



PetraDiamonds

This announcement contains inside information

23 October 2017

LSE: PDL

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

Trading Update – Q1 FY 2018 Production and Sales Report

Petra Diamonds Limited announces the following trading update (unaudited) for the period from 1 July 2017 to 20 October 2017, covering production and sales from 1 July 2017 to 30 September 2017 ("Q1 FY 2018" or "Q1" or the "Period").

SUMMARY

- Lost Time Injury Frequency Rate ("LTIFR") improved to 0.24 (Q1 FY 2017: 0.28), representing an all-time low for the Company. Petra remains highly focused on managing health and safety as its most important priority.
- Q1 production down 4% to 1,053,817 carats (Q1 FY 2017: 1,097,523 carats) mainly due to a planned reduction in tailings production at Finsch and Kimberley Ekapa Mining Joint Venture ("KEM JV"). Encouragingly, Q1 ROM production increased 17% to 842,809 carats (Q1 FY 2017: 720,475 carats), despite the labour disruptions experienced in September 2017 impacting ROM production by ca. 60,000 carats.
- Q1 revenue down 17% to US\$78.7 million from 711,277 carats sold (Q1 FY 2017: US\$94.7 million from 745,447 carats sold, including US\$10.9 million revenue from Exceptional Diamonds). No sales from Williamson in Tanzania were included, due to a parcel of diamonds from the mine being detained by the Government of the United Republic of Tanzania ("GoT").
- Post Period end, the Company completed further sales of South African goods yielding US\$53.1 million. As previously announced, Petra has received authorisation from the GoT to resume diamond exports and sales, and a second parcel of ca. 40,000 carats from the Williamson mine has been shipped to the Company's marketing office in Antwerp, to be sold in Q2 FY 2018. Petra continues to engage with the GoT in order to reach a satisfactory solution with regards to the first parcel of diamonds.
- Diamond prices for Q1 on a like-for-like basis were down ca. 3% in comparison to H2 FY 2017, and by a further ca. 2% at the Company's second tender held in October 2017, partially offset by the expected improvement in product mix further to a higher proportion of ROM versus tailings carats.
- The expansion programmes remain on track. All components of the Cullinan plant are now fully operational, with ramp-up and optimisation activities ongoing; the plant is expected to achieve nameplate capacity of 6 Mtpa during H2 FY 2018.

- Net debt at 30 September 2017 of US\$613.8 million (30 June 2017: US\$555.3 million) is at higher than previously expected levels due to no sales from Williamson; cash and undrawn bank facilities of US\$146.7 million (30 June 2017: US\$209.3 million).

Production and Sales – Summary

	Unit	Q1 FY 2018 ¹	Q1 FY 2017 ¹	Variance	FY 2017 ¹
Sales					
Diamonds sold	Carats	711,277	745,447	-5%	4,006,856
Gross revenue	US\$M	78.7	94.7	-17%	477.0
Production					
ROM tonnes	Mt	3,127,485	2,796,670	+12%	10.1
Tailings & other ² tonnes	Mt	1,669,728	2,577,792	-35%	8.7
Total tonnes treated	Mt	4,797,213	5,374,462	-11%	18.8
ROM diamonds	Carats	842,809	720,475	+17%	2,849,247
Tailings & other ² diamonds	Carats	211,008	377,048	-44%	1,163,966
Total diamonds	Carats	1,053,817	1,097,523	-4%	4,013,213

1. Production and sales data are stated on an attributable basis, including 75.9% of KEM JV effective from 1 July 2016.
2. 'Other' includes alluvial diamond mining at Williamson.

Johan Dippenaar, Chief Executive Officer, commented:

“Despite the labour disruptions at Finsch, Koffiefontein and KEM JV, the Group has made a strong start to FY 2018, delivering close to 1.1 Mcts for Q1. The Group is continuing its production build up and it is encouraging to see the increasing contribution of ROM production.”

CONFERENCE CALL

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

From the UK (toll free): 0808 237 0040
 From South Africa (toll free): 0800 222 290
 From South Africa (toll): 021 672 4008
 From the rest of the world: +44 (0)203 428 1542
 Participant passcode: 63974110#

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

From UK (toll free): 0808 237 0026
 From South Africa and the rest of the world: +44 (0)20 3426 2807
 Playback passcode: 692256#

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

Participants are advised to listen to the replay of the first conference call in advance of this call, as the main management commentary on the results will not be repeated.

From the United States (toll free): 1866 928 7517
From the rest of the world: +44 (0)2034281542
From the UK (toll free): 0808 237 0040
From South Africa (toll free): 0800 222 290
Participant passcode: 37963359#

COMMENTARY

Health and safety

- The Company's LTIFR improved to 0.24 (Q1 FY 2017: 0.28), representing an all-time low in the Company's history.
- During September 2017, both Finsch and Koffiefontein were recognised for their safety achievements in the diamond mining sector during the annual MineSafe conference in South Africa.
- Throughout the Group, the Company has maintained its safety initiatives, involving all levels of employees, serving to reiterate its zero-tolerance approach to unsafe acts and working conditions and to reinforce safety as the single most important personal and organisational value.

Production

- ROM production increased 17% to 842,809 carats (Q1 FY 2017: 720,475 carats) offset by a reduction in tailings (mostly at KEM JV), resulting in overall carat production decreasing 4% against the comparative quarter to 1,053,817 carats (Q1 FY 2017: 1,097,523 carats). The Company estimates the impact of the ca. two week labour disruption at the South African mines (excluding Cullinan) on total carat production at ca. 70,000 carats (60,000 ROM carats and 10,000 tailings carats).
- The Group maintains full year production guidance of ca. 4.8 to 5.0 Mcts.
- Finsch ROM carat production increased by 2% to 467,795 carats (Q1 FY 2017: 458,396 carats) following improved ROM grades of 60.9 cpht (Q1 FY 2017: 52.4 cpht) further to the continued ramp up of the Block 5 SLC assisted by high-grade ROM surface stockpiles, offset by the ca. 55,000 carat adverse effect of the labour disruptions. The Company maintains full year ROM grade guidance of ca. 58 cpht. Overall production decreased by 8% to 533,325 carats (Q1 FY 2017: 582,127 carats) as the planned decline in tailings production more than offset the ROM increase.
- Cullinan's ROM production increased 35% to 250,001 carats (Q1 FY 2017: 184,897 carats) mainly due to the production ramp-up of the new plant. The ROM grade of 33.0 cpht achieved during the Period is not considered to be a representative grade due to the commissioning of the new plant during the Period, with the various treatment modules coming on stream at different stages during the Period. The final components of the plant were only delivered during the month of September 2017.

The recovery of fine diamonds (small stones of minus 5 DTC sieve size) during the Period was below earlier expectations; plant ramp-up and optimisation over the next two quarters is expected to give clarity on what the economic level of recovery of these smaller stones will be, as they constitute a small percentage of overall value.

The XRL modules of the plant (recovering coarse material greater than 12mm in size) were put into operation during September. Encouragingly, two plus-200 carat stones have already been recovered, proving the efficacy of the large diamond recovery circuit; however both these stones were of poor quality and low value.

The ROM stockpile built up during the construction and commissioning phases of the new plant is estimated at ca. 260,000 tonnes as at 30 September 2017, with the majority expected to be treated during Q2 FY 2018.

- Koffiefontein's ROM production decreased 19% to 12,563 carats (Q1 FY 2017: 15,481 carats), mainly due to ca. 3,000 carats lost further to the labour disruptions encountered during September. ROM grade increased 19% to 8.1 cpht (Q1 FY 2017: 6.8 cpht), reflecting the increased access to undiluted ore.

Construction of the ore handling infrastructure is scheduled for completion during Q2 FY 2018, with ROM production expected to return to planned levels from H2 FY 2018 onwards. The continued delay in the completion of the infrastructure is due to the upgrading of the water and mud handling facilities below the new ground handling infrastructure to ensure better availabilities once operational.

- KEM JV's attributable production decreased 29% to 170,014 carats (Q1 FY 2017: 237,906). ROM treatment increased significantly as the modifications to the Central Treatment Plant ("CTP") to enable ROM throughput have been completed. Tailings treated decreased compared to Q1 FY 2017 due to the planned ramp-up of ROM treatment and the planned decommissioning of the Superstone B plant during the previous financial year. Labour disruptions resulted in ca. 12,000 carats lost during the Period.
- Williamson's production increased 66% to 85,213 carats (Q1 FY 2017: 53,034 carats), with the mill plant now fully operational and set to deliver full year production guidance.

Diamond market and sales

- The market is showing signs of seasonal weakness, with a number of religious and other holidays observed by clients in the midstream, but is generally assessed by those in the industry to remain stable. Supply discipline by the major diamond producers is expected to assist with maintaining an equilibrium between supply and demand of inventories in the midstream.

Diamond Sales and Prices

- Revenue for Q1 FY 2018 was down 17% to US\$78.7 million (Q1 FY 2017: US\$94.7 million), due to no sales from the Williamson mine; the comparative period also included two exceptional stones which sold for a combined US\$10.9 million.
- Post Period end, the Company realised further sales of South African goods yielding US\$53.1 million.

The Company is yet to realise sales from Williamson in FY 2018, but is continuing to engage with the GoT in order to reach a suitable resolution with regards to the Williamson parcel containing 71,654 carats blocked for export. As previously announced, Petra has received authorisation from the GoT to resume diamond exports and sales, and a second parcel of ca. 40,000 carats from the Williamson mine has been shipped to the Company's marketing office in Antwerp, to be sold in Q2 FY 2018.

- Diamond inventory as at 30 September 2017 was 912,812 carats valued at US\$81.9 million (30 September 2016: 902,211 carats valued at US\$69.0 million).
- Diamond prices for Q1 on a like-for-like basis were down ca. 3% in comparison to H2 FY 2017, and by a further ca. 2% at the Company's second tender held in October 2017, partially offset by the expected improvement in product mix. Product mix is expected to further improve average diamond prices as the contribution from undiluted areas increases.
- Cullinan's price per carat realised during the Period is not considered to be representative, mainly due to the XRL plant (recovering coarse material greater than 12mm in size) being put into operation during September 2017, post the cut-off for the first tender of FY 2018.

Mine	Actual ¹	Guidance Weighted Average ²	Actual ¹
	Q1 FY 2018 (US\$/ct)	FY 2018 (US\$/ct)	FY 2017 (US\$/ct)
Finsch	110	101 – 106	101
Cullinan	97	113 – 119	120 ³
Koffiefontein	464	525 – 550	506
KEM JV	103	120 – 125	100 ⁴
Williamson	n/a	214 – 224	258 ⁵

Notes:

1. All sales (ROM and Tailings) including Exceptional Diamonds (diamonds that sell for +US\$5 million each) were used to calculate the above average values.
2. Guidance is based on expected weighted average prices for FY 2018, incorporating all sales of ROM and tailings carats, but not including Exceptional Diamonds.
3. Excluding Exceptional Diamonds, the average value for FY 2017 US\$113 per carat.
4. The average value per carat for FY 2017 was below expectations due to the higher contribution of tailings carats during the Year.
5. Excluding Exceptional Diamonds, the average value for FY 2017 was US\$235 per carat.

Corporate and Financial:

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

	Unit	30 September 2017	30 June 2017	30 September 2016
Closing exchange rate used for conversion		R13.57:US\$1	R13.05:US\$1	R13.71:US\$1
Cash at bank	US\$m	125.8	203.7	42.2
Diamond inventories ¹	US\$m	81.9	50.2	69.0
	Carats	912,812	570,264	902,211
Diamond debtors	US\$m	5.6	41.5	0.7
US\$650 million loan notes (issued April 2017)	US\$m	650.0	650.0	—
US\$300 million loan notes (issued May 2015)	US\$m	—	—	300.0
Bank loans and borrowings	US\$m	89.6	109.0	197.8
Net debt ²	US\$m	613.8	555.3	455.6
Bank facilities undrawn and available	US\$m	20.9	5.6	70.0

Notes:

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

- Net debt at Period end of US\$613.8 million (30 June 2017: US\$555.3 million) is at higher than previously expected levels due to no sales from Williamson during the Period.
- The Company has undrawn bank facilities of US\$20.9 million (30 June 2017: US\$5.6 million), with an additional cash balance of US\$125.8 million (30 June 2017: US\$203.7 million) available at Period end.
- As announced on 9 October 2017, compliance with the two EBITDA related maintenance covenant measurements related to its senior debt facilities for the 12 month period ending, and as at, 31 December 2017 has been placed at risk due to the labour disruption in South Africa and the uncertainty around the final volume of sales for the Williamson mine in Tanzania in H1 FY 2018, as well as grade and throughput variability during the ongoing project ramp-up phase. The Company continues to be in regular engagement with its lender group on this matter.
- The Company's forecasts indicate that the Group continues to retain sufficient liquidity from existing cash resources, operating cashflows and existing facilities to meet its liabilities as they fall due under the forecasts and reasonably possible sensitivities.
- Petra remains on track to become free cashflow positive from H2 FY 2018 onwards.
- Risks to FY 2018 performance relate to the labour disruption in South Africa, grade and throughput variability during the ongoing project ramp-up phase, as well as the uncertain outlook for Williamson.

Notes:

1. *The following definitions have been used in this announcement:*
 - a. *cpht: carats per hundred tonnes*
 - b. *DTC sieve sizes: a standardised selection of sieve sizes used to measure different diamond size categories*
 - c. *exceptional diamonds: stones that sell for +US\$5 million each*
 - d. *Kcts: thousand carats*
 - e. *Kt: thousand tonnes*
 - f. *Mcts: million carats*
 - g. *Mt: million tonnes*
 - h. *Q: quarter of the financial year*
 - i. *ROM: run-of-mine (i.e. production from the primary orebody)*
 - j. *SLC: sub level cave*

~ Ends ~

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About Petra Diamonds Limited

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company has interests in five producing operations: three underground mines in South Africa (Finsch, Cullinan and Koffiefontein), the Kimberley 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.

APPENDIX – MINE BY MINE PRODUCTION TABLES

Finsch – South Africa

	Unit	Q1 FY 2018	Q1 FY 2017	Variance	FY 2017
Sales					
Diamonds sold	Carats	454,504	422,230	+8%	2,141,885
Average price per carat	US\$	110	95	+16%	101
Revenue	US\$M	49.8	40.3	+24%	216.7
ROM Production					
Tonnes treated	Tonnes	768,165	875,116	-12%	3,212,169
Diamonds produced	Carats	467,795	458,396	+2%	1,818,454
Grade ¹	cpht	60.9	52.4	+16%	56.6
Tailings Production					
Tonnes treated	Tonnes	280,832	539,864	-48%	1,651,089
Diamonds produced	Carats	65,530	123,731	-47%	331,442
Grade ¹	cpht	23.3	22.9	+2%	20.1
Total Production					
Tonnes treated	Tonnes	1,048,997	1,414,980	-26%	4,863,258
Diamonds produced	Carats	533,325	582,127	-8%	2,149,896

Note:

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

Cullinan – South Africa

	Unit	Q1 FY 2018	Q1 FY 2017	Variance	FY 2017
Sales					
Diamonds sold	Carats	123,888	116,805	+6%	760,957
Average price per carat ¹	US\$	97	164	-41%	120
Revenue	US\$M	12.0	19.2	-38%	91.3
ROM Production					
Tonnes treated	Tonnes	757,781	557,540	+36%	1,882,911
Diamonds produced	Carats	250,001	184,897	+35%	679,622
Grade	cpht	33.0	33.2	-1%	36.1
Tailings Production					
Tonnes treated	Tonnes	-	111,565	n/a	506,176
Diamonds produced	Carats	-	24,077	n/a	106,887
Grade	cpht	-	21.6	n/a	21.1
Total Production					
Tonnes treated	Tonnes	757,781	669,105	+13%	2,389,087
Diamonds produced	Carats	250,001	208,974	+20%	786,509

Note:

1. Average values excluding Exceptional Diamonds: Q1 FY2018: US\$97/ct; Q1 FY 2017: US\$108/ct; FY 2017: US\$113/ct.

Koffiefontein – South Africa

	Unit	Q1 FY 2018	Q1 FY 2017	Variance	FY 2017
<u>Sales</u>					
Diamonds sold	Carats	8,178	11,497	-29%	56,068
Average price per carat	US\$	464	483	-4%	506
Revenue	US\$M	3.8	5.6	-32%	28.4
<u>ROM Production</u>					
Tonnes treated	Tonnes	155,263	227,387	-32%	667,821
Diamonds produced	Carats	12,563	15,481	-19%	51,173
Grade	cpht	8.1	6.8	+19%	7.7
<u>Tailings / Ebenhaezer Production</u>					
Tonnes treated	Tonnes	-	-	n/a	-
Diamonds produced	Carats	-	-	n/a	-
Grade	cpht	-	-	n/a	-
<u>Total Production</u>					
Tonnes treated	Tonnes	155,263	227,387	-32%	667,821
Diamonds produced	Carats	12,563	15,481	-19%	51,173

KEM JV – South Africa

	Unit	Q1 FY 2018	Q1 FY 2017 ¹	Variance	FY 2017 ¹
<u>Sales</u>					
Diamonds sold	Carats	124,706	148,213	-16%	821,963
Average price per carat	US\$	103	87	+18%	100
Revenue	US\$M	12.9	13.0	-1%	82.3
<u>ROM Production</u>					
Tonnes treated	Tonnes	239,825	77,836	+208%	597,025
Diamonds produced	Carats	27,236	11,334	+140%	87,783
Grade	cpht	11.4	14.6	-22%	14.7
<u>Tailings Production</u>					
Tonnes treated	Tonnes	1,298,556	1,829,590	-29%	6,153,657
Diamonds produced	Carats	142,777	226,572	-37%	712,651
Grade	cpht	11.0	12.4	-11%	11.6
<u>Total Production</u>					
Tonnes treated	Tonnes	1,538,381	1,907,426	-19%	6,750,682
Diamonds produced	Carats	170,014	237,906	-29%	800,434

Note:

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

Williamson – Tanzania

	Unit	Q1 FY 2018	Q1 FY 2017	Variance	FY 2017
<u>Sales</u>					
Diamonds sold	Carats	-	46,703	n/a	226,110
Average price per carat ¹	US\$	-	360	n/a	258
Revenue	US\$M	-	17.0	n/a	58.4

<u>ROM Production</u>					
Tonnes treated	Tonnes	1,206,451	1,058,792	+14%	3,667,781
Diamonds produced	Carats	85,213	50,368	+69%	212,215
Grade	cpht	7.1	4.8	+48%	5.8
<u>Alluvial Production</u>					
Tonnes treated	Tonnes	90,340	96,773	-7%	403,811
Diamonds produced	Carats	2,702	2,667	+1%	12,987
Grade	cpht	3.0	2.8	+7%	3.2
<u>Total Production</u>					
Tonnes treated	Tonnes	1,296,791	1,155,565	+12%	4,071,592
Diamonds produced	Carats	87,915	53,034	+66%	225,202

Note:

1. Average values excluding Exceptional Diamonds: Q1 FY 2017: US\$248/ct; FY 2017: US\$235/ct.