M	650.0	—
US\$300 million loan notes (issued May 2015)	US\$M	—	300.0
Bank loans and borrowings	US\$M	109.0	131.5
Net debt <sup>9</sup>	US\$M	555.3	382.8

**Notes:**

The Group uses several non-GAAP measures above and throughout this report to focus on actual trading activity by removing non-cash or non-recurring items. These measures include adjusted mining and processing costs, profit from mining activities, adjusted EBITDA, adjusted net profit after tax, adjusted earnings per share, adjusted US\$ loan notes and net debt. As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Company's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

- Adjusted mining and processing costs are mining and processing costs stated before depreciation and share-based expense.
- Profit from mining activities is revenue less adjusted mining and processing costs plus other direct income.
- Adjusted EBITDA is net profit after tax stated before Kimberley Ekapa Mining JV ("KEM JV") fair value adjustment, bond redemption premium and acceleration of unamortised costs, depreciation, share-based expense, net finance expense, tax expense and net unrealised foreign exchange gains and losses.
- Adjusted net profit after tax is net profit after tax stated before the KEM JV fair value adjustment, net unrealised foreign exchange gains and losses, and bond redemption and acceleration of unamortised costs.
- The US\$4.1 million gain recorded on the formation of KEM JV represents Petra's newly recognised incremental 26% share of the fair value of Ekapa Minerals (Pty) Ltd's (being the entity through which Petra and Ekapa Mining own the Kimberley Mines) assets and liabilities and its 75.9% share of the fair value of Super Stone's assets and liabilities, less the 24.1% of the net book value assets and liabilities of the Kimberley Underground mine relinquished as part of the transaction. See notes 2 and 16 for further details.
- Adjusted EPS is stated before the KEM JV fair value adjustment, net unrealised foreign exchange gains and losses and bond redemption premium and acceleration of unamortised costs.
- Bond redemption premium and acceleration of unamortised costs represent those costs incurred as a result of the early redemption of the US\$300 million loan notes in April 2017.
- The US\$ loan notes represent the gross capital of US\$650 million (30 June 2016: US\$300 million) excluding transaction costs.
- Net debt is the US\$ loan notes and bank loans and borrowings net of cash at bank.

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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 and South Africa.

Petra has a core objective to steadily increase annual production to 5.0 – 5.3 million from FY 2019 onwards. 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).

## **CEO'S REVIEW**

While FY 2017 saw the Company in continued growth mode, reaching record production of 4.0 Mcts and revenue of US\$477.0 million, unfortunately we did not meet our production guidance of 4.4 – 4.6 Mcts for the Year. The lower production and sales for the Year had a knock on effect to the Company's profitability due to the fixed cost structure of the Group, which is ca. 70% of our cost base, rising in line with the ramp-up in our expansion programmes.

Our financial results were further impacted by the strengthening of the Rand, with an average of ZAR13.59: US\$1 for the Year, as opposed to ZAR14.51: US\$1 for FY 2016. Given that 80-85% of our costs are Rand-based, a strengthening Rand has a negative impact on conversion to Dollar reported costs. As a result, the Company recorded an Adjusted EBITDA margin of 33% (FY 2016: 38%) and an adjusted net profit after tax of US\$29.0 million (FY 2016: US\$63.6 million).

While this performance is disappointing, we have commenced FY 2018 with a significantly de-risked expansion profile, given that the majority of the capital has now been spent, the major plant construction / modification work has mostly been completed across our mine portfolio, and the new caves at both Finsch and Cullinan are already producing at substantial volumes. We have also been encouraged by the improving grades and product mix driven by mining higher quantities of undiluted ore from our new mining areas, that we have already experienced to date and which we expect to continue into FY 2018 and beyond.

The two main operational issues impacting results for FY 2017 were the delay in bringing the new plant at Cullinan on stream and a slower than anticipated ramp up of the new Sub-level Cave ("SLC") at Finsch. The Cullinan Plant delay was mainly due to labour disruptions experienced by our contractor, followed by a number of commissioning issues. Production ramp up is continuing, with processing rates already at 60% of nameplate capacity of 6 Mtpa, and the plant is set to deliver Cullinan's production and treatment plan for FY 2018, including processing the stockpile of some 400,000t of ROM ore. The new Block Cave is performing as planned and is expected to more than double output to ca. 2.2 Mt in FY 2018 (FY 2017: ca. 940,000 t).

The Finsch SLC has had a challenging period in terms of reaching its required tonnage build-up. This is mostly due to the issues encountered with regards to allocation of equipment (drill rigs) and the associated impact on the number of rings drilled and blasted in the SLC. By increasing the size of the long hole drill rig fleet (from four to six), we have significantly increased the available drilling capacity to ensure blasted ore tonnes will now be available to achieve the intended levels of ROM production.

We are now on track to deliver further growth and have provided production guidance ranges of 4.8 – 5.0 Mcts for FY 2018 and 5.0 – 5.3 Mcts for FY 2019 (including 0.3 Mctpa from Williamson). Importantly, our longer-term production target of ca. 5 Mcts (originally set in FY 2012 to be reached in FY 2019) is soon to be achieved.

Petra will continue to focus on maximising overall value, as opposed to maximising volumes, by optimising production and plant processes. Given our well-diversified asset base, along with the quality and size of our orebodies, we will have a lot of flexibility in how we can maximise the value of our production in the future. As we near completion of our capital expansion programmes started in FY 2009, we are looking to create further operational flexibility and extend the current mine lives of our operations on an ongoing basis. We have therefore assigned an ongoing annual capital spend of US\$100 – 120 million post FY 2019 to continue organic development work at our assets, split as to ca. US\$30 million sustaining capital and ca. US\$70 – 90 million expansion capital. This will ensure the continuous opening up of new ore at our mines, thereby leading to long-term sustainable operations and avoiding such a heavy Capex period as we have had over the past few years.

In terms of health and safety, our LTIFR improved to 0.27 for the Year (FY 2016: 0.29), which is a good achievement in the context of the high level of construction activities currently underway and for underground operations. However, we tragically experienced five fatal accidents, which led to five employee and one contractor fatalities. The Board and I are very disappointed with this performance and turning it around is the most important priority for the Group. Petra is working very hard to reinforce its safety procedures as well as implementing new practices in an effort to ensure that every one of our people returns from work unharmed each day. No other outcome will do.

Petra is currently in wage negotiations with the relevant unions relating to its South African operations, further to the completion of its prior three year agreement. Agreement has been reached for Cullinan and we will conclude negotiations with regards to the other operations in due course. It is noted that labour relations volatility could be experienced prior to the finalisation of this wage agreement. We remain highly focused on managing labour relations, via ongoing priority engagement with unions and employees directly, and via measures such as the Itumeleng Petra Diamonds Employee Trust, which directly holds 12% of each of our South African operations and aims to further align employee and shareholder interests. Historically, Petra has generally experienced stable labour relations, without protracted disruptions, due to the Company's labour relations strategy. Furthermore, the extensive surface resources in place at the Company's assets provide a buffer to minimise impact on production in the event of industrial action.

We strengthened the senior management team immediately below the Board post Year end with the appointment of Luctor Roode, previously the General Manager at Petra's Finsch Mine, to the role of Executive Operations, responsible for operational production matters. Luctor sits alongside Koos Visser, Chief Technical Officer with responsibility for operational technical support and projects, and Jacques Breytenbach, Chief Financial Officer. This appointment is part of the Company's ongoing succession planning process, supporting the transition from a capital intensive / expansion phase to a steady-state production focus.

#### *Post Year End Developments in Tanzania*

Reports have recently appeared in the media about the findings of an investigation into the Tanzanian diamond sector by a parliamentary committee in Tanzania. In connection with this, Petra announced on 11 September 2017 that a parcel of diamonds (71,654.45 carats) from the Williamson mine in Tanzania (owned 75% Petra and 25% by the Government of the United Republic of Tanzania ("GoT")) had been blocked from export to Petra's marketing office in Antwerp and certain key personnel from Williamson were being questioned by the authorities. Production was temporarily stopped for safety and security reasons, but recommenced on 14 September 2017 after a four day shut-down following the return of the key personnel to the mine. However the parcel of diamonds has not yet been released. The grounds upon which these actions were taken have still not been formally made known to the Company. Petra is committed to engagement with the GoT to resolve this matter.

As previously announced, changes to the legislative framework governing the natural resources sector were also recently passed by the GoT and sales at Williamson are now subject to an additional 1% royalty (bringing the total royalty to 6%) and a 1% export clearing fee. Changes have also been enacted with regards to the offsetting of VAT, the impact of which on Williamson is still under discussion with GoT and yet to be determined, but could increase cash on-mine costs by ca. 10%. The legislative change does not impact the VAT recoverable as at Year end.

Further key legislative changes also encompass:

- the provision to the GoT of a non-dilutable, free-carried interest of no less than 16% in all mining projects (note that the GoT already holds 25% of the Williamson mine);
- the right for the GoT to acquire up to 50% of any mining asset commensurate with the value of tax benefits provided to the owner of that asset by the GoT; and
- companies with a Special Mining Licence to float 30% of their total issued shares on the Dar es Salaam Stock Exchange in Tanzania by 24 August 2017 (a waiver to the minimum local shareholding requirement may be granted under certain conditions).

The Company is committed to ongoing dialogue with the GoT with respect to the aforementioned matters. The outcome and timing of these discussions remain uncertain at this point in time. Should Petra be unable to resume sales from Williamson during H1, the Company may breach the two EBITDA related covenant measurements (related to its banking facilities) to, and as at, 31 December 2017, in which event the Company will commence early discussions with its lender group to reach a resolution. Petra will monitor the situation very closely and take decisive action if required to preserve shareholder value.

## **DIVIDEND**

Distribution covenants were not met for the measurement period to 30 June 2017 and Petra will therefore not declare a dividend for FY 2017.

Returns to shareholders remain a priority for the Board and as the Company becomes increasingly cash generative, it intends to resume dividend payments. The decision as to whether to pay a dividend is reviewed by the Board regularly and the market will be updated on this when appropriate.

## **THE DIAMOND MARKET**

The rough diamond market remained stable in FY 2017, in line with the steady retail demand for diamonds experienced over the same period.

During H1 FY 2017, the industry was concerned about the impact on India's major cutting and polishing industry of the country's demonetisation programme, which commenced on 8 November 2016 and saw the government invalidate 86% of Rupee currency notes in circulation. However, the effects of this were remarkably short-lived and H2 FY 2017 saw a large restocking by the midstream, as Indian manufacturers sought to rebalance and increase capacity, thereby seeing the release of significant inventory of smaller goods, particularly from the major diamond producers.

Petra experienced steady demand across all diamond size ranges throughout the Year, apart from the few months' period immediately following the Indian demonetization, which temporarily affected demand for smaller, lower value categories.

While results from retailers in the US (which accounts for ca. 47% of global demand) have been mixed in H2 FY 2017, the market is still assessed by those in the industry to remain stable as a whole. Bridal diamond jewellery continues to be the foundation for the market, but recent consumer research has identified self-purchase by women as an important growing demand category, as well as products aimed at millennials.

It has been encouraging to see continued evidence of an improving retail market in China and a recovering market in India, as well as a rebound in the Swiss watch market, which typically uses a significant quantity of small but very high quality diamonds.

Consumer demand will be supported by advertising campaigns from the Diamond Producers Association ("DPA"), which recently announced that it had quadrupled its budget to US\$57 million for 2017. The majority of this budget (ca. US\$50 million) is assigned to US marketing, building upon its new iconic platform "Real is Rare. Real is a Diamond", and will be spent in the second calendar half of 2017. The DPA will be launching its first marketing campaigns in India in October 2017 and in China in April 2018.

On the supply side, global diamond output increased by 6% in 2016 to 134 Mcts (2015: 127 Mcts), however this still remains significantly below the high of 177 Mcts in 2005, which is believed by many to represent world 'peak diamond' supply. While three new mines came into production in late 2016 (Renard and Gahcho Kue in Canada and Liqhobong in Lesotho), these are not of significant size to reverse the long-term downward trend in global production, maintaining the strong supply-demand fundamentals of the industry. A number of diamond development and mining projects have also been recently placed on hold, thereby adding to the constrained supply picture.

#### *Diamond Prices:*

Further to the stable rough diamond market noted above, Petra experienced flat pricing in H1 (six months to December 2016) and pricing up ca. 2% on a like for like basis in H2 (six months to June 2017).

Post Year end, the Company held its first tender of FY 2018 in early September yielding ca. US\$76 million (ca. 745,000 carats sold), in line with expectations for the South African operations (no sales for Williamson included). The market is showing signs of normal seasonal weakness, with prices on a like-for-like basis down ca. 3% in comparison to H2 FY 2017. The Company will hold two more tenders during H1 FY 2018 and four tenders in H2 FY 2018, as usual.

Given that the first half of the calendar year is the seasonally stronger time for the rough diamond market, Petra remains cautious with regards to the market outlook for the remainder of the calendar year and continues to guide flat pricing on a like for like basis for FY 2018. However, FY 2018 will mark the first year where Petra will source the majority of its underground tonnages from the new, undiluted mining areas and this, combined with the decreased contribution of lower-value tailings carats to the Group's overall production mix, is expected to lead to an improved product mix at the South African operations, while Williamson's average price is expected to dilute as a result of the improved liberation of smaller diamonds by the new mills in its processing plant.

<b>Mine</b>	<b>Guidance Weighted Average<sup>1&amp;2</sup> US\$/ct FY 2018</b>	<b>Actual<sup>3</sup> US\$/ct FY 2017</b>	<b>Actual<sup>3</sup> US\$/ct FY 2016</b>
Finsch	101 – 106	101	89
Cullinan	113 – 119	120 <sup>4</sup>	126 <sup>4</sup>
Koffiefontein	525 – 550	506	462
KEM JV	120 – 125	100 <sup>6</sup>	132 <sup>5</sup>
Williamson	214 – 224	258 <sup>7</sup>	384 <sup>7</sup>

#### **Notes:**

1. *Guidance is based on expected weighted average prices for FY 2018, incorporating all sales of ROM and tailings carats, but not including "Exceptional Diamonds" (diamonds that sell for +US\$5 million each).*
2. *Exceptional Diamonds added an average of ca. US\$21.7 million per annum to revenues over the last nine years (FY 2009 being the year during which Petra took over the Cullinan mine).*
3. *All sales (ROM and Tailings) including Exceptional Diamonds were used to calculate the above average values.*
4. *Excluding Exceptional Diamonds, the average value per carat for FY 2017 was US\$113 and for FY 2016 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. *The average value per carat was below expectations due to the higher contribution of tailings carats during the Year.*
7. *Excluding Exceptional Diamonds, the average value per carat for FY 2017 was US\$235 and for FY 2016 was US\$238.*

## **FINANCIAL REVIEW**

### *Revenue*

Group revenue for FY 2017 increased 11% to US\$477.0 million (FY 2016: US\$430.9 million) due to an increase in volumes sold, offset by lower sales from Exceptional Diamonds during the Year, contributing only US\$10.9 million (FY 2016: US\$36.3 million).



Diamond inventory as at 30 June 2017 was 570,264 carats valued at US\$50.2 million (FY 2016: 549,620 carats valued at US\$43.6 million).

### *Mining and processing costs*

The mining and processing costs for the Year are comprised of on-mine cash costs as well as other operational expenses. A breakdown of the total mining and processing costs for the Year is set out below.

	On-mine cash costs <sup>1</sup> US\$m	Diamond royalties US\$m	Diamond inventory and stockpile movement US\$m	Group technical, support and marketing costs <sup>2</sup> US\$m	Adjusted mining and processing costs US\$m	Depreciation <sup>3</sup> US\$m	Share based expense US\$m	Total mining and processing costs (IFRS) US\$m
<b>FY 2017</b>	287.3	4.7	(2.6)	21.9	311.3	78.7	0.1	390.1
<b>FY 2016</b>	246.4	5.4	(14.1)	20.0	257.7	51.0	1.6	310.3

#### **Notes:**

1. Includes all direct cash operating expenditure at operational level, i.e. labour, contractors, consumables, utilities and on-mine overheads.
2. Certain technical, support and marketing activities are conducted on a centralised basis.
3. Excludes exploration and corporate / administration.

Absolute on-mine cash costs in FY 2017 remained in line with expectations, despite ongoing inflationary pressures. The unit cost per tonne was adversely affected by the high fixed cost base and below plan throughput. On-mine cash costs increased by 17% compared to FY 2016, mainly due to:

- inclusion of Kimberley Ekapa Mining JV (“KEM JV”) for the full Year (4% increase);
- inflationary increases, including the impact of electricity and labour costs (7% increase); and
- the effect of translating South African operations’ ZAR denominated costs at a stronger ZAR/USD exchange rate (6% increase).

### *Adjusted EBITDA*

Adjusted EBITDA decreased to US\$157.2 million (FY 2016: US\$164.3 million), reflecting an Adjusted EBITDA margin of 33% (FY 2016: 38%); the decrease being mainly due to the increase in mining and processing costs, partially offset by increased revenues.

### *Operating cashflow*

Cash generated from operations for the Year decreased 10% to US\$160.2 million (FY 2016: US\$177.3 million) in line with the decrease in Adjusted EBITDA and the inflow from net working capital changes of US\$3.6 million (FY 2016: US\$13.8 million inflow).

### *Corporate overhead – General and Administration*

Corporate overhead (before depreciation and share based payments) increased to US\$10.7 million for the Year (FY 2016: US\$9.0 million). The increase is mainly attributable to an increased membership contribution to the DPA and non-recurring legal costs relating to the restructuring of the Group’s BEE partners’ ownership structure. Overhead costs remained tightly controlled.

### *KEM JV fair value adjustment*

The non-cash and non-recurring US\$4.1 million accounting gain recorded on the formation of KEM JV represents Petra’s newly recognised incremental 26% share of the fair value of Ekapa Minerals’ assets and liabilities and its 75.9% share of the fair value of Super Stones’ assets and liabilities acquired through the transaction, less the 24.1% of the net book value assets and liabilities of the Kimberley Underground mine relinquished by Petra as part of the transaction. Refer to notes 15 and 16 for further details.

### *Depreciation*

Depreciation for the Year increased to US\$79.6 million (FY 2016: US\$51.8 million), mainly due to the commencement of depreciation relating to newly commissioned assets associated with the expansion programmes, accelerated depreciation on the old KEM JV plants to reflect their remaining useful economic lives, and the strengthening of the Rand during the Year.

### *Net financial expense*

Net financial expense of US\$35.3 million (FY 2016: US\$33.0 million) comprises:

- interest received on bank deposits of US\$1.8 million (FY 2016: US\$0.4 million); and
- net unrealised foreign exchange gains of US\$9.9 million (FY 2016: US\$3.2 million gain) representing (i) the unrealised foreign exchange gains on the foreign currency retranslation of cross border loans considered to be repayable in the foreseeable future and (ii) unrealised losses on forward exchange contracts;

offset by:

- net interest payable on the BEE partners' loans of US\$12.0 million (FY 2016: US\$9.1 million);
- net realised foreign exchange losses of US\$3.8 million (FY 2016: US\$20.7 million) on the settlement of forward exchange contracts, significantly down as a result of closing out numerous forward exchange contracts in the prior Year;
- a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US\$5.0 million (FY 2016: US\$4.2 million); and
- interest on the Group's debt and working capital facilities of US\$3.9 million (FY 2016: US\$2.6 million) (stated after the capitalisation of interest of US\$44.1 million (FY 2016: US\$26.5 million) associated with the funding of assets under development).
- non-recurring costs of US\$22.3 million associated with the refinancing and early redemption of the US\$300 million loan notes, comprising acceleration of unamortised costs (US\$7.3 million previously capitalised) and early redemption premium of US\$15 million to settle the US\$300 million loan notes .

### *Tax charge*

The tax charge of US\$25.8 million (FY 2016: US\$8.6 million), comprised deferred tax of US\$24.6 million (FY 2016: US\$10.5 million), and an income tax charge of US\$1.2 million (FY 2016: US\$1.9 million credit). The increased deferred tax charge for FY 2017 arises due to utilisation of certain capital allowances at the South African operations during the Year. The effective Group tax rate for FY 2017 is 55% (FY 2016: 11%), which is higher than the South Africa tax rate of 28% (the Group's primary tax paying jurisdiction) primarily due to: a) the write off of deferred tax assets in the current Year in respect of Koffiefontein; b) loss making companies (within the Group) based in tax jurisdictions with a 0% tax rate which when consolidated reduces the Group's overall net profit resulting in an increased effective tax rate; and c) losses incurred by the South African operations not recognised as deferred tax assets.

### *Adjusted net profit after tax*

An adjusted net profit after tax of US\$29.0 million was recorded for the Year (FY 2016: US\$63.6 million), adjusted for the KEM JV fair value adjustment, net unrealised foreign exchange gains and losses, bond redemption premium and acceleration of unamortised costs. These adjusted profit figures are considered to be more appropriate in comparing results year on year.

### *Group profit*

The Group's net profit after tax is US\$20.7 million (FY 2016: US\$66.8 million).

### *Earnings per share*

A basic earnings per share from operations of 3.47 US\$ cents was recorded (FY 2016: 10.38 US\$ cents). Adjusted basic earnings per share from operations (stated before the KEM JV fair value adjustment, net unrealised foreign exchange gains and losses and bond redemption premium and acceleration of unamortised costs) of 5.04 US\$ cents was recorded (FY 2016: 9.76 US\$ cents).

### *Cash and Diamond Debtors*

As at 30 June 2017, Petra had cash at bank of US\$203.7 million (30 June 2016: US\$48.7 million). Of these cash balances, US\$190.2 million was held as unrestricted cash (30 June 2016: US\$36.7 million), US\$12.6 million was held by Petra's reinsurers as security deposits on the Group's cell

captive insurance structure (with regards to the Group's environmental guarantees) (30 June 2016: US\$11.1 million) and US\$0.9 million was held by Petra's bankers as security for other environmental rehabilitation bonds lodged with the Department of Mineral Resources in South Africa (30 June 2016: US\$0.9 million).

Diamond debtors at 30 June 2017 were US\$41.5 million (30 June 2016: US\$63.4 million). These related to the June 2017 tenders and were settled shortly after Year end.

#### *Loans and Borrowings*

The Group had loans and borrowings (measured under IFRS) at Year end of US\$757.1 million (30 June 2016: US\$424.5 million), comprised of the loan notes plus accrued interest of US\$648.1 million (30 June 2016: US\$293.0 million) and bank loans and borrowings of US\$109.0 million (30 June 2016: US\$131.5 million).

At 30 June 2017, the Group had debt facilities undrawn and available to the Group of US\$5.6 million (30 June 2016: US\$110.0 million), in addition to cash at bank of US\$203.7 million.

#### *Covenant Measurements attached to banking facilities*

The Group has a number of covenants related to its banking facilities, which can be found on Petra's website at: [www.petradiamonds.com/investors/fixed-income-investors/banking-covenants/](http://www.petradiamonds.com/investors/fixed-income-investors/banking-covenants/).

Covenant ratios are measured bi-annually on a rolling 12 month period to 30 June and 31 December respectively, with the formal measurement taking place three months after the period end. In the Company's Market Update announcement on 28 June 2017, it announced that production for the Year would not meet guidance and that it was therefore likely to breach the EBITDA related covenant tests for the 12 month measurement period to 30 June 2017. On 9 September 2017, agreement was reached with Petra's lender group to waive the two EBITDA covenant tests for the 12 month period to, and as at, 30 June 2017. The lender group further agreed to reset the two EBITDA covenant tests for the 12 month measurement period to, and as at, 31 December 2017 as follows:

- the interest cover ratio is changed to no less than 2.7x (previously 3.85x); and
- the net debt to EBITDA ratio is changed to no more than 4.0: 1 (previously 2.80:1).

The Group closely monitors and manages its liquidity risk, and cash forecasts are regularly produced and run for different scenarios, indicating that the Group has sufficient cash reserves and banking facilities to meet its working capital and capital development requirements.

The Company expects to be compliant with its financial covenants going forward, but the situation remains sensitive to changes in diamond prices, exchange rates and expected production from the Group's mines, including total carats and mix - refer to 'Post Year end Developments in Tanzania' on pages six and seven for further disclosures with regards to the Williamson mine and its potential impact on covenant compliance.

#### *BEE loans receivable and payable*

BEE loans receivable of US\$35.0 million (FY 2016: US\$28.8 million) relate to the acquisition and financing of the Koffiefontein and Kimberley Underground mines by Petra on behalf of its BEE partners, post the refinancing of the BEE Partners' loans at Cullinan and Finsch in FY 2015.

The BEE loans payable of US\$99.5 million, (FY 2016: US\$86.2 million, including the portion held in liabilities directly associated with non-current assets held for sale), relate to the initial acquisition loan funding advanced by the Group's BEE partners to the operations to acquire their investments in Finsch, Cullinan, Koffiefontein and Kimberley Underground. The repayment of these loans by the mines to the BEE partners will be from future free cashflows generated by the mining operations.

#### *Other Liabilities*

Other than trade and other payables of US\$136.7 million, (comprising US\$39.1 million trade creditors, US\$21.8 million employee related accruals and US\$75.8 million other payables) (FY 2016: US\$134.6 million, including the portion held in liabilities directly associated with non-current assets held for sale), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, post retirement employee related provisions and deferred tax.

## Capex

Total Group Capex for the Year was US\$300.1 million (FY 2016: US\$324.1 million), further to peak Capex being reached in FY 2016. The total Capex figure comprised of:

- US\$230.5 million on expansion Capex (FY 2016: US\$275.2 million);
- US\$24.1 million on sustaining Capex (FY 2016: US\$20.6 million);
- US\$44.1 million on capitalised borrowing costs with regards to the expansion Capex (FY 2016: US\$26.5 million); and
- Corporate / exploration Capex of US\$1.4 million (FY 2016: US\$1.8 million).

<b>Capex</b>	<b>Unit</b>	<b>FY 2017</b>	<b>FY 2016</b>
Finsch	US\$M	85.6	73.8
Cullinan	US\$M	151.2	179.4
Koffiefontein	US\$M	18.8	27.5
KEM JV	US\$M	28.4	16.8
Williamson	US\$M	15.0	24.4
Helam	US\$M	0.0	0.1
Subtotal – Capex incurred by operations	US\$M	299.0	322.0
Petra internal projects division – Capex under construction / invoiced to operations <sup>1</sup>	US\$M	(0.3)	0.3
<b>Total Operational Capex</b>	<b>US\$M</b>	<b>298.7</b>	<b>322.3</b>
Corporate / exploration	US\$M	1.4	1.8
<b>Total Group Capex<sup>2</sup></b>	<b>US\$M</b>	<b>300.1</b>	<b>324.1</b>

### Notes:

1. The Group (Petra internal projects division 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\$0.3 million for the Year (FY 2016: US\$0.3 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 division and other corporate Capex will add together to make the Capex total in the relevant sections above.
2. Capex for the Year includes US\$44.1 million (FY 2016: US\$26.5 million) of capitalised borrowing costs, which is also included in the applicable mine-by-mine tables above.
3. 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 phases and not expensed through the income statement.

## OPERATIONAL REVIEW

### Combined operations:

	<b>Unit</b>	<b>FY 2017<sup>1</sup></b>	<b>FY 2016<sup>1</sup></b>	<b>Variance</b>
<b>Sales</b>				
Diamonds sold	Carats	4,006,856	3,448,084	+16%
<b>Revenue</b>	<b>US\$M</b>	<b>477.0</b>	<b>430.9</b>	<b>+11%</b>
<b>Production</b>				
ROM tonnes	Mt	10.1	11.3	-11%
Tailings & other tonnes	Mt	8.7	7.7	+13%
<b>Total tonnes treated</b>	<b>Mt</b>	<b>18.8</b>	<b>19.0</b>	<b>-1%</b>
ROM diamonds	Carats	2,849,247	2,582,135	+10%
Tailings & other <sup>2</sup> diamonds	Carats	1,163,966	1,119,270	+4%
<b>Total diamonds</b>	<b>Carats</b>	<b>4,013,213</b>	<b>3,701,405</b>	<b>+8%</b>
<b>On mine cash costs</b>	<b>US\$M</b>	<b>287.3</b>	<b>246.4</b>	<b>+17%</b>
<b>Capex</b>				
Expansion	US\$M	230.5	275.2	-16%

Sustaining	US\$M	24.1	20.6	+17%
Borrowing Costs Capitalised	US\$M	44.1	26.5	+67%
<b>Total operational capex</b>	<b>US\$M</b>	<b>298.7</b>	<b>322.3</b>	<b>-7%</b>

**Note:**

1. FY 2017 production, sales and Capex are stated on an attributable basis, including 75.9% of KEM JV effective from 01 July 2016. FY 2016 production, sales and Capex are stated on an attributable basis, including 75.9% of the Combined Kimberley Operations from 18 January 2016 to 30 June 2016.
2. 'Other' includes mining of the Ebenhaezer satellite kimberlite pipe at Koffiefontein and alluvial diamond mining at Williamson.

FY 2017 diamond production increased 8% to 4.0 Mcts, below guidance of 4.4 – 4.6 Mcts but nevertheless representing record levels for the Group. The increase was due to a higher contribution from undiluted ROM ore and the inclusion of KEM JV for the full Year.

The commentary below mainly relates to operational results for the Year and a brief overview of the outlook. Further detailed operational guidance, as published on 24 July 2017, is available on the Company's website at: <https://www.petradiamonds.com/investors/analysts/analyst-guidance/>. Guidance for FY 2018 remains as published, including cost guidance.

### Finsch – South Africa

	Unit	FY 2017	FY 2016	Variance
<b>Sales</b>				
Revenue	US\$M	216.7	186.4	+16%
Diamonds sold	Carats	2,141,885	2,085,123	+3%
Average price per carat	US\$	101	89	+14%
<b>ROM Production</b>				
Tonnes treated	Tonnes	3,212,169	3,547,798	-10%
Diamonds produced	Carats	1,818,454	1,572,725	+16%
Grade <sup>1</sup>	Cpht	56.6	44.3	+28%
<b>Tailings Production</b>				
Tonnes treated	Tonnes	1,651,089	2,295,918	-28%
Diamonds produced	Carats	331,442	641,339	-48%
Grade <sup>1</sup>	Cpht	20.1	27.9	-28%
<b>Total Production</b>				
Tonnes treated	Tonnes	4,863,258	5,843,716	-17%
Diamonds produced	Carats	2,149,896	2,214,064	-3%
<b>Costs</b>				
On-mine cash cost per tonne treated	ZAR	253	183	38%
<b>Capex</b>				
Expansion Capex	US\$M	58.4	56.5	+3%
Sustaining Capex	US\$M	9.1	6.7	+36%
Borrowing Costs Capitalised	US\$M	18.1	10.6	+71%
Total Capex	US\$M	85.6	73.8	+16%

**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.

ROM production increased 16% to 1,818,454 carats further to initial production from the new Block 5 SLC, which delivered ca. 750 Kt of undiluted ore. The inclusion of significantly higher volumes of undiluted ore from the new mining areas had a positive impact on production, with Finsch's ROM grade up 28% from 44.3 cpht in FY 2016 to 56.6 cpht in FY 2017.

This output was below initial expectations due to the slower than expected ramp-up of the SLC. 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. The commissioning of additional mining equipment at the start of Q4 addressed the challenges mentioned above with the mine ending the Year operating at the required levels.

Total production decreased 3% to 2,149,896 carats (FY 2016: 2,214,064 carats), due to the planned decrease in tailings production to 331,442 carats (FY 2016: 641,339 carats).

Revenue increased by 16% to US\$216.7 million (FY 2016: US\$186.4 million) mainly due to the greater weighting of higher value ROM carats (as opposed to lower value tailings carats) in the overall production profile and the resultant 14% improvement in the average value per carat to US\$101 (FY 2016: US\$89).

*Costs:*

The on-mine cash cost of ZAR 253/t was an increase of 38% from FY 2016 (ZAR183/t), mainly due to the planned reduction in lower cost tailings tonnes being treated during the Period. Unit costs were negatively affected, when compared to guidance, due to the negative effect of the high fixed cost base and below plan ROM throughput.

*Capex:*

FY 2017 Capex of US\$85.6 million exceeded previous guidance by ca. US\$8 million, mainly due to additional equipment purchased to address constraints experienced during the transitioning period as the old Block 4 is decommissioned and the Block 5 SLC ramps up.

*Development Plan:*

Petra's development plan at Finsch is due to increase higher value ROM production from 1.8 Mcts in FY 2017 to steady state production of ca. 2 Mcts by FY 2018. Petra's initial mine plan has a life to 2030, but resources in Block 6 and the adjacent Precursor kimberlite, which sits next to the main body of the Finsch kimberlite pipe, are expected to prolong the actual life of mine ("LOM"). The mine has a significant gross resource of 45.0 Mcts.

Mining is currently ramping up in the new Block 5 SLC over four levels from 700 mL to 780 mL and this is expected to deliver ca. 1.9 Mt in FY 2018. A new Block 5 Cave will be installed at 900 mL from FY 2023 / FY 2024.

**Cullinan – South Africa**

	Unit	FY 2017	FY 2016	Variance
<b>Sales</b>				
Revenue	US\$M	91.3	83.3	+10%
Diamonds sold	Carats	760,957	663,175	+15%
Average price per carat	US\$	120 <sup>1</sup>	126 <sup>1</sup>	-5%
<b>ROM Production</b>				
Tonnes treated	Tonnes	1,882,911	2,302,892	-18%
Diamonds produced	Carats	679,622	643,724	+6%
Grade	Cpht	36.1	28.0	+29%

<b>Tailings Production</b>				
Tonnes treated	Tonnes	506,176	886,289	-43%
Diamonds produced	Carats	106,887	37,089	+188%
Grade	Cpht	21.1	4.2	+402%
<b>Total Production</b>				
Tonnes treated	Tonnes	2,389,087	3,189,181	-25%
Diamonds produced	Carats	786,509	680,813	+16%
<b>Costs</b>				
On-mine cash cost per tonne treated	ZAR	316	257	23%
<b>Capex</b>				
Expansion Capex	US\$M	120.9	156.2	-23%
Sustaining Capex	US\$M	4.3	7.3	-41%
Borrowing Costs Capitalised	US\$M	26.0	15.9	+64%
Total Capex	US\$M	151.2	179.4	-16%

**Notes:**

1. Excluding exceptional diamonds, the average value per carat for FY 2017 was US\$113 and for FY 2016 was US\$109.

Cullinan's production increased 16% to 786,509 carats (FY 2016: 680,813 carats), but performance was below planned levels due to the delay in bringing on-stream the new Cullinan plant. As a result, ca. 400 Kt of ROM stockpile is available for treatment during H1 FY 2018.

While the plant delay was disappointing, it is encouraging that Cullinan's new block cave, known as C-Cut Phase 1, has progressed in line with expectations. ROM production from the new block cave reached 940 Kt for the Year, in line with guidance, driving the 29% improvement in the ROM grade for H2 FY 2017 to 38.0 cpht, giving a full year grade of 36.1 cpht (FY 2016: 28.0 cpht). However, this H2 grade was lower than planned, due to the late start of the new plant and the associated benefits of improved diamond liberation.

Cullinan's revenue increased by 10% to US\$91.3 million for the Year (FY 2016: US\$83.3 million) due to higher sales, though with a lower contribution of sales from Exceptional Diamonds of US\$5.7 million (FY 2016: US\$11.2 million).

**Costs:**

The on-mine unit cash cost per total tonne treated was ZAR316/t, an increase of 23% from FY 2016 (ZAR257/t), mainly due to the decrease in total tonnes being treated as a result of delays in commissioning the new plant.

**Capex:**

FY 2017 Capex of US\$151.2 million exceeded previous guidance by ca. US\$14 million at Cullinan due to the direct and indirect impacts of the delays of the new plant and US\$3 million additional spend associated with the C-Cut Phase 1 project.

**Development Plan:**

Cullinan contains a 'Tier 1' diamond resource of 192.7 Mcts (including 17.3 Mcts in tailings) and the Company is capitalising on this by undertaking an expansion programme at the mine to take annual production to ca. 2.2 Mcts by FY 2019 (comprising ca. 2 Mcts ROM and ca. 0.2 Mcts tailings).

The ramp up of production from the C-Cut Phase 1 Block Cave (extraction level: 839 mL) will continue during FY 2018 and is expected to contribute in excess of 2.2 Mt for the year.

**New Cullinan Plant:**

The new Cullinan Plant did not meet its target of being fully commissioned by the end of FY 2017 due to labour disruptions experienced by our contractor, followed by a number of commissioning issues.

Production ramp up is continuing, with processing rates already at 60% of nameplate capacity of 6 Mtpa, and the plant is set to deliver Cullinan's production and treatment plan for FY 2018. The Large Diamond Recovery section is nearing completion, with one of the four modules in operation, while the other three are expected to be commissioned by the end of September. Following this, the plant will be fully operational with all components of the plant commissioned as per the flow design.

The recovered grade is performing in line with expectations given the current stage of commissioning, especially in the middle and coarse (larger) size fractions. Further optimisation is in progress to improve recovery efficiencies in the finer (smaller) size fractions.

### Koffiefontein – South Africa

	Unit	FY 2017	FY 2016	Variance
<b>Sales</b>				
Revenue	US\$M	28.4	25.7	+11%
Diamonds sold	Carats	56,068	55,500	+1%
Average price per carat	US\$	506	462	+10%
<b>ROM Production</b>				
Tonnes treated	Tonnes	667,821	681,344	-2%
Diamonds produced	Carats	51,173	50,825	+1%
Grade	Cpht	7.7	7.5	+3%
<b>Tailings / Ebenhaezer Production</b>				
Tonnes treated	Tonnes	-	446,854	-
Diamonds produced	Carats	-	11,365	-
Grade	Cpht	-	2.5	-
<b>Total Production</b>				
Tonnes treated	Tonnes	667,821	1,128,198	-41%
Diamonds produced	Carats	51,173	62,190	-18%
<b>Costs</b>				
On-mine cash cost per tonne treated	ZAR	532	317	+68%
<b>Capex</b>				
Expansion Capex	US\$M	13.3	24.6	-46%
Sustaining Capex	US\$M	5.5	2.9	+90%
Total Capex	US\$M	18.8	27.5	-32%

ROM production at Koffiefontein increased 1% to 51,173 carats (FY 2016: 50,825 carats), but was below expectations due to challenges encountered with the SLC ore handling infrastructure. This work was hampered by difficult ground conditions in both the second crusher chamber and decline ramp, restricting the ability to transport material and equipment to the working levels. The second crusher, which aims to alleviate ground handling constraints, will be fully operational in Q2 FY 2018.

Overall production was down 18% to 51,173 carats (FY 2016: 62,190 carats), as production from the satellite Ebenhaezer pit ceased in FY 2016, as planned, together with the challenges detailed above.

Revenue increased 11% to US\$28.4 million (FY 2016: US\$25.7 million) for the Year further to the 10% uplift in the average value per carat, as the planned reduction in tailings production resulted in an improved product mix with the average value per carat up 10% from US\$462 to US\$506.



**Costs:**

The marked increase in higher value, higher-cost, underground production resulted in a 68% increase in the unit cash cost per total tonne treated to ZAR532 (FY 2016: ZAR317/t). This was materially above guidance of ZAR310/t, due to the increased fixed cost base in anticipation of the production ramp-up, which did not materialise as planned, coupled with additional maintenance costs due to unforeseen breakdowns. Measures and control systems are being put in place to increase control over maintenance and to limit the occurrences of these breakdowns on machines and ground handling infrastructure. FY 2018 ROM unit cost is guided at ZAR360/t.

**Capex:**

Capex of US\$18.8 million was above guidance, mainly relating to over-runs and delays as a result of the aforementioned SLC ore-handling infrastructure challenges.

**Development Plan:**

Petra's expansion plan at Koffiefontein will increase production from 50,500 ctpa in FY 2017 to ca. 85,000 ctpa by FY 2019. Petra's current mine plan has a life to 2025, but the residual resources at the mine indicate that the actual LOM could be in excess of 20 years.

As at Finsch, the SLC mining method is now being used at Koffiefontein, before putting in place a new block cave. The SLC is to be mined over three levels from 560 mL to 600 mL, and production has now commenced on the 560 and 580 mL. The SLC is expected to ramp up to ca. 1.1 Mtpa by FY 2019 at an average grade of ca. 8.5 cpht.

**KEM JV – South Africa** (all figures reflect Petra's 75.9% attributable share)

	Unit	FY 2017 <sup>1</sup>	FY 2016 <sup>2</sup>	Variance
<b><u>Sales</u></b>				
Revenue	US\$M	82.3	57.7	+43%
Diamonds sold	Carats	821,963	438,680	+87%
Average price per carat	US\$	100	132	-24%
<b><u>ROM Production</u></b>				
Tonnes treated	Tonnes	597,025	721,513	-17%
Diamonds produced	Carats	87,783	88,572	-1%
Grade	Cpht	14.7	12.3	+20%
<b><u>Tailings Production</u></b>				
Tonnes treated	Tonnes	6,153,657	3,583,758	+72%
Diamonds produced	Carats	712,651	442,897	+61%
Grade	Cpht	11.6	12.4	-7%
<b><u>Total Production</u></b>				
Tonnes treated	Tonnes	6,750,682	4,305,271	+57%
Diamonds produced	Carats	800,434	531,469	+51%
<b><u>Costs</u></b>				
On-mine cash cost per tonne treated	ZAR	133	140	-5%
<b><u>Capex</u></b>				
Expansion Capex	US\$M	23.9	14.7	+63%
Sustaining Capex	US\$M	4.5	2.1	+114%
Total Capex	US\$M	28.4	16.8	+69%

**Notes:**

1. Data represent Petra's 75.9% attributable share (including both ROM production from Kimberley Underground and Tailings production).
2. Data for FY 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.

Production increased 51% to 800,434 carats for the Year (FY 2016: 531,469 carats).

Further to the modifications required to the Central Treatment Plant ("CTP") in order to enable it to handle ROM material from the Kimberley Underground operation, KEM JV built up a ROM stockpile of ca. 75 Kt (attributable to Petra), which will be processed during H1 FY 2018. Since the Year end, KEM JV have completed the CTP modifications, being a new pan plant and permanent ROM crusher, enabling it to process ROM ore from the end of July 2017.

Revenue increased 43% to US\$82.3 million (FY 2016: US\$57.7 million) further to the higher sales, though the average value per carat was down 24% to US\$100 (FY 2016: US\$132) due to the much higher proportion of tailings carats as opposed to ROM.

**Costs:**

The on-mine cash cost decreased to ZAR133/t (FY 2016: ZAR140/t), due to the inclusion of the lower cost, higher volume tailings operations for the full Year. However this was above guidance of ZAR107/t, due to below planned throughput, due to a slower than expected start-up of the CTP plant modifications mentioned above.

**Capex:**

Capex of US\$28.4 million was in line with guidance. FY 2018 expansion Capex is guided at ca. US\$12.0 million, associated with underground development and shaft upgrades at both Joint Shaft and Wesselton (ca. US\$10.0 million) to increase ROM throughput to ca. 1.2 Mtpa by FY 2019.

**Development Plan:**

The KEM JV is a joint venture between Petra and its partner Ekapa Mining and incorporates the Kimberley Underground mine (mining the Bultfontein, Dutoitspan and Wesselton kimberlite pipes), extensive tailings retreatment programmes (with total tailings resources of some 140.1 Mt) and the high volume CTP. The combination of these diamond mining assets in Kimberley has yielded cost synergies and allows for a mine plan to 2035.

The KEM JV business plan envisages a combined steady state throughput of ca. 6.7 Mtpa (ca. 1.2 Mtpa ROM and ca. 5.5 Mtpa tailings) yielding ca. 574,500 carats, and to only utilise the CTP plant for both tailings and ROM processing from FY 2019 onwards.

**Williamson – Tanzania**

	Unit	FY 2017	FY 2016	Variance
<b>Sales</b>				
Revenue	US\$M	58.4	78.9	-26%
Diamonds sold	Carats	226,110	205,548	+10%
Average price per carat	US\$	258 <sup>1</sup>	384 <sup>1</sup>	-33%
<b>ROM Production</b>				
Tonnes treated	Tonnes	3,667,781	4,003,180	-8%
Diamonds produced	Carats	212,215	199,796	+6%
Grade	Cpht	5.8	5.0	+16%
<b>Alluvial Production</b>				
Tonnes treated	Tonnes	403,811	417,452	-3%
Diamonds produced	Carats	12,987	13,073	-1%
Grade	Cpht	3.2	3.1	+3%

<b>Total Production</b>				
Tonnes treated	Tonnes	4,071,592	4,420,632	-8%
Diamonds produced	Carats	225,202	212,869	+6%
<b>Costs</b>				
On-mine cash cost per tonne treated	US\$	11.60	10.90	+9%
<b>Capex</b>				
Expansion Capex	US\$M	14.1	23.0	-39%
Sustaining Capex	US\$M	0.9	1.4	-36%
Total Capex	US\$M	15.0	24.4	-39%

**Note:**

1. Excluding Exceptional Diamonds, the average value for FY 2017 was US\$235 (FY 2016: US\$238).

Production increased 6% to 225,202 carats (FY 2016: 212,869 carats), mainly due to a 16% increase in ROM grades (as a result of improved liberation associated with the new milling section of the plant), partially offset by throughput constraints experienced during commissioning of the new milling section during H2 FY 2017.

Revenue decreased 26% to US\$58.4 million (FY 2016: US\$78.9 million) due to the contribution of revenue from Exceptional Diamonds for the Year falling to US\$5.2 million (FY 2016: US\$25.1 million).

**Costs:**

The on-mine cash cost of US\$11.6/t (FY 2016: US\$10.9/t) was in line with expectations, and the Company is guiding US\$11/t for FY 2018, mainly due to the increase in throughput planned for FY 2018 with the new milling section being fully operational.

**Capex:**

Capex of US\$15.0 million for the Year exceeded guidance of ca. US\$6.0 million due to additional spend relating to the water recovery thickener and mill plant project. Total Capex is guided at ca. US\$6.4 million for FY 2018.

**Development Plan:**

Petra's expansion plan at Williamson is expected to see production rise from ca. 225,000 carats in FY 2017 to ca. 337,500 ctpa by FY 2019. The current mine plan has a life extending to 2033, but given that the Mwadui kimberlite hosts a major resource of 39.0 Mcts, there is potential to extend the LOM considerably.

ROM throughput is planned at ca. 4.6 Mt at a grade of ca. 6.75 cpht during FY 2018, before ramping up to steady state of ca. 5 Mt by FY 2019 onwards at a grade of 6.5 – 7 cpht.

## EXPLORATION

The Company's focus on delivery of its expansion programmes at its producing operations resulted in a further decrease in exploration spend to US\$0.6 million during FY 2017 (FY 2016: US\$2.7 million).

**Botswana**

In Botswana, Petra's focus has been on the evaluation of the KX36 deposit. Further to the work carried out in FY 2016, KX36 has a Resource of 8.7 Mct (contained in 24.6 Mt at an average grade of 35 cpht) and an estimated average diamond value of US\$65 per carat, which is below the expectations raised by the work carried out in FY 2015. This is due to a finer (smaller) size frequency distribution caused by an increase in recoveries of diamonds smaller than 7 DTC sieve size, further to an improved crushing circuit in the sample plant, as well as due to not recovering the coarser (larger) range of diamonds modelled originally from the total diamond content data. However, Petra

is of the view that the current KX36 grade and value derived from LDD samples may be underestimated due to diamond breakage or loss.

The Company has now completed a Pre-feasibility Study on KX36 and submitted this to the Botswana Department of Minerals and Energy. The outcome of this exercise indicates that, under present market conditions, the KX36 project is not economic and needs further detailed evaluation so as to increase confidence in the results. As a result of this, Petra has actively embarked on investigating the potential for a joint venture partner to take this kimberlite deposit forward.

Petra also holds four contiguous prospecting licences that constitute the Orapa South West Project Area, located to the South West of the Orapa kimberlite field. Low-key ground geophysical follow up of several large anomalies is ongoing, with the intention of executing a drilling programme during Q2 FY 2018.

#### *South Africa*

In South Africa, Petra's focus remains the investigation of the Reivilo project, which is situated approximately 110 kilometres north-east of the Finsch mine and where the Company has delineated a cluster of three kimberlite bodies within a 250m radius with estimated sizes of 3.1 Ha, 1.7 Ha and 0.9 Ha respectively.

The FY 2017 drilling programme entailed a total of 755m of core drilling in four core boreholes which targeted the two larger bodies. The deepest kimberlite intersection from the drilling was at 172m below surface, and the kimberlites remain open ended at depth. The preliminary identification of three kimberlite phases has been made, each with varying degrees of internal waste. In general the 3.1 Ha body shows higher internal waste dilution than the smaller 1.7 Ha body.

Heavy mineral abundance ("HMA") sampling of core from the kimberlite intersections replicated the results from the initial soil samples in that abundant diamond stability field G10 and high sodium diamond stability field eclogitic paragenesis garnets were recovered. The presence of these diamond indicator minerals indicates that the kimberlite bodies are diamondiferous (contain diamonds), though the internal waste content, especially in the larger body, will have a negative effect on overall diamond grade.

Microdiamond sampling of core recovered during the FY 2017 drilling programme is planned for FY 2018 to obtain a preliminary grade estimate for the two larger bodies, which will take into account the effects of internal waste dilution.

Petra has recently been awarded further prospecting rights in the Northern Cape adjacent to Reivilo and the Sedibeng diamond mine (which was previously operated by Petra), bringing the total surface area of prospecting rights held to 524 km<sup>2</sup>. The area adjacent to Sedibeng is covered by recent alluvium, and sits over a graben structure on a known kimberlite trend with the potential for hidden kimberlite pipes. An airborne geophysical survey is planned for FY 2018.

#### **SAFETY**

Petra's overriding concern is the health and safety of both its employees and contractors and the Company is committed to achieving a zero harm work environment.

While Petra's mining methods and operations are inherently safe, there is an ever present risk of accidents as with all heavy industries. For this reason, Petra aims to have a deeply-ingrained safety culture, backed up by effective systems and processes, with managers through all levels of the business leading by example.

The Group's LTIFR for the Year improved to 0.27 (FY 2016: 0.29). In spite of this achievement however, as previously reported, the Company tragically experienced five employee and one contractor fatalities during the Year in five separate fatal incidents. Each incident was investigated in detail by specialist teams comprising operational management, health and safety committee members and Group subject specialists, and in conjunction with the relevant authorities in South Africa and Tanzania.

The outcomes of these investigations were analysed and actioned by the updating of existing controls, and the development of additional controls where necessary, and were then implemented throughout the Group at all operations where similar incidents or accidents might occur. In addition, the Group initiated a system of 'in-time interventions', which aim to remediate at-risk behaviour and conditions proactively, prior to the possibility of escalation into incidents and accidents.

Petra will report in detail on action taken further to the fatalities noted above in its FY 2017 Sustainability Report, which will be published in Q2 FY 2018 and will be available on the Company's website at [www.petradiamonds.com/sustainability](http://www.petradiamonds.com/sustainability).

## GROSS RESERVES & RESOURCES

Petra manages one of the world's largest diamond resources. This major resource suggests that the potential mine lives of Petra's assets could be considerably longer than the current mine plans in place at each operation, or could support higher production rates. A summary of the Group's gross Reserves and Resources is below and the Group's full 2017 Resource Statement can be accessed at [www.petradiamonds.com/our-operations/reserves-resources/](http://www.petradiamonds.com/our-operations/reserves-resources/).

### Gross Resources

As at 30 June 2017, the Group's gross Diamond Resources (inclusive of Reserves) decreased 2% to 304.9 Mcts (30 June 2016: 312.2 Mcts), due to depletion by mining activity at all operations and Resource re-estimations at Finsch, Koffiefontein and Williamson.

### Gross Reserves

The Group's gross Diamond Reserves increased 7% to 51.1 Mcts (30 June 2016: 47.9 Mcts) due to an increase of Reserves at Cullinan and Finsch due to the inclusion of additional tonnages from the CC1E and the SLC Phase 2 respectively in the current mine plans to 2030.

The following table summarises the gross Reserves and Resources status of the combined Petra Group operations as at 30 June 2017.

Category	Gross		
	Tonnes (millions)	Grade (cpht)	Contained Diamonds (Mcts)
<b>Reserves</b>			
Proved			
Probable	103.8	49.3	51.1
<b>Sub-total</b>	<b>103.8</b>	<b>49.3</b>	<b>51.1</b>
<b>Resources</b>			
Measured	0.2	263.9	0.6
Indicated	412.6	52.1	215.0
Inferred	1,453.6	6.1	89.3
<b>Sub-total</b>	<b>1,866.4</b>	<b>16.3</b>	<b>304.9</b>

### Notes:

1. Reserves and Resources have been reported in accordance with the South African code for the reporting of mineral reserves and mineral resources (SAMREC 2016).
2. The Petra 2017 Resource Statement as shown above is based on information compiled internally within the Group under the guidance and supervision of Jim Davidson, Pr. Sci. Nat. (reg. No.400031/06). Jim Davidson has 45 years' relevant experience in the diamond industry and is a full-time employee of Petra.
3. All Reserves and Resources have been independently reviewed and verified by John Kilham, Pr. Sci. Nat. (reg. No. 400018/07), a competent person with 37 years' relevant experience in the diamond mining industry, who was appointed as an independent consultant by the Company for this purpose.

## CORPORATE

### *South Africa*

As previously announced, proposed changes to the South African Mining Charter were published in July 2017. The Chamber of Mines, which represents the South African mining industry and of which Petra is a member, responded by launching a court application to interdict the revised Charter. The Chamber of Mines has now retracted the interdict further to the Minister of Mineral Resources' written undertaking on 13 September 2017 to not implement or apply the provisions of the revised Charter pending the judgement of the review application set down for court hearing on 13 – 14 December 2017. More information about the Chamber of Mines' position can be found at the following website: <http://miningcharter.chamberofmines.org.za/index.php>.

## GOVERNANCE

### *AGM*

In advance of the AGM on 24 November 2017, Petra would like to remind shareholders that the Company has decided to move to a more digital approach to voting and therefore requests that all shareholders vote electronically. The Company will not be sending paper proxy forms and instead, shareholders can vote either via the shareholder portal or, for CREST holders, via the CREST Network. Voting in this way is cost effective, efficient and mitigates the risk of lost items via postal systems thus ensuring your vote is received and recorded. Shareholders who still wish to receive a hard copy proxy card should contact Capita to obtain this. Capita's contact details can be found here: <https://www.petradiamonds.com/investors/advisers/>.

## OUTLOOK

Petra has been working on major expansion programmes at each of its five mines since FY 2009, entailing significant underground and plant projects, a period which has seen the Company's production essentially quadruple from 1.1 Mcts to 4.0 Mcts. While the ramp up has been slower than anticipated, the bigger picture for the business remains the same as we remain on track to grow production to 4.8 – 5.0 Mcts in FY 2018 and to 5.0 – 5.3 Mcts FY 2019 (including production from Williamson of 0.3 Mctpa), capital expenditure is falling and we are set to generate free cashflow in H2 FY 2018.

FY 2018 will also see the continued transformation of our production profile. This will be achieved through ramping up production from the new undiluted mining areas of our underground mines, most notably at Cullinan, while also decreasing the proportion of tailings from around 30% of our carat production in FY 2017 to around 15% in FY 2018. Both of these factors mean that we will continue to realise higher average grades, as well as a better quality product mix.

Finally I would like to acknowledge that our people and our relationships with our stakeholders are vital to Petra's success. I therefore extend my thanks to each of our employees, contractors and partners, who have worked so hard to ensure the continued progress of the Company on our growth path.

**Johan Dippenaar**  
**Chief Executive**  
**18 September 2017**

### Notes

1. The following exchange rates have been used for this announcement: average for the Year US\$1:R13.59 (30 June 2016: US\$1: ZAR14.51); closing rate as at 30 June 2017 US\$1:ZAR13.05 (30 June 2016 US\$1:ZAR14.68).
2. The following definitions have been used in this announcement:
  - a. ct: carat
  - b. cpht: carats per hundred tonnes
  - c. Exceptional Diamonds: classified by Petra as diamonds that sell for +US\$5 million each
  - d. Mctpa: million carats per annum
  - e. Mcts: million carats

- f. *mL: metre level*
- g. *Mt: million tonnes*
- h. *Mtpa: million tonnes per annum*
- i. *ROM: run-of-mine, i.e. relating to production from the primary orebody*
- j. *SLC: sub-level cave, a variation of block caving*

**PETRA DIAMONDS LIMITED - PRELIMINARY ANNOUNCEMENT**  
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2017

US\$ million	Notes	2017	2016
Revenue		<b>477.0</b>	430.9
Mining and processing costs		<b>(390.1)</b>	(310.3)
Other direct income		<b>2.8</b>	2.8
Exploration expenditure		<b>(0.8)</b>	(2.9)
Corporate expenditure	5	<b>(11.2)</b>	(12.1)
<b>Total operating costs</b>		<b>(399.3)</b>	(322.5)
Fair value uplift on Kimberley Ekapa Mining Joint Venture	16	<b>4.1</b>	—
Financial income	6	<b>14.2</b>	7.0
Financial expense	6	<b>(49.5)</b>	(40.0)
<b>Profit before tax</b>		<b>46.5</b>	75.4
Income tax charge		<b>(25.8)</b>	(8.6)
<b>Profit for the Year</b>		<b>20.7</b>	66.8
Attributable to:			
Equity holders of the parent company		<b>18.3</b>	54.2
Non-controlling interest		<b>2.4</b>	12.6
		<b>20.7</b>	66.8
<b>Profit per share attributable to the equity holders of the parent during the Year:</b>			
From continuing operations:			
Basic profit per share – US\$ cents	13	<b>3.47</b>	10.38
Diluted profit per share – US\$ cents	13	<b>3.43</b>	10.14



**PETRA DIAMONDS LIMITED - PRELIMINARY ANNOUNCEMENT**  
**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 30 JUNE 2017

US\$ million	<b>2017</b>	2016
Profit for the Year	<b>20.7</b>	66.8
Exchange differences on translation of the share-based payment reserve	<b>(0.4)</b>	(2.9)
Exchange differences on translation of foreign operations <sup>1</sup>	<b>68.7</b>	(121.4)
Exchange differences on non-controlling interest <sup>1</sup>	<b>9.3</b>	(9.6)
<b>Total comprehensive income / (expense) for the Year</b>	<b>98.3</b>	<b>(67.1)</b>

Total comprehensive income and expense attributable to:		
Equity holders of the parent company	<b>86.6</b>	(70.1)
Non-controlling interest	<b>11.7</b>	3.0
	<b>98.3</b>	<b>(67.1)</b>

<sup>1</sup> These items will be reclassified to the consolidated income statement if specific future conditions are met.

**PETRA DIAMONDS LIMITED - PRELIMINARY ANNOUNCEMENT**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
 AT 30 JUNE 2017

US\$ million		2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	1 441.3	1 079.3
Deferred tax asset		5.9	7.1
BEE loans and receivables	12	35.0	28.8
Other receivables		17.8	2.7
<b>Total non-current assets</b>		<b>1 500.0</b>	<b>1 117.9</b>
<b>Current assets</b>			
Trade and other receivables		75.5	115.9
Inventories		75.6	57.9
Cash and cash equivalents (including restricted amounts)		203.7	48.7
<b>Total current assets</b>		<b>354.8</b>	<b>222.5</b>
Non-current assets classified as held for sale	15	—	18.8
<b>Total assets</b>		<b>1 854.8</b>	<b>1 359.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	89.6	88.6
Share premium account		666.0	665.2
Foreign currency translation reserve		(303.4)	(372.1)
Share-based payment reserve		12.8	14.4
Hedging and other reserves		(0.8)	(0.8)
Retained earnings		129.5	109.1
<b>Attributable to equity holders of the parent company</b>		<b>593.7</b>	<b>504.4</b>
Non-controlling interest		52.7	42.4
<b>Total equity</b>		<b>646.4</b>	<b>546.8</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	9	598.5	317.2
BEE loans payable	12	99.5	84.6
Provisions		72.0	59.7
Deferred tax liabilities		143.1	106.0
<b>Total non-current liabilities</b>		<b>913.1</b>	<b>567.5</b>
<b>Current liabilities</b>			
Loans and borrowings	9	158.6	107.3
Trade and other payables		136.7	125.4
<b>Total current liabilities</b>		<b>295.3</b>	<b>232.7</b>
Liabilities directly associated with non-current assets classified as held for sale	15	—	12.2
<b>Total liabilities</b>		<b>1 208.4</b>	<b>812.4</b>
<b>Total equity and liabilities</b>		<b>1 854.8</b>	<b>1 359.2</b>

**PETRA DIAMONDS LIMITED - PRELIMINARY ANNOUNCEMENT**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS**  
FOR THE YEAR ENDED 30 JUNE 2017

US\$ million	2017	2016
<b>Profit before taxation for the Year</b>	<b>46.5</b>	75.4
Depreciation of property plant and equipment	<b>79.6</b>	51.8
Movement in provisions	<b>(0.6)</b>	(0.7)
Fair value uplift on Kimberley Ekapa Mining Joint Venture	<b>(4.1)</b>	—
Financial income	<b>(14.2)</b>	(7.0)
Financial expense	<b>49.5</b>	40.0
Profit on disposal of property, plant and equipment	<b>(0.3)</b>	(0.1)
Share based payment provision	<b>0.2</b>	4.1
<b>Operating profit before working capital changes</b>	<b>156.6</b>	163.5
Decrease / (increase) in trade and other receivables	<b>18.5</b>	(46.8)
(Decrease) / increase in trade and other payables	<b>(5.4)</b>	64.9
Increase in inventories	<b>(9.5)</b>	(4.3)
<b>Cash generated from operations</b>	<b>160.2</b>	177.3
Realised losses on foreign exchange contracts	<b>(3.8)</b>	(20.7)
Finance expense	<b>(3.9)</b>	(2.6)
Income tax refund	—	(0.3)
<b>Net cash generated from operating activities</b>	<b>152.5</b>	153.7
<b>Cashflows from investing activities</b>		
Acquisition of assets at Kimberley Mines net of cash	—	(3.0)
Acquisition of property, plant and equipment (including capitalised cash interest paid of US\$34.7 million (30 June 2016 US\$24.3 million))	<b>(282.9)</b>	(327.9)
Proceeds from sale of property, plant and equipment	<b>0.9</b>	—
Loans advanced to BEE partners	<b>(12.9)</b>	(6.8)
Repayment from BEE partners	<b>0.5</b>	3.4
Finance income	<b>1.8</b>	0.4
Transfer from restricted cash deposits	—	(0.5)
<b>Net cash utilised in investing activities</b>	<b>(292.6)</b>	(334.4)
<b>Cashflows from financing activities</b>		
Proceeds from the issuance of share capital	<b>1.1</b>	1.4
Increase in borrowings (net of bond issue costs of US\$12.6 million (30 June 2016: US\$nil million))	<b>798.8</b>	137.0
Dividends paid	—	(15.4)
Repayment of borrowings (including Bond redemption premium of US\$15.0 million (30 June 2016: US\$ nil))	<b>(508.8)</b>	(40.4)
<b>Net cash generated from financing activities</b>	<b>291.1</b>	82.6
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>151.0</b>	(98.1)
Cash and cash equivalents at beginning of the Year	<b>36.7</b>	153.5
Effect of exchange rate fluctuations on cash held	<b>2.5</b>	(18.7)
<b>Cash and cash equivalents at end of the Year<sup>1</sup></b>	<b>190.2</b>	36.7

<sup>1</sup> Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US\$13.5 million (30 June 2016: US\$12.0 million) and unrestricted cash of US\$190.2 million (30 June 2016: US\$36.7 million).

**PETRA DIAMONDS LIMITED - PRELIMINARY ANNOUNCEMENT**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30 JUNE 2017

(Unaudited)	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained earnings	Attributable to the parent	Non-controlling interest	Total equity
US\$ million									
At 1 July 2016	88.6	665.2	(372.1)	14.4	(0.8)	109.1	504.4	42.4	546.8
Profit for the Year	—	—	—	—	—	18.3	18.3	2.4	20.7
Non-controlling interest acquired	—	—	—	—	—	1.4	1.4	(1.4)	—
Other comprehensive expense	—	—	68.7	(0.4)	—	—	68.3	9.3	77.6
Transfer between reserves for exercise of employee options and warrants	—	—	—	(0.7)	—	0.7	—	—	—
Equity settled share based payments	—	—	—	0.2	—	—	0.2	—	0.2
Allotments during the Year:									
- Share options exercised	0.3	0.8	—	—	—	—	1.1	—	1.1
- LTSP share grants	0.7	—	—	(0.7)	—	—	—	—	—
<b>At 30 June 2017</b>	<b>89.6</b>	<b>666.0</b>	<b>(303.4)</b>	<b>12.8</b>	<b>(0.8)</b>	<b>129.5</b>	<b>593.7</b>	<b>52.7</b>	<b>646.4</b>

**PETRA DIAMONDS LIMITED - PRELIMINARY ANNOUNCEMENT**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

(Audited)	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained earnings	Attributable to the parent	Non-controlling interest	Total equity
US\$ million									
At 1 July 2015	87.6	664.0	(250.7)	21.7	(0.8)	61.3	583.1	39.4	622.5
Profit for the Year	—	—	—	—	—	54.2	54.2	12.6	66.8
Other comprehensive expense	—	—	(121.4)	(2.9)	—	—	(124.3)	(9.6)	(133.9)
Dividends paid	—	—	—	—	—	(15.4)	(15.4)	—	(15.4)
Transfer between reserves for exercise of options	—	—	—	(9.0)	—	9.0	—	—	—
Equity settled share based payments	—	—	—	5.3	—	—	5.3	—	5.3
Allotments during the Year:									
- Share options exercised	0.2	1.2	—	—	—	—	1.4	—	1.4
- LTSP share grants	0.8	—	—	(0.7)	—	—	0.1	—	0.1
At 30 June 2016	88.6	665.2	(372.1)	14.4	(0.8)	109.1	504.4	42.4	546.8

**NOTES TO THE CONSOLIDATED PRELIMINARY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017  
(UNAUDITED)**

**1. GENERAL INFORMATION**

Petra Diamonds Limited (the "Company"), a limited liability company listed on the Main Market of the London Stock Exchange, is registered in Bermuda with its Group management office domiciled in the United Kingdom (effective 01 May 2017.) The Consolidated Preliminary Financial Statements of the Company for the year ended 30 June 2017 comprise the Company and its subsidiaries, joint operations and associates (together referred to as the "Group").

**2. ACCOUNTING POLICIES**

The preliminary results, which are unaudited, do not include all the notes of the type normally included in an annual financial report. Accordingly, this unaudited preliminary report is to be read in conjunction with the Annual Report for the year ended 30 June 2016, and any public announcements made by the Group during the reporting period. The annual financial report for the year ended 30 June 2016 was prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS's") and the accounting policies applied in this preliminary report are consistent with the policies applied in the annual financial report for the year ended 30 June 2016 unless otherwise noted.

**Accounting policy for the Kimberley Ekapa Mining Joint Venture**

As discussed in note 16, Petra entered into a joint venture agreement to combine the operations they owned with those of Ekapa Mining to create the Kimberley Ekapa Mining JV. Subsequent to the transaction, Petra and its BEE Partners had a 75.9% jointly controlled interest in KEM JV, held through Crown Resources (Pty) Ltd and Ekapa Minerals (Pty) Ltd, with Ekapa Mining owning the remaining 24.1%. Petra and its BEE Partners effectively contributed 24.1% of their interest in Kimberley Underground mines in return for a 75.9% interest in the tailings operations (contributed by Super Stone and Kimberley Miners Forum (Pty) Ltd, subsidiaries of Ekapa Mining (Pty) Limited) and a 26% increase in the interest in the Kimberley Mines tailings operation taking its interest to 75.9%. In line with IAS 28, gains and losses resulting from upstream and downstream transactions between an entity and its joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interest in the joint venture. As a result, Petra's incremental increase of 26% in Ekapa Minerals and its share (75.9%) of Super Stone have been recognised at fair value with the gain being recognised in the consolidated income statement. Petra's remaining share of Kimberley Underground mines (75.9%) continues to be recognised at book value whilst the 24.1% of the assets and liabilities classified as held for sale at 30 June 2016 have been derecognised and expensed in the Year and recorded as part of the net US\$4.1 million fair value gain.

The Group accounts for its interest in the Kimberley Ekapa Mining Joint Venture as a joint arrangement. The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. The Group classifies its interests in joint arrangements as jointly controlled operations where the Group has the rights to both assets and obligations for the liabilities of the joint arrangement. In assessing the classification of interests in joint arrangements, the Group considers the structure of the arrangement, the legal form and the contractual agreements between the parties.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

**Accounting policy for substantial modification of financial liabilities**

When the Group's borrowings are refinanced, and the refinancing is considered to be a substantial modification, the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised as a charge in the income statement on an accelerated basis.

## **Basis of preparation**

After a review of the Group's operations, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the unaudited consolidated preliminary financial statements. Further details of the Group's funding position are included in 'Post Year end Developments in Tanzania' on page 6, in 'Covenant Measurements attached to Banking Facilities' on page 10 of the financial review and in note 9.

The unaudited consolidated preliminary financial statements for the year ended 30 June 2017 do not constitute statutory accounts and have been drawn up using accounting policies and presentation expected to be adopted in the Group's full financial statements for the year ended 30 June 2017, which are not expected to be significantly different to those set out in notes 1 - 37 of the Group's audited financial statements for the year ended 30 June 2016, together with the accounting policies for the Kimberley Ekapa Mining JV, and substantial modification of financial liabilities, as noted above.

The financial information for the year ended 30 June 2016 has been extracted from the statutory accounts for that period. The auditors' report for the year ended 30 June 2016 was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

## **New standards and interpretations applied**

The IASB has issued no new standards, amendments to published standards and interpretations to existing standards with effective dates on or prior to 1 July 2016 which have a material effect on the Group.

## **New standards and interpretations not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 July 2017 or later periods, which the Group has decided not to adopt early or which are yet to be European Union endorsed.

The only standards which are anticipated to be significant or relevant to the Group are:

### **IFRS 15 Revenue from Contracts with Customers**

The Group is required to apply IFRS 15 for annual reporting periods beginning on or after 1 January 2018. Management have assessed the core principle of IFRS 15, that the Group will recognise revenue to depict the transfer of promised diamond sales to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the diamond sales.

Diamonds sales are made through a competitive tender process. Diamond sales are recognised when significant risks and rewards of ownership are transferred to the buyer, costs can be reliably measured and receipt of tender proceeds probable – this is deemed to be the point at which the tender is awarded. The Group has reviewed the terms and conditions of the current tender contract entered into with each of the buyers and are satisfied that, based on the terms of the current contracts, there is no change to the timing of revenue recognition on tender sales under IFRS 15.

Where the Group makes rough diamond sales to customers and retains a vested right in the future sale of the polished diamond, the Group will record such revenue only at the date when the polished diamond is sold (and only its interest therein). The Group has reviewed the terms and conditions of its current contracts pertaining to such scenarios and are satisfied that there is no change, based on the terms of the current contracts, to the timing of revenue recognition on such sales under IFRS 15.

## IFRS 16 Leases

The Group is required to apply IFRS 16 for annual reporting periods beginning on or after 1 January 2019. Management have assessed the core principle of IFRS 16, to reflect the right of use assets and lease liabilities onto the consolidated statement of financial position for the first time in respect of its current operating leases. Management consider the impact to be immaterial.

## IFRS 9 Financial Instruments

IFRS 9 "Financial instruments" addresses the classification and measurement of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Management are currently assessing the standard's full impact. The impact of IFRS 9 is likely to be largely affected by the Group's hedge accounting policies that will apply at the time of the standard's adoption. The Group is currently assessing both its hedging policies and the overall impact of IFRS 9.

### **Significant assumptions and judgements:**

The preparation of the consolidated preliminary financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, reported revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the preliminary financial statements. Estimates and judgements are continually evaluated and based on management's historical experience and other factors, including future expectations and events that are believed to be reasonable. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results of the Group in future reporting periods are discussed below.

### **Key estimates and judgements:**

#### **Life of mine and ore reserves and resources**

There are numerous risks inherent in estimating ore reserves and resources and the associated current life of mine plan. The life of mine plan is the current approved management plan for ore extraction that considers specific resources and associated capital expenditure. The life of mine plan frequently includes less tonnes than the total reserves and resources that are set out in the Group's Reserves and Resources Statement and which management may consider to be economically viable and capable of future extraction.

Management must make a number of assumptions when making estimates of reserves and resources, including assumptions as to exchange rates, rough diamond and other commodity prices, extraction costs, recovery and production rates. Any such estimates and assumptions may change as new information becomes available. Changes in exchange rates, commodity prices, extraction costs, recovery and production rates may change the economic viability of ore reserves and resources and may ultimately result in the restatement of the ore reserves and resources and potential impairment to the carrying value of the mining assets and life of mine plans.

The current life of mine plans are used to determine the ore tonnes and capital expenditure in the impairment tests. Ore reserves and resources, both those included in the life of mine and certain additional tonnes which form part of reserves and resources considered to be sufficiently certain and economically viable, also impact the depreciation of mining assets depreciated on a unit of production basis. Ore reserves and resources further impact the estimated date of decommissioning and rehabilitation.



## **Impairment reviews**

The Group prepares value in use impairment models and assesses mining assets for impairment. While conducting an impairment review of its assets using value in use impairment models, the Group exercised judgement in making assumptions about future rough diamond prices, foreign exchange rates, volumes of production, ore reserves and resources included in the current life of mine plans, future development and production costs and factors such as inflation and discount rates. Changes in estimates used can result in significant changes to the 'Consolidated Income Statement' and 'Statement of Financial Position'.

The impairment test for Williamson as at 30 June 2017 included the estimated effects of the legislation changes in Tanzania resulting in increased royalty, export and VAT costs, notwithstanding that they were only formally enacted shortly after Year end, and further considered the impact from regulatory uncertainty within Tanzania.

The headroom on the impairment test at Williamson was 2% (30 June 2016: 81%) on a carrying value of assets of US\$130.9 million. Accordingly the carrying value of the assets is highly sensitive to a change in any of the underlying assumptions. The most sensitive inputs are diamond prices (including expected revenue from Exceptional Diamonds) and discount rates. The diamond prices (including expected revenue from Exceptional Diamonds) used in the impairment test have been set with reference to recent achieved prices and product mix. The long-term diamond price escalators reflect the Group's assessment of market supply/demand fundamentals, although short-term volatility remains present within the market. A discount rate of 9% was used, calculated based on a nominal weighted cost of capital including the effect of factors such as market risk and country risk at year end. A sustained 5% drop in prices would result in a US\$28.3 million impairment charge; a 1% increase in the discount rate would result in a US\$8.2 million impairment charge.

The Board notes that there have been significant developments with regards to Williamson post Year end, as set out in note 17.

The lowest headroom at the South African mines is at Koffiefontein. The headroom on the impairment test at Koffiefontein was 10% (30 June 2016: 94%) on a carrying value of assets of US\$117.9 million. Management notes that a 2.7% reduction in diamond prices or a 32.0% reduction in production (for FY 2018 only) or a 3.7% reduction in foreign exchange rates as compared to the ZAR13.25/US\$1 base foreign exchange rate for FY 2018 at Koffiefontein would result in a break-even impairment scenario. The diamond prices used in the impairment test have been set with reference to recent achieved prices, the product mix anticipated from increased undiluted ore contribution and increased volume. The long-term diamond price escalators reflect the Group's assessment of market supply/demand fundamentals, although short-term volatility remains present within the market. Foreign exchange rate volatility remains. The impairment model includes an increase of 56.4% in carat production in FY 2018 versus FY 2017, reflecting a 29.0% increase in ROM tonnage throughput, which is supported by current production rates and trend.

## **Recoverability of VAT in Tanzania**

The Group holds VAT receivables carried at US\$15.8 million (30 June 2016: US\$10.8 million) in the Statement of Financial Position in respect of the Williamson mine, a major portion of which is past due. The assessment of carrying value required significant judgment including the payment history, ongoing discussions with the relevant authorities in Tanzania and the wider operating environment. The VAT receivables are considered valid and are not being disputed by the tax authorities. Accordingly, the Group will be pursuing near term payment in accordance with legislation. However, acknowledging the challenges of the current operating environment in Tanzania the receivables have been reclassified as non-current given the potential for delays in receipt.

## **Capitalisation of borrowing costs**

The Group capitalises effective interest costs (inclusive of fees) to property, plant and equipment when the loans are considered to have been drawn down for the purpose of funding the Group's capital development programmes. Judgement is required in determining the extent to which borrowing costs relate to qualifying capital projects. The US\$650 million bond raised in April 2017 and existing bank borrowings were utilised to fund the completion of underground expansion projects, the processing plant at Cullinan and the refinancing of existing bond and bank borrowings. When the Group's borrowings are refinanced, the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including

any non-cash assets transferred or liabilities assumed, is recognised as a charge in the income statement on an accelerated basis when the refinancing is considered to be a substantial modification of terms.

### **Provision for rehabilitation**

Significant estimates and assumptions are made in determining the amount attributable to rehabilitation provisions. These deal with uncertainties such as the legal and regulatory framework, timing and future costs. In determining the amount attributable to rehabilitation provisions, management used a discount rate range of 7.7%–9.9% (30 June 2016: 8.1%–9.6%), estimated rehabilitation timing of 10 to 48 years (30 June 2016: 11 to 49 years) and an inflation rate range of 5.7%–7.9% (30 June 2016: 6.1%–7.6%). The Group estimates the cost of rehabilitation with reference to approved environmental plans filed with the local authorities. Reductions in estimates are only recognised when such reductions are approved by local legislation and are consistent with the Group's planned rehabilitation strategy. Increases in estimates are immediately recognised.

### **Inventory and inventory stockpile**

Judgement is applied in making assumptions about the value of inventories and inventory stockpiles, including diamond prices, production grade and expenditure to determine the extent to which the Group values inventory and inventory stockpiles.

### **Depreciation**

Judgement is applied in making assumptions about the depreciation charge for mining assets. The Group depreciates its assets using units of production or straight-line basis depending on its assessment of the most appropriate method for each individual asset. Judgement is applied when using the units of production method in estimating the ore tonnes held in reserves and resources which have sufficient geological and geophysical certainty of being economically viable and which are extractable using existing assets. The relevant reserves and resources include those included in current approved life of mine plans and, in respect of certain surface and underground shared infrastructure, certain additional resources which also meet these levels of certainty and viability. The Group depreciates its assets according to relevant sections of the orebody over which these will be utilised and a key judgement exists in determining the future production unit assigned to on-mine shared infrastructure which is utilised over more than one section of the orebody or is used to access ore tonnes outside of the current approved life of mine plan. Judgement is also applied when assessing the estimated useful life of individual assets and residual values. The assumptions are reviewed at least annually by management and the judgement is based on consideration of the Life of Mine plans and structure of the orebody and the nature of the assets. The assessment is determined by the Group's capital project teams and geologists.

### **Pension and post-retirement medical fund schemes**

The Company operates a defined benefit pension scheme and a post-employment health care liability scheme. The pension charge or income for the defined benefit scheme and benefit liability for the post-employment health care liability scheme is regularly assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The most recent actuarial valuation was at 30 June 2017 for the pension fund. The most recent actuarial valuation for the post-employment medical scheme was at 30 June 2016 in line with the Group's policy of obtaining an external valuation every 2 years. The Group has assessed the key assumptions and no significant change in any of the key assumptions from the last external valuation at 30 June 2016 has been identified. The most important assumptions made in connection with the pension scheme valuation and charge or income are the return on the funds, the average yield of South African Government long dated bonds, salary increases, withdrawal rates, life expectancies and the current South African consumer price index. The most important assumptions made in connection with the post-employment health care liability scheme valuation and charge or income are the health care cost of inflation, the average yield of South African Government long dated bonds and salary increases, withdrawal rates and life expectancies.

### **Net investments in foreign operations**

Management assess the extent to which intra-group loans to foreign operations that give rise to unrealised foreign exchange gains and losses are considered to be permanent as equity or repayable in the foreseeable future. The judgement is based upon factors including the life of mine plans, cashflow forecasts and strategic plans. The foreign exchange on permanent equity loans are recorded in foreign currency translation reserve until such time as the operation is sold, whilst the foreign exchange on loans repayable in the foreseeable future are recorded in the Consolidated Income Statement.

### **Kimberley Mines acquisition during FY 2016**

Judgement was applied in determining the fair value adjustments in respect of the Kimberley Mines acquisition. The fair value adjustments to property, plant and equipment and medical aid provisions were to ensure these amounts were reflected at fair value. As detailed in note 29 of the FY 2016 annual report, the Group holds a 49.9% interest in Ekapa Minerals, which was used to acquire Kimberley Mines. The Group consolidated its share of the assets, liabilities, income and expenses of Kimberley Mines as a jointly controlled operation, based on contractual agreements between the joint venture partners that provided for unanimous decision making on the relevant activities of the business. The accounting treatment involved consideration of the structure of the arrangement, the legal form and the contractual agreements between the parties.

### **Non-current assets held for sale FY 2016 – Kimberley Underground**

At 30 June 2016, the carrying value of assets at Kimberley Underground, considered on the basis of classification as non-current assets held for sale and were carried at the lower of carrying value and fair value less cost to sell, as detailed in note 15 and in the Group's FY 2016 Annual Report. The assessment of fair value less cost to sell was considered by the Board and represented a key judgement, based on internal valuation models, discounts for market pricing and progress of the current sale process. The book value of the assets was less than fair value less costs to sell.

### **Kimberley Ekapa Mining Joint Venture**

Judgement was applied in determining the fair value adjustments in respect of the Kimberley Ekapa Mining Joint Venture ("KEM JV") acquisition. The fair value adjustments to mineral properties were to ensure the asset values for Petra's incremental share in Ekapa Minerals (Pty) Ltd ("Ekapa Minerals") and Petra's interest in Super Stone were reflected at fair value. The Group has joint control over the KEM JV and recognises its share of the assets, liabilities, income and expenses. The accounting treatment involved consideration of the structure of the arrangement, the legal form and the contractual agreements between the parties.

## **3. DIVIDENDS**

No dividends have been declared in respect of the current Year under review (30 June 2016: US\$15.4 million).

## **4. SEGMENTAL INFORMATION**

Segment information is presented in respect of the Group's operating and geographical segments:

Mining – the extraction and sale of rough diamonds from mining operations in South Africa and Tanzania.

Exploration – exploration activities in Botswana and South Africa.

Corporate – administrative activities in United Kingdom.

Segments are based on the Group's management and internal reporting structure. Management reviews the Group's performance by reviewing the results of the mining activities in South Africa and Tanzania, reviewing the results of exploration activities in Botswana and South Africa and reviewing the corporate administration expenses in United Kingdom. Each segment derives, or aims to derive, its revenue from diamond mining and diamond sales, except for the corporate and administration cost centre.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Segment results are calculated after charging direct mining costs, depreciation and other income and expenses. Unallocated items comprise mainly interest-earning assets and revenue, interest-bearing borrowings and expenses and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period. Eliminations comprise transactions between Group companies that are cancelled on consolidation. The results are not materially affected by seasonal variations. Revenues are generated from tenders held in South Africa and Antwerp for external customers from various countries, the ultimate customers of which are not known to the Group.

The Group's non-current assets are located in South Africa US\$1,345.1 million (30 June 2016: US\$991.8 million), Tanzania US\$153.8 million (30 June 2016: US\$125.0 million), Botswana US\$0.8 million (30 June 2016: US\$0.9 million) and United Kingdom US\$0.3 million (30 June 2016: US\$0.2 million).

The Group's property, plant and equipment included in non-current assets are located in South Africa US\$1,302.2 million (30 June 2016: US\$953.2 million), Tanzania US\$138.0 million (30 June 2016: US\$125.0 million), Botswana US\$0.8 million (30 June 2016: US\$0.9 million) and United Kingdom US\$0.3 million (30 June 2016: US\$0.2 million).

#### 4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities				Care and maintenance	Tanzania - Mining activities	Botswana	United Kingdom <sup>6</sup>	South Africa		Consolidated
	Cullinan	Finsch	Koffiefontein	KEM JV <sup>5</sup>	Helam	Williamson	Exploration	Corporate and treasury	Beneficiation <sup>4</sup>	Inter-segment	
US\$ million	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
Revenue	91.3	216.7	28.4	82.3	—	58.3	—	—	0.4	(0.3)	477.0
Segment result <sup>1</sup>	4.8	101.2	(11.0)	(2.7)	(2.5)	(3.4)	(0.8)	(11.2)	1.1	(0.6)	74.9
Other direct income	—	0.5	0.1	1.0	0.3	0.5	—	—	—	0.4	2.8
Operating profit / (loss) <sup>2</sup>	4.8	101.7	(10.9)	(1.7)	(2.2)	(2.9)	(0.8)	(11.2)	1.1	(0.2)	77.7
Fair value uplift on Kimberley Ekapa Mining Joint Venture <sup>5</sup>											4.1
Financial income											14.2
Financial expense											(49.5)
Income tax expense											(25.8)
Non-controlling interest											(2.4)
Profit attributable to equity holders of the parent company											18.3
Segment assets	828.7	661.6	248.0	212.1	5.0	171.1	0.9	3 214.0	7.4	(3 494.0)	1 854.8
Segment liabilities	694.3	394.6	265.6	220.7	50.9	277.8	44.2	2 178.8	8.0	(2 926.5)	1 208.4
Capital expenditure	151.2	85.6	18.8	28.4	-	15.0	—	1.4	—	(0.3) <sup>3</sup>	300.1

<sup>1</sup> Total depreciation of US\$79.6 million included in the segmental result, comprises depreciation incurred at Finsch US\$14.6 million, Cullinan US\$31.6 million, Koffiefontein US\$8.8 million, KEM JV US\$16.4 million, Williamson US\$6.6 million, Helam US\$0.6 million, Exploration US\$0.2 million and Corporate administration US\$0.8 million.

<sup>2</sup> Operating profit is equivalent to revenue of US\$477.0 million less total costs of US\$399.3 million as disclosed in the Consolidated Income Statement.

<sup>3</sup> Inter segment capital expenditure represents work-in-progress at Helam of US\$0.3 million in respect of the manufacture of plant and equipment for other mines within the Group.

<sup>4</sup> The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

<sup>5</sup> KEM JV comprises the combined operations of Kimberley Underground, Super Stone and the Kimberley Mines tailings operations (refer to note 16).

<sup>6</sup> With effect from 01 May 2017 the Company was domiciled in the United Kingdom.

#### 4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities				Care and maintenance	Tanzania - Mining activities	Botswana	Jersey	South Africa		Consolidated
	Cullinan	Finsch	Koffiefontein	Kimberley Operations <sup>3</sup>	Helam	Williamson	Exploration	Corporate and treasury	Beneficiation <sup>5</sup>	Inter-segment	
US\$ million	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
Revenue	83.3	186.4	25.7	57.7	0.1	78.9	—	—	0.2	(1.4)	430.9
Segment result <sup>1</sup>	3.7	98.0	(1.0)	7.1	(2.5)	18.6	(2.9)	(12.1)	(1.6)	(1.7)	105.6
Other direct income	—	0.2	0.2	1.5	0.3	0.5	—	—	—	0.1	2.8
Operating profit / (loss) <sup>2</sup>	3.7	98.2	(0.8)	8.6	(2.2)	19.1	(2.9)	(12.1)	(1.6)	(1.6)	108.4
Financial income											7.0
Financial expense											(40.0)
Income tax expense											(8.6)
Non-controlling interest											(12.6)
Profit attributable to equity holders of the parent company											54.2
Segment assets	654.7	352.8	195.9	185.2	5.8	158.9	1.1	2 314.8	6.1	(2 516.1)	1 359.2
Segment liabilities	425.1	179.4	199.1	194.1	42.7	264.1	43.6	1 368.9	7.6	(1 912.2)	812.4
Capital expenditure	179.4	73.8	27.5	16.8	0.1	24.4	—	1.8	—	0,3 <sup>4</sup>	324.1

<sup>1</sup> Total depreciation of US\$51.8 million included in the segmental result, comprises depreciation incurred at Finsch US\$11.8 million, Cullinan US\$18.4 million, Koffiefontein US\$4.5 million, Kimberley Underground US\$9.8 million, Williamson US\$5.9 million, Helam US\$0.6 million, Exploration US\$0.2 million and Corporate administration US\$0.6 million.

<sup>2</sup> Operating profit is equivalent to revenue of US\$430.9 million less total costs of US\$322.5 million as disclosed in the Consolidated Income Statement.

<sup>3</sup> The Kimberley Operations segment includes the trading results of 100% of Kimberley Underground from 1 July 2015 to 17 January 2016 and the Group's 75.9% attributable share of the Combined Kimberley Operations from 18 January 2016 following the acquisition of a jointly controlled interest in the Kimberley Mines and tolling agreement. Assets of US\$18.8 million and liabilities of US\$12.2 million in respect of Kimberley Underground have been classified as non-current assets-held-for-sale (refer to note 15 of the FY 2016 annual report).

<sup>4</sup> Inter-segment capital expenditure represents work-in-progress at Helam of US\$0.3 million in respect of the manufacture of plant and equipment for other mines within the Group.

<sup>5</sup> The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

## 5. CORPORATE EXPENDITURE

US\$ million	2017	2016
Auditors' remuneration		
- Audit services <sup>1&amp;2</sup>	0.5	0.6
- Audit related services <sup>3</sup>	0.1	0.1
Depreciation of property, plant and equipment	0.8	0.6
London Stock Exchange and other regulatory expenses	1.1	1.4
Other charges	5.2	3.1
Share-based expense - Directors	(0.3)	2.3
Share-based expense – Senior Management	—	0.3
Other staff costs	3.8	3.7
Total staff costs	3.5	6.3
	11.2	12.1

<sup>1</sup> Audit fees for the year ended 30 June 2017 stated above refer to fees for the 30 June 2016 audit.

<sup>2</sup> Included in Mining and Processing costs are audit fees of US\$0.3 million (30 June 2016: US\$0.3 million) relating to the audit of the mining operations.

<sup>3</sup> Audit-related services of US\$0.1 million for the FY 2016 are in respect of the interim review. A further US\$0.4 million fees for non-audit services in FY 2017 are in respect of the issue of the US\$650 million loan notes, which were capitalised under non-current loans and borrowings.

## 6. FINANCING EXPENSE

US\$ million	2017	2016
Net unrealised foreign exchange gains	9.9	3.2
Interest received on BEE loans and other receivables	2.5	3.4
Interest received bank deposits	1.8	0.4
Financial income	14.2	7.0
Gross interest on bank loans and overdrafts	(48.0)	(29.1)
Interest on bank loans and overdrafts capitalised	44.1	26.5
Net interest expense on bank loans and overdrafts	(3.9)	(2.6)
Bond redemption premium and acceleration of unamortised bond costs <sup>1</sup>	(22.3)	—
Other debt finance costs, including BEE loan interest and facility fees	(14.5)	(12.5)
Unwinding of present value adjustment for rehabilitation costs	(5.0)	(4.2)
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts <sup>2</sup>	(3.8)	(20.7)
Financial expense	(49.5)	(40.0)
Net financial expense	(35.3)	(33.0)

<sup>1</sup> Bond redemption premium and acceleration of unamortised bond costs of US\$22.3 million relate to costs associated with the refinancing and early redemption of the US\$300 million Bond comprising; unamortised upfront costs (US\$7.3 million previously capitalised) and make-whole premium (US\$15.0 million).

<sup>2</sup> During the current Year the Group ceased to classify its forward currency contracts as cashflow hedges. The Group recognised an amount of US\$nil million (30 June 2016: US\$7.2 million) in the Consolidated Income Statement in respect of the intrinsic and time value of these derivative positions that remained open at 30 June 2017. The Company recognised a realised loss of US\$3.8 million (30 June 2016: US\$20.7 million) in the Consolidated Income Statement in respect of foreign exchange contracts closed during the year. This realised loss arose due to the hedging positions being closed out at foreign exchange rates higher than the foreign exchange rates applicable at the inception of the original hedges.

## 7. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment for the Year is an increase of US\$362.0 million (30 June 2016: US\$110.5 million, excluding the portion held in non-current assets held for sale of US\$14.1 million). This is primarily as a result of an increase in property, plant and equipment from capital expenditure of US\$300.1 million (30 June 2016: US\$324.1 million), the recognition of the incremental assets attributable to the Group from the KEM JV of US\$14.7 million and the movement in the US\$/ZAR foreign exchange rate resulting in a foreign exchange increase on Rand based assets of US\$127.4 million (30 June 2016 US\$147.4 million decrease), which is off-set by depreciation of US\$79.6 million (30 June 2016: US\$51.8 million), increase in rehabilitation asset of US\$nil million (30 June 2016: US\$8.8 million decrease) and assets of US\$0.6 million (30 June 2016: US\$0.2 million) disposed of during the Year.

## 8. SHARES ISSUED

Allotments during the Year were in respect of:

- (i) the award to the Executive Directors of 646,398 ordinary shares granted under the 2012 Performance Share Plan, in receipt of performance measured over the period 1 July 2013 to 30 June 2016;
- (ii) the award to the Executive Directors of 507,600 ordinary shares granted under the 2011 Long-Term Share Plan, in receipt of performance measured over the period 1 July 2013 to 30 June 2016;
- (iii) the award to the Executive Directors of 156,233 ordinary shares granted under the 2014 deferred share awards based on the annual performance bonus plan;
- (iv) the award to the Senior Management of 4,371,770 ordinary shares granted under the 2011 Long-Term Share Plan, in receipt of performance measured over the period 1 July 2013 to 30 June 2016 and
- (v) the exercise of 2,131,250 share options under the 2005 Executive Share Option Scheme by Directors and Senior Management.

Further details with regards to the Group's share plans will be provided in the Group's 2017 Annual Report.

## 9. LOANS AND BORROWINGS

US\$ million	2017	2016
<b>Non-current liabilities</b>		
Loans and borrowings – Senior secured lender debt facilities	—	51.2
Loans and borrowings – Senior secured second lien notes	<b>598.5</b>	266.0
	<b>598.5</b>	317.2
<b>Current liabilities</b>		
Loans and borrowings – Senior secured lender debt facilities	<b>109.0</b>	80.3
Loans and borrowings – Senior secured second lien notes	<b>49.6</b>	27.0
	<b>158.6</b>	107.3
<b>Total loans and borrowings - bank facilities</b>	<b>757.1</b>	424.5

### a) Senior Secured Lender Debt Facilities

On 1 July 2016 the Group further amended its lending group (Absa Corporate and Investment Banking (“Absa”), FirstRand Bank Limited (acting through its Rand Merchant Bank division) (“RMB”), IFC, Nedbank Limited) to facilitate the exit of Bank of China Limited from its Amortising term facility. On 12 April 2017 the Group further amended its lending facilities with its lending group as follows:

- ATF reduced to ZARnil million (previously ZAR900 million)
- RCF reduced to ZAR1,000 million (previously ZAR1,250 million)
- WCF reduced to ZAR500 million (previously ZAR700 million) and
- IFC ATF and RCF facilities reduced to US\$nil (previously US\$35 million and US\$25 million respectively).



The Group's debt and hedging facilities are detailed in the table below:

Amended Senior Lender Debt Facilities	30 June 2017 <sup>3</sup> Facility amount	01 July 2016 <sup>1</sup> Facility amount	30 June 2016 Facility amount
<b>ZAR Debt Facilities:</b>			
ZAR Lenders Amortising term facility (ATF) <sup>2</sup>	ZARnil	ZAR900 million	ZAR665 million
ZAR Lenders Revolving credit facility (RCF)	ZAR1,000 million	ZAR1,250 million	ZAR1,500 million
ZAR Lenders Working capital facility (WCF)	ZAR500 million	ZAR700 million	ZAR500 million
Absa/RMB – FX Hedging facilities	ZAR300 million	ZAR300 million	ZAR400 million
<b>US\$ Debt Facilities:</b>			
IFC – Amortising term facility (ATF) <sup>2</sup>	US\$nil	US\$35 million	US\$35 million
IFC – Revolving credit facility (RCF) <sup>2</sup>	US\$nil	US\$25 million	US\$25 million

<sup>1</sup> Effective 1 July 2016, Bank of China Limited exited the Petra Group Lenders.

<sup>2</sup> The ZAR Lenders ATF, the IFC ATF and RCF facilities were all repaid during the year (refer to b) below).

<sup>3</sup> The facilities were amended with effect from 12 April 2017.

The repayment terms and interest rates remained unchanged. The terms and conditions will be detailed in the Group's FY 2017 Annual Report.

The facilities are secured on the Group's interests in Finsch, Cullinan, Koffiefontein, and Williamson.

For changes relating to the covenant ratios subsequent to the year end, refer to note 17.

Refer to 'Covenant Measurements attached to Banking Facilities' on page 10 of the CEO's Review for discussion with regards to covenants.

#### **b) US\$650 million Senior Secured Second Lien Notes**

On 12 April 2017, a wholly owned subsidiary of the Company, Petra Diamonds US\$ Treasury Plc, issued debt securities consisting of US\$650 million five-year senior secured second lien notes with a maturity date of 01 May 2022 (the "2022 Notes"). The 2022 Notes carried a coupon of 7.25% per annum, which is payable semi-annually in arrears on 01 May and 01 November of each year. The 2022 Notes are guaranteed by the Company and by the Petra Diamonds Group's material subsidiaries and are secured on a second lien basis on the assets of the Petra Diamonds Group's material subsidiaries.

Proceeds from the 2022 Notes have been used to refinance the Petra Diamonds Group existing US\$300 million 8.25% senior secured second lien notes due 2020 (refer to c) below), to repay certain bank facilities (refer to a) above), and primarily to fund capital expansion projects.

Further details about the Notes (including security) will be included in the FY 2017 Annual Report.

#### **c) US\$300 million Senior Secured Second Lien Notes**

In the prior year, a wholly owned subsidiary of the Company, Petra Diamonds US\$ Treasury Plc, issued debt securities consisting of US\$300 million five-year senior secured second lien loan notes ("the Notes"), with a maturity date of 31 May 2020. The Notes carry a coupon of 8.25% per annum, which was payable semi-annually in arrears on 31 May and 30 November of each year, beginning on 30 November 2015. The Notes were guaranteed by the Company and by the Group's material subsidiaries and were secured on a second-priority basis on the assets of the Group's material subsidiaries. The Notes were listed on the Irish Stock Exchange and traded on the Global Exchange Market. On or after 31 May 2017, the Company had the right to redeem all or part of the Notes, details of which were included in the 2016 Annual Report.

The Notes were repaid on 12 April 2017 from the proceeds received from the issue of the 2022 Notes (refer b) above).

## 10. COMMITMENTS

As at 30 June 2017, the Company has committed to future capital expenditure totalling US\$25.6 million (30 June 2016: US\$63.3 million), mainly comprising Cullinan US\$6.8 million (30 June 2016: US\$36.1 million), Finsch US\$13.8 million (30 June 2016: US\$14.1 million), Koffiefontein US\$2.6 million (30 June 2016: US\$4.4 million), KEM JV US\$1.9 million (30 June 2016: Kimberley Underground US\$4.1 million) and Williamson US\$0.5 million (30 June 2016: US\$4.3 million).

## 11. RELATED PARTY TRANSACTIONS

The Group's related party BEE partners, Kago Diamonds (Pty) Ltd ("Kago Diamonds"), Senakha Diamonds Investments (Pty) Ltd ("Senakha"), Thembinkosi Mining Investments (Pty) Ltd ("Thembinkosi"), Re-Teng Diamonds (Pty) Ltd ("Re-Teng Diamonds") and Sedibeng Mining (Pty) Ltd ("Sedibeng Mining") and their gross interests in the mining operations of the Group are disclosed in the table and group restructuring paragraph below.

Mine	Partner and respective interest as at 30 June 2017	Partner and respective interest as at 30 June 2016
Finsch	Kago Diamonds (14%)	Senakha (21%)
Cullinan	Kago Diamonds (14%)	Thembinkosi (14%)
Koffiefontein	Kago Diamonds (14%)	Re-Teng Diamonds (30%)
Kimberley Underground	n/a	Sedibeng Mining (26%)
Kimberley Ekapa Mining JV <sup>1</sup>	Kago Diamonds (8.4%) Ekapa Mining (24.1%)	n/a
Helam	Sedibeng Mining (26%)	Sedibeng Mining (26%)

<sup>1</sup> The Kimberley Ekapa Mining JV was formed effective 1 July 2016 (refer note 16).

The non-current loans receivable, non-current loans payable, finance income and finance expense due from and due to the related party BEE partners and other related parties are disclosed in the table below:

US\$ million	2017	2016
<b>Non-current receivable</b>		
Re-Teng Diamonds	—	0.6
Sedibeng Mining	1.0	14.1
Kago Diamonds	11.8	—
Senakha <sup>2</sup>	—	2.1
Thembinkosi <sup>1&amp;2</sup>	—	2.4
Ekapa Mining <sup>3</sup>	2.0	2.7
	<b>14.8</b>	<b>21.9</b>
<b>Non-current payable</b>		
Re Teng Diamonds	—	—
Sedibeng Mining	—	1.1
Kago Diamonds	53.6	—
Senakha <sup>2</sup>	—	35.2
Thembinkosi <sup>1&amp;2</sup>	—	21.8
	<b>53.6</b>	<b>58.1</b>
<b>Finance income</b>		
Re-Teng Diamonds	—	—

Sedibeng Mining	—	1.3
Kago Diamonds	<b>0.7</b>	—
Senakha <sup>2</sup>	—	0.1
Thembinkosi <sup>1&amp;2</sup>	—	0.1
Ekapa Mining	<b>0.2</b>	0.1
	<b>0.9</b>	1.6
<b>Finance expense</b>		
Re-Teng Diamonds	—	—
Sedibeng Mining	—	0.7
Kago Diamonds	<b>5.8</b>	—
Senakha <sup>2</sup>	—	3.9
Thembinkosi <sup>1&amp;2</sup>	—	2.0
Ekapa Mining	<b>0.2</b>	0.1
	<b>6.0</b>	6.7

<sup>1</sup> Umnotho weSizwe Group (Pty) Ltd (“Umnotho”), holds a 36% interest in Thembinkosi. Mr Abery (a Group director for the period ending 30 June 2016) is a director of Umnotho. Mr Pouroulis, Mr Dippenaar and Mr Abery are directly or indirectly beneficiaries of a trust that is a shareholder in Umnotho.

<sup>2</sup> Included in non-current receivables and payables are amounts advanced during the Year of US\$3.4 million (30 June 2016: US\$1.7 million).

<sup>3</sup> Additionally, included in current trade and other receivables and current trade and other payables are amounts of:

- US\$10.6 million (30 June 2016: US\$11.6 million) receivable from and US\$nil million (30 June 2016: US\$1.9 million) payable to Ekapa Mining (Pty) Ltd relating to working capital loans with the Group.

### Tolling agreement

In the prior year the Group entered into a tolling agreement for the period 18 January 2016 to 30 June 2016 with Ekapa Minerals (50.1% owned by Ekapa Mining (Pty) Ltd) and Super Stone (100% owned by Ekapa Mining (Pty) Ltd) to combine diamond production and sales. Under the agreement, the Group acquired tailings material from the parties and the combined run of mine and tailings material of the parties was processed by the parties in return for tolling fees. While the Group sold the resulting combined diamond production on behalf of the parties, the Group only received the economic benefit from 75.9% of the combined rough diamond sales under the agreement. Accordingly, the Group recognised 75.9% of the sales for which it acted as principal. No revenue was recognised for the remaining portion, for which the Group acted as an agent and receives no further income. The Group generated revenue of US\$42.2 million as part of the tolling agreement and incurred total costs of US\$23.4 million for the period 18 January 2016 to 30 June 2016. Effective 1 July 2016 the Group entered into the KEM JV (refer to note 16) and the tolling agreement ceased.

### Rental income receivable

The Group received US\$nil million (30 June 2016: US\$0.1 million) of rental income from Pella Resources Ltd and US\$0.3 million (30 June 2016: US\$0.1 million) from Alufer Mining Ltd. The Group has US\$0.3 million (30 June 2016: US\$0.2 million) receivable from Pella Resources Ltd and US\$0.1 million (30 June 2016: US\$0.1 million) receivable from Alufer Mining Ltd both companies of which Mr Pouroulis is a director.

### Group restructuring

Effective 1 July 2016, the Company completed the restructuring of the Group and its BEE Partner structures, allowing for a simplified Group structure. The IPDET now owns a 12% interest in each of the Group’s South African operations, with Petra’s commercial BEE Partners holding the remaining 14% interest through their respective shareholdings in Kago Diamonds, in which Petra has a 31.46% interest. The effect of the restructuring for shareholders at 1 July 2016 is an increase in the equity attributable to the shareholders of the Company as the non-controlling interest in the underlying net assets of the operations decreased by US\$1.4 million. This decrease reflects the non-controlling interest’s increased share of cumulative profits at Finsch, a reduction in the share of the cumulative profits at Cullinan and an increased share of cumulative losses at Kimberley, Koffiefontein and Helam. The increase of US\$1.4 million, attributable to the Group’s shareholders, excludes the effect of the KEM JV transaction in note 16. The effective interest percentages attributable to the Group’s shareholders are disclosed in the table below:

Mine	Resultant Group's effective interest % - Pre restructuring	Resultant Group's effective interest % - Post restructuring
Finsch	82.38	78.4
Cullinan	77.03	78.4
Koffiefontein	81.39	78.4
Kimberley Underground / KEM JV	86.80	58.1 <sup>1</sup>
Helam	86.80	74.0

<sup>1</sup> The 58.1% effective interest in KEM JV post restructuring reflects both the Group's interest in KEM JV following the transaction in note 16 and the impact of the BEE restructuring.

Mr Abery stepped down as Petra's Finance Director, effective 30 June 2016, in order to pursue other opportunities. Mr Abery entered into a fixed term employment contract for advisory services with the Company effective from 1 July 2016 for a fixed period of seven months until 31 January 2017 as part of the succession process. Further details with regards to Mr Abery's resignation and subsequent fixed term employment contract were provided in the Company's 2016 Annual Report.

## 12. BEE LOANS RECEIVABLE AND PAYABLE

US\$ million	2017	2016
<b>Non-current assets</b>		
Loans and other receivables	<b>35.0</b>	28.8 <sup>1</sup>
<b>Non-current liabilities</b>		
Trade and other payables	<b>99.5</b>	84.6 <sup>1</sup>

<sup>1</sup> The non-current BEE loans and receivables and BEE payables exclude the portion held in liabilities directly associated with non-current assets held for sale of US\$1.6 million.

The non-current BEE loans and receivables and BEE payables, represent those amounts receivable from and payable to the Group's BEE partners (Kago Diamonds, Thembinkosi, Senakha, Re Teng Diamonds, Sedibeng Mining and the IPDET) in respect of financing their interests in the Finsch, Cullinan, Koffiefontein and Kimberley Underground mines.

The Group has provided surety to Absa, Investec and RMB for repayment of loans advanced by Absa, Investec and RMB to the Group's BEE Partners. The BEE Lender facilities were amended on 1 July 2016 to include Kago Diamonds as a party to the BEE Lender facilities and to extend the repayment terms to align with the delivery of the capital expansion programmes at the underlying Petra mining operations. The probability of repayment default by the BEE Partners to Absa, Investec and RMB is considered remote.

### 13. EARNINGS PER SHARE

	30 June 2017	30 June 2016
	US\$	US\$
Numerator		
Profit for the Year	<b>18,330,197</b>	54,173,140
Denominator		
	Shares	Shares
Weighted average number of ordinary shares used in basic EPS		
As at 1 July	<b>524,172,967</b>	518,138,799
Effect of shares issued during the Year	<b>4,397,609</b>	3,592,017
As at 30 June	<b>528,570,576</b>	521,730,816
	Shares	Shares
Dilutive effect of potential ordinary shares	<b>5,904,758</b>	12,547,315
Weighted average number of ordinary shares in issue used in diluted EPS	<b>534,475,334</b>	534,278,131
	US\$ cents	US\$ cents
Basic profit per share – US\$ cents	<b>3.47</b>	10.38
Diluted profit per share – US\$ cents	<b>3.43</b>	10.14

In the current Year, the number of potentially dilutive ordinary shares, in respect of employee share options, Executive Director and Senior Management share award schemes is 5,904,758 (30 June 2016: 12,547,315). These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share. There have been no significant post balance sheet changes to the number of options to impact the dilutive number of ordinary shares.

### 14. ADJUSTED EARNINGS PER SHARE (non-GAAP measure)

In order to show earnings per share from operating activities on a consistent basis, an adjusted earnings per share is presented which excludes certain items as set out below. It is emphasised that the adjusted earnings per share is a non-GAAP measure. The Petra Board considers the adjusted earnings per share to better reflect the underlying performance of the Group. The Company's definition of adjusted earnings per share may not be comparable to other similarly titled measures reported by other companies.

	30 June 2017	30 June 2016
	US\$	US\$
Numerator		
Profit for the Year	<b>18,330,197</b>	54,173,140
Net unrealised foreign exchange gains	<b>(9,908,160)</b>	(3,257,585)
Kimberley Ekapa Mining JV fair value adjustment	<b>(4,140,552)</b>	—
Bond redemption premium and accelerated unamortised bond costs	<b>22,347,670</b>	—
Adjusted profit for the year attributable to parent	<b>26,629,155</b>	50,915,555
Denominator		
	Shares	Shares
Weighted average number of ordinary shares used in basic EPS		
As at 1 July	<b>524,172,967</b>	518,138,799
Effect of shares issued during the Year	<b>4,397,609</b>	3,592,017
As at 30 June	<b>528,570,576</b>	521,730,816

	Shares	Shares
Dilutive effect of potential ordinary shares	<b>5,904,758</b>	12,547,315
Weighted average number of ordinary shares in issue used in diluted EPS	<b>534,475,334</b>	534,278,131
	<b>US\$ cents</b>	US\$ cents
Adjusted basic profit per share – US\$ cents	<b>5.04</b>	9.76
Adjusted diluted profit per share – US\$ cents	<b>4.98</b>	9.53

## 15. NON-CURRENT ASSETS HELD FOR SALE

### Partial disposal of Kimberley Underground (24.1%)

As at 30 June 2016, the Company was in negotiations with Ekapa Mining to combine their respective businesses in the Kimberley area (refer note 16), with Petra retaining a 75.9% interest in the planned KEM JV. As a result of this transaction, 24.1% of the Kimberley Underground mining operation (being Ekapa Mining's effective interest in the planned KEM JV) was classified as held for sale in the Statement of Financial Position at 30 June 2016, in accordance with IFRS 5. The Kimberley Underground mining operation formed a part of the Kimberley Operations operating segment for the purposes of the Group's segmental reporting, as disclosed in note 4. The 24.1% interest in net assets of the Kimberley Underground mining operation included in the Statement of Financial Position are set out below.

US\$ million	30 June 2016
<b>Net assets :</b>	
Property, plant and equipment	14.1
Trade and other receivables	3.0
Inventories	1.7
Non-current assets classified as held for sale	18.8
Non-current trade and other payables	(1.6)
Rehabilitation provision	(1.4)
Trade and other payables	(9.2)
Liabilities directly associated with non-current assets classified as held for sale	(12.2)
Net assets	6.6

## 16. ACQUISITION

### Kimberley Ekapa Mining Joint Venture

On 8 July 2016, Petra and Ekapa Mining entered into a joint venture agreement (effective 1 July 2016) to combine the operations they owned in the Kimberley area into an unincorporated joint venture named the Kimberley Ekapa Mining Joint Venture ("KEM JV"). The operations contributed by the joint venture partners are detailed below. Petra has joint control of the KEM JV under the terms of the shareholders' agreements and recognise its share of revenue, costs, assets and liabilities.

The operations owned and operated by the joint venture partners comprise:

- Kimberley Underground mines (via Petra's subsidiary Crown Resources (Pty) Ltd) ("Crown Resources"). At 30 June 2016, 24.1% of the Kimberley Underground mines (being Ekapa Mining's effective interest in the newly formed joint venture) were classified as held for sale in the Statement of Financial Position in accordance with IFRS 5;
- Tailings operations (via Ekapa Mining's subsidiaries, Super Stone and Kimberley Miners Forum (Pty) Ltd); and
- Kimberley Mines tailings operations (via Ekapa Minerals, owned 50.1% Ekapa Mining and 49.9% Petra).

Prior to the transaction, Petra controlled and consolidated Kimberley Underground mines with a non-controlling interest shown separately and Petra also held a 49.9% jointly controlled interest in the Kimberley Mines tailings operations.

Subsequent to the transaction, Petra and its BEE Partners have a 75.9% jointly controlled interest in KEM JV, held through Crown Resources and Ekapa Minerals, with Ekapa Mining owning the remaining 24.1%. Petra and its BEE Partners effectively contributed 24.1% of their interest in Kimberley Underground mines in return for a 75.9% interest in the tailings operations contributed by Super Stone and Kimberley Miners Forum (Pty) Ltd and a 26% increase in the interest in the Kimberley Mines tailings operation.

### Effect of the transaction

The transaction had the following effect on the Group's assets and liabilities:

### Summary of net fair value gain recognised

US\$ million	Table	Fair value
Fair value uplift for 26% incremental interest in Ekapa Minerals	a)	2.2
Fair value uplift for 75.9% interest in Super Stone	b)	8.5
Derecognition of 24.1% net book value of Kimberley Underground Mines	c)	(6.6)
<b>Net fair value gain recognised in the consolidated income statement</b>		<b>4.1</b>

#### a) Ekapa Minerals

US\$ million	Book value	Fair value adjustments	Fair value
Mining property, plant and equipment	18.9	—	18.9
Mineral property	—	3.7	3.7
Cash and cash equivalents, inventory and trade and other receivables	6.9	—	6.9
Environmental liabilities and trade and other payables	(21.0)	—	(21.0)
<b>Net assets at 1 July 2016</b>	<b>4.8</b>	<b>3.7</b>	<b>8.5</b>
<b>Recognition of Petra's 26% incremental interest in Ekapa Minerals</b>	<b>1.2</b>	<b>1.0</b>	<b>2.2</b>

#### b) Super Stone

US\$ million	Book value	Fair value adjustments	Fair value
Mining property, plant and equipment	7.4	—	7.4
Mineral property	2.0	0.9	2.9
Cash and cash equivalents, inventory and trade and other receivables	2.5	—	2.5
Environmental liabilities and trade and other payables	(1.6)	—	(1.6)
<b>Net assets at 1 July 2016</b>	<b>10.3</b>	<b>0.9</b>	<b>11.2</b>
<b>Recognition of Petra's 75.9% interest in Super Stone</b>	<b>7.8</b>	<b>0.7</b>	<b>8.5</b>

#### c) Kimberley Underground Mines

US\$ million	Book value
Partial disposal of 24.1% of Kimberley Underground Mines (refer to note 15)	(6.6)

The US\$4.1 million gain recorded on the formation of KEM JV represents Petra's newly recognised incremental 26% share of the fair value of Ekapa Minerals assets and liabilities and its 75.9% share of the fair value of Super Stones assets and liabilities, less the 24.1% of the net book value assets and liabilities of Kimberley Underground mine relinquished by Petra as part of the transaction.

## 17. POST BALANCE SHEET EVENTS

### Covenant Ratios

On 9 September 2017, agreement was reached with Petra's lender group to waive the two EBITDA maintenance measurement covenant tests relating to its senior debt facilities for the 12 month period to, and as at, 30 June 2017. The lender group further agreed to revised covenant ratios relating to EBITDA for the 12 month measurement period to 31 December 2017 as follows:

- the interest cover ratio is changed to no less than 2.7x (previously 3.85x); and
- the net debt to EBITDA ratio is changed to no more than 4.0: 1 (previously 2.80:1).

### Operations in Tanzania

Reports have recently appeared in the media about the findings of an investigation into the Tanzanian diamond sector by a parliamentary committee in Tanzania. In connection with this, Petra announced on 11 September 2017 that a parcel of diamonds (71,654.45 carats) from the Williamson mine in Tanzania (owned 75% Petra and 25% by the Government of the United Republic of Tanzania ("GoT")) had been blocked from export to Petra's marketing office in Antwerp and certain key personnel from Williamson were being questioned by the authorities. Production was temporarily stopped for safety and security reasons, but recommenced on 14 September 2017 after a four day shut-down following the return of the key personnel to the mine. However the parcel of diamonds has not yet been released. The grounds upon which these actions were taken have still not been formally made known to the Company. Petra is committed to engagement with the GoT to resolve this matter.

As previously announced, changes to the legislative framework governing the natural resources sector were also recently passed by GoT and sales at Williamson are now subject to an additional 1% royalty (bringing the total royalty to 6%) and a 1% export clearing fee. Changes have also been enacted with regards to the offsetting of VAT, the impact of which on Williamson is still under discussion with GoT and yet to be determined, but could increase costs by ca. 10%. The legislative change does not impact the VAT recoverable as at Year end.

Further key legislative changes also encompass:

- the provision to the GoT of a non-dilutable, free-carried interest of no less than 16% in all mining projects (note that the GoT already holds 25% of the Williamson mine);
- the right for the GoT to acquire up to 50% of any mining asset commensurate with the value of tax benefits provided to the owner of that asset by the GoT; and
- companies with a Special Mining Licence to float 30% of their total issued shares on the Dar es Salaam Stock Exchange in Tanzania by 24 August 2017 (a waiver to the minimum local shareholding requirement may be granted under certain conditions).

The Company is committed to ongoing dialogue with the GoT with respect to the aforementioned matters. The outcome and timing of these discussions remain uncertain at this point in time. Should Petra be unable to resume sales and maintain normal operations at Williamson, this would have a material negative impact on the carrying value of assets of the Williamson mine.



## Principal Risk Factors and Uncertainties

The Group is exposed to a number of risks and uncertainties which could have a material impact on its long-term development and performance and management of these risks is an integral part of the management of the Group. The Board has identified the following as being the principal strategic and operational risks (in no order of priority). A more detailed analysis of the Group's risk factors as well as its risk management processes will be provided in the 2017 Annual Report.

<b>Risk</b>	<b>Description</b>
Safety	Ensuring the safety of all Petra people is the Group's number one priority. Poor safety performance can also lead to temporary mine closures, thereby impacting production results. Petra is highly focused on managing its safety performance and follows a risk-based approach which entails continual hazard identification, risk assessment and instilling safety awareness into the workplace culture. HSSE targets are explicitly included as part of Petra's annual bonus framework.
Mining and production	The mining of diamonds from kimberlite deposits involves an intrinsic degree of risk from various factors, including geological, geotechnical and seismic factors, industrial and mechanical accidents, unscheduled plant shutdowns, technical failures, ground or water conditions and inclement or hazardous weather conditions.
ROM grade and product mix variability	At the Group's underground mines, Petra is currently transitioning from operating in 'mature' caves, which are significantly diluted with waste rock, to new caves where the Company is accessing undiluted ore. This risk is reducing as Petra ramps up production from the new mining areas, as evidenced by the improving ROM grades and product mix recorded at Finsch, Cullinan and Koffiefontein, however there remains risk of volatility in the short term.
Rough diamond prices	<p>The Company's financial performance is closely linked to rough diamond prices which are influenced by numerous factors beyond the Company's control, including international economic conditions, world production levels and consumer trends.</p> <p>Whilst the medium to long term fundamentals of the diamond market remain positive, some volatility in rough diamond pricing may be experienced in the short term. The Group's management closely monitors developments in the international diamond market (across the pipeline from the rough market to the retail consumer market) to be in a position to react in a timely manner to changes in rough diamond prices and demand.</p>
Expansion and project delivery	Petra has set out a clear and transparent growth profile to increase annual production to 5.0 - 5.3 million carats by FY 2019. Actual production may vary from estimates of future production for a variety of reasons and it should be noted that assumptions may be subject to change as the Company continually evaluates its projects to optimise efficiency and production profitability.
Retention of key personnel	The successful achievement of the Group's strategies, business plans and objectives depends upon its ability to attract and retain certain key personnel. Petra believes that employees who are empowered and accountable for their actions work to the best of their ability and are able to fulfil their true potential, plus the Group's employment policies and terms are designed to attract, incentivise and retain individuals of the right calibre.
Financing	Petra has a significant Capex programme in place. The Company plans to continue to finance this Capex from operating cashflows and debt finance. Lack of adequate available cashflows as a result of reduction in operating cashflows and/or breaches in banking covenants could delay development work.
Country and political risk	Petra's operations are predominantly based in South Africa, with lesser exposure to Tanzania and Botswana. Emerging market economies could be subject to greater risks, including legal, regulatory, taxation, economic, and political risks, and are potentially subject to rapid change.

Political risk in Tanzania increased significantly during FY 2017 and had a direct impact on the business post Year end, as disclosed in note 17.

Labour relations	<p>The Group's production, and to a lesser extent its project development activities, is dependent on a stable and productive labour workforce. Petra remains highly focused on managing labour relations and on maintaining open and effective communication channels with the appropriate employee and union representatives at its operations.</p> <p>The Company is currently finalising new union wage agreements with regards to its South African operations, as disclosed in the 'CEO's Review' on page 5.</p>
Currency	<p>With Petra's operations mainly in South Africa, but diamond sales based in US Dollars, the volatility and movement in the Rand is a significant factor to the Group. Also, the Group undertakes transactions in a number of different currencies. Fluctuations in these currencies may have a significant impact on the Group's performance. In order to mitigate currency risk, the Group continually monitors the movement of the Rand against the US Dollar and takes expert advice from its bankers in this regard. It is the Group's policy to hedge a portion of future diamond sales when weakness in the Rand deems it appropriate. Such contracts are generally short-term in nature.</p>
Synthetic diamonds	<p>Man-made or "synthetic" diamonds have been available for many years, but to date have predominantly been used to manufacture smaller diamonds for industrial purposes as the cost of production has generally rendered larger gem quality synthetic stones uneconomic. Technological advancements mean that gem quality synthetics are now more widely available but they are only estimated to represent ca. 3% of mined diamond supply<sup>1</sup>. The Company expects synthetic diamonds to find a place in the consumer market as lower value goods, with natural diamonds remaining the premium product.</p>
Cost Control and Capital Discipline	<p>As is usual for the mining industry, Petra's operations have a relatively high fixed-cost base, estimated to be ca. 70%. Petra's main cost inputs are labour and energy, both of which have been rising higher than the official inflation rates in South Africa and Tanzania. Ineffective cost control leads to reduced margins and profitability.</p>
Licence to Operate	<p>In order to maintain its exploration or mining licences, Petra must comply with stringent legislation to justify its licence to operate. Failure to comply with relevant legislation in South Africa, Tanzania or Botswana could lead to delays or suspension of its mining and exploration activities. Proposed changes to legislation in South Africa are noted on page 21, and changes to legislation in Tanzania are noted on page 6.</p>
Community Relations	<p>Mutual support between our operations and the communities around them is vital to the success of our activities and for maintaining our social licence to operate. Petra regards its host communities as one of the most important of its primary stakeholders and contributing to these groups in a meaningful, sustainable and long term manner is therefore central to its strategy.</p>

<sup>1</sup> Source: Canaccord Genuity – Quarterly Diamond Focus – 8 August 2017

## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the preliminary financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit of the Group for the Year; and

(b) the preliminary management report for the Year includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (DTR 4.1.8 R and 4.1.9 R).

By order of the Board

**Johan Dippenaar**  
Chief Executive

18 September 2017