Why are diamonds so special?

5 November 2017
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Discover Petra Diamonds

- A leading independent diamond mining company and listed on the Main Market of the LSE (‘PDL’)

- Founded by Adonis Pouroulis in 1997 with market capitalisation of <£10 million, Petra has a current value of +£400 million and has grown annual production to 4 million carats

- Diversified portfolio of five producing kimberlite mines in South Africa and Tanzania

- Regular producer of the full spectrum of diamonds, including world-class, historic gems
What is a diamond?

• One of the oldest substances known to man - diamonds are as old as the stars

• Thought to have been formed between 1-3 billion years ago, diamonds are time capsules into an era before life began on Earth

• Formed under intense heat and pressure in the upper mantle, 100 miles below ground, diamonds follow a very precarious journey to surface via volcanic eruptions

• True masterpieces of nature, no two diamonds are alike and each carries its own story; the only certainty is it will last longer than a lifetime

• Used correctly, can be a tool of sustainable development worldwide

“A scientist will tell you a diamond is pure carbon. I believe it is much more.”

Marion Fasel
The Adventurine
Historically prized above all other gems

- For centuries their exquisite beauty, inner fire and unique physical qualities have made diamonds prized above all other gems

- Ancient Greek word αδάμας (adámas) meaning ‘unbreakable’

- References to diamonds in Sanskrit texts date back to 4 BC in India

- Diamonds have fascinated and enthralled civilisations throughout the world, inspiring myths and legends, and even believed to possess magical properties

- Now used to celebrate our most precious moments, representing eternal love and commitment

“The diamond, known for a long time only to kings and then to very few of them, has greater value than any other human possession and not merely than any other gemstone.”

Pliny the Elder
Natural History
77 AD
A brief history of diamond mining

• **4BC** Diamonds believed to be first discovered in Golconda, India – the birthplace of diamonds; until the end of 19th C, it was the source of the finest and largest diamonds in the world, incl. the *Koh-i-Noor* (105.6cts)

• **1400s** Diamonds started to become fashionable amongst Europe’s elite; Archduke Maximilian of Austria proposed to Mary of Burgundy with a diamond ring

• **1668** The *Hope Diamond* (45.5ct blue from India) was sold to King Louis XIV

• **1700s** India’s diamond supplies began to decline; alluvial deposits in Brazil emerged as an important source

• **1869** The *Star of South Africa* (83.5cts) was found on the banks of the Orange River in South Africa, triggering the “diamond rush”; first discovery of hardrock deposits in Kimberley, hence the name “kimberlite”

• **1880** Cecil Rhodes formed De Beers Consolidated Mines

• **1905** The *Cullinan* diamond was discovered at the Premier mine (re-named Cullinan) – at 3,107cts it is the largest rough gem-quality diamond in history

• **1900s** Hardrock deposits enabled a steady supply of diamonds taking global production into the millions of carats for the first time, allowing a mass market to develop

• **1947** ‘A Diamond Is Forever’ campaign created by De Beers

• **1990’s** Diamond market opens up to new producers, but barriers to entry remain high
Diamonds linked to economic development

- **ca. 5 million** people have access to appropriate healthcare globally thanks to diamond revenues
- **ca. 10 million** people globally are directly or indirectly supported by the diamond industry
- Diamonds led to the industrialisation of South Africa
- Diamonds account for **33%** of the GDP of Botswana
- Diamond mining generates **76%** of Botswana’s annual export earnings
- Diamond revenues enable every child in Botswana to receive free education up to the age of 13
- Diamond mining generates **>40%** of Namibia’s annual export earnings
- The revenue from diamonds is instrumental in the fight against the HIV/AIDS pandemic

A truly scarce commodity

Putting annual production into perspective

**Diamond**
- 27 tonnes
- US$12 billion
- Source: Kimberley Process Statistics

**Gold**
- 2,952 tonnes
- US$118 billion¹
- Source: SNL Metals & Mining

**Copper**
- 20 million tonnes
- US$98 billion¹
- Source: SNL Metals & Mining

**Iron ore**
- 2 billion tonnes
- US$118 billion¹
- Source: SNL Metals & Mining

1. Based on average commodity price over 2016
Putting historical production into perspective

- Only **5.7 billion carats** have been mined since antiquity = 1,150 tonnes
- The specific gravity of a diamond is 3.52 = **327m³**
- 327m³ = 8m x 8m x 5m high
- However, if we assume roughly 1/2 of these diamonds are industrial quality then this = 163m³
- Circa 60% of the rough diamond is lost in polishing
- The volume of polished diamonds would equate to 65m³

65m³ is 1/40 as big as an Olympic swimming pool
Diamonds are rare…and getting rarer

Only 30 significant kimberlite mines in production today

[Map showing major kimberlite diamond mines currently in operation]
Exploration has a less than 1% success rate

Diamond exploration results

Only 7 ‘Tier 1’ mines
(+US$20 billion Reserves)

1. Jwaneng
2. Orapa
3. Udachnaya
4. Venetia
5. Catoca
6. Cullinan
7. Mir

Source: De Beers
**Diamond supply may already have peaked…**

- Production peaked at 177 million carats in 2005 – not expected to reach there again
- 2016 production of 134 million carats (Kimberley Process Statistics)
- Major diamond mines have passed their production peak; once mines go underground, can no longer keep up previous output
- Several mines / development projects recently closed or are due to close soon (e.g. Argyle)
- Three ‘new’ mines came into production in 2016, but these were in development for decades; only add ca. 7 Mcts to world supply
- No new major discoveries in over 20 years

**Global Diamond Supply: Historical & Forecast Rough Production**

Source: Kimberley Process Statistics / Canaccord Genuity Research
...but demand for diamonds continues to grow

Global diamond jewellery sales of ca. $80 billion

Share of World Polished Diamond Consumption in Value (US$ PWP)

<table>
<thead>
<tr>
<th>Country</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>47%</td>
</tr>
<tr>
<td>Greater China</td>
<td>19%</td>
</tr>
<tr>
<td>Gulf</td>
<td>5%</td>
</tr>
<tr>
<td>India</td>
<td>6%</td>
</tr>
<tr>
<td>Japan</td>
<td>7%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>16%</td>
</tr>
</tbody>
</table>

Demand is driven by:

- Continued growth in US and developed markets
  - Bridal diamond jewellery is the bedrock
  - Self-purchase by women is an important growing demand category
  - Industry turning its efforts to the ‘millennials’
- Continued urbanisation and strong growth in the middle classes in developing economies, particularly China and India
  - Brides increasingly desire diamonds in their bridal jewellery, as well as traditional gold
- Mass luxury for the middle classes (i.e. affordable jewellery items priced from $200 to $2,000+)
- Trend to use diamonds across a wide range of luxury goods, from watches and accessories to pens and digital devices

Source: De Beers Diamond Insight Report 2017
Petra has grown by acquisitions, not discoveries

- Petra explored for diamonds from 1997 to 2008 in Angola; despite discovery of +200 kimberlites, did not find economic orebody

- These former De Beers mines were the mainstay of world production before the Russian and Botswana mines opened from the 1960s onwards

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Date of acquisition by Petra and its partners¹

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Mine Type</th>
<th>Potential Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2007</td>
<td>Koffiefontein</td>
<td>Sub-level / Block Cave</td>
<td>+20yr</td>
</tr>
<tr>
<td>July 2008</td>
<td>Cullinan</td>
<td>Block Cave</td>
<td>+50yr</td>
</tr>
<tr>
<td>February 2009</td>
<td>Williamson</td>
<td>Open Pit</td>
<td>+50yr</td>
</tr>
<tr>
<td>May 2010</td>
<td>Kimberley UG</td>
<td>Block Cave</td>
<td>+20yr</td>
</tr>
<tr>
<td>September 2011</td>
<td>Finsch</td>
<td>Sub-level / Block Cave</td>
<td>+25yr</td>
</tr>
<tr>
<td>January 2016</td>
<td>Kimberley Mines</td>
<td>Tailings Operations</td>
<td>+20yr</td>
</tr>
</tbody>
</table>

Year of first production

<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>1870</td>
</tr>
<tr>
<td>1903</td>
</tr>
<tr>
<td>1940</td>
</tr>
<tr>
<td>1869</td>
</tr>
<tr>
<td>1967</td>
</tr>
<tr>
<td>1869</td>
</tr>
</tbody>
</table>

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Iconic diamonds from iconic mines

The Greater Star of Africa
Largest polished yield from the Cullinan at 530ct; sits in the Royal Sceptre
*Cullinan, 1905*

The Golden Jubilee
755.5ct rough
545.6ct polished
*Cullinan, 1986*

The Blue Heart
100.5ct rough
30.6ct polished
*Cullinan, 1908*

The Cullinan
3,106 carats rough
Largest gem diamond ever discovered
*Cullinan, 1905*

The Centenary
599 carats rough
273.8ct polished
*Cullinan, 1986*

The Williamson Pink
55ct rough; 24ct polished; gifted to Princess Elizabeth on her engagement
*Williamson, 1947*

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*Williamson, 1947*
Many challenges to be overcome

Petra acquired mines that were either closed down or facing closure

- Lack of investment, development and resource allocation to the mines in the years pre takeover
- Unproven business model and initial scepticism about our assets

Challenges along the way

- Global economic crash in 2008/2009
- Difficulty accessing funding
- Scarcity of equipment and skills
- Volatility of rough diamond pricing
- Ever increasing dilution of mining areas with waste rock, due to being critically behind in terms of opening up access to new ore, leading to deterioration in ‘grade’ of diamonds recovered
Succeeding against the odds

Significant investments made

• Petra will have invested a total of ca. $1.4 billion over the period FY 2008 to FY 2019

• Mining is a long-term industry – e.g. investment made today may will only reap rewards in 10 years time

Achievements so far

• Cost base of each asset aligned under Petra management

• New cuts in orebodies at all mines

• New plant at Cullinan and processing improvements at all other mines

• Gradual improvement in grades witnessed as new undiluted mining areas come into production

Job not done yet

• Next few years spent finalising projects which then creates efficient production units

• Build-up to ensure that the investment made gets its required return

Free cash flow generation is key to ensuring sustainable operations
Our growth path

- Petra has grown production from 0.1 to 4.0 million carats
Our production profile - the full spectrum

High volumes of lower quality and commercial goods at a typical tender layout

Only ca. 1 in 10,000 diamonds is fancy coloured

Small volumes of higher quality and larger diamonds

World-class gems: The Cullinan Heritage and The Star of Josephine
The health and safety of our people is our priority

- Our mines and mining method are inherently safe, but accidents can happen due to being a heavy industry
- Our mines are certified OHSAS 18001:2007, the international safety management framework
- Continuous risk assessment and management
- 100% of staff are trained in safety and undergo medical screenings every year
- All South African employees belong to a medical aid fund; all Tanzania employees are part of the National Social Security Fund
- Subsidised primary healthcare is provided by the Williamson Diamonds Hospital in Tanzania
- Various health programmes in Tanzania are provided free of charge to employees, families and community members, such as mother and child health, malaria prevention and HIV/AIDs services
- Employee wellbeing services focus on mental health and encouraging a healthy lifestyle
Sustainability – providing stable employment

• By investing its resources in its mines, Petra has put in place long-term, sustainable mine plans
• When Petra acquired mines: +/- 2,500 employees
• Today Petra employs more than 5,600 employees
• And several thousand contractors during expansion programmes
• Using accepted multiplier of x10, ca. 56,000 people are dependent on our operations
Focus on developing our people

• Petra has increased its training spend to $8.5 million in FY 2017
• Efforts start at grassroots level – improving education standards in local schools
• Bursaries, scholarships and training offered to community members
• Numerous Company programmes to develop our employees

<table>
<thead>
<tr>
<th>School Support</th>
<th>Tertiary</th>
<th>Community</th>
<th>Career Advancement</th>
<th>Development Programmes</th>
<th>Skills Development</th>
<th>Learning Programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Support (Maths &amp; Science)</td>
<td>Bursaries: Full Time</td>
<td>Portable Skills Training</td>
<td>Study Assistance</td>
<td>Senior Management Development Programme</td>
<td>Core Skills Training</td>
<td>Engineering Learnerships</td>
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<tr>
<td>Scholarships</td>
<td>Experiential Training</td>
<td>Adult Education &amp; Training (“AET”), improving literacy and numeracy</td>
<td>AET</td>
<td>Internships</td>
<td>Soft Skills Training</td>
<td>Learner Miner Development Programme</td>
</tr>
<tr>
<td>Career Exhibitions and Career Brochures</td>
<td>Vacation Work</td>
<td>N1 and N2 Studies</td>
<td>N1 and N2 Studies</td>
<td>Management Development Programme</td>
<td>Skills Programmes</td>
<td>Full Time Training Programmes</td>
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<tr>
<td>Sponsorship for N1 and N2 studies</td>
<td>Young Graduate Work Experience</td>
<td>Mentoring and Coaching programmes</td>
<td>Mentoring and Coaching programmes</td>
<td>Supervisory Development Programmes</td>
<td>Portable Skills Training</td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Non – Employees</th>
<th>Employees</th>
</tr>
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<tr>
<td>One Book One Learner Project</td>
<td>Internships</td>
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<tr>
<td>Career Exhibitions and Career Brochures</td>
<td>Business Development/ Supplier Development</td>
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<tr>
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<tr>
<td>Experiential Training</td>
<td>Mentoring and Coaching programmes</td>
</tr>
<tr>
<td>Minerals Education Trust Fund (METF)</td>
<td>Career Advancement programme for A &amp; B banders</td>
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<tr>
<td>Vacation Work</td>
<td>Development Programmes</td>
</tr>
<tr>
<td>Young Graduate Work Experience</td>
<td>Senior Management Development Programme</td>
</tr>
</tbody>
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Petra Diamonds Limited: November 2017
Driving grassroots development

The Petra Foundation funded the construction of a new science laboratory for the Chipa-Tabane High School.

Petra supports My Maths Buddy in South Africa, which focuses on improving maths teaching in association with Education Africa.

The Williamson mine owns and operates the Mwadui Primary School, providing education to 492 students.

Cullinan hosts a careers day for local students.
The Petra Graduation Ceremony 2017

• A celebration of the many Petra graduates who completed one of our development programmes
Focus on the development of women

Diversity is proven to result in improved decision making and better results

- Number of Company initiatives aimed at encouraging and developing women at all levels of the business, with women representing:
  - 33% of engineering learnerships
  - 31% of mining learnerships
  - 26% of bursars
  - 28% of leadership development programme
  - 17% of total workforce
- Our Women in Mining Committee has created a platform for women at Petra’s South African operations to share experiences, identify challenges and promote development opportunities
Focus on long-term socio-economic development

• Petra doubled its social spend to $3.4 million in FY 2017
• Our development work focuses on addressing the most critical needs of our communities in order to drive meaningful sustainable development
• Projects are agreed in consultation with stakeholders
• Each of our mines in South Africa has opened an Enterprise Development Centre to assist in the development of local suppliers who could enter our supply chain

The new multi-sports centre near Cullinan. Sport is considered to play a positive role in society, particularly for young people

The new Enterprise Development Centre at Kimberley will offer formal business mentoring, computer and printing facilities and supply chain opportunities
Minimising our environmental footprint

- Diamond mining is energy and water intensive but it does not use any harmful chemicals – vegetation grows freely on our tailings dumps
- **Ongoing initiatives to reduce energy usage**, including continual investigation of renewable energy sources
- Continual reduction in carbon emissions per carat
- Carbon sequestration implemented through maximisation of indigenous vegetated areas
- **Ongoing initiatives to reduce water usage**
  - 52% of water used on mine is recycled
  - Petra has designated protected habitats totalling 10,255 ha adjacent to its mines to ensure preservation of fauna and flora
  - In all cases, apart from Kimberley, these protected areas equal or are larger than the footprint of the mining operations
- Environmental impact of our mining activities is not expected to last long after the cessation of operations due to continuous rehabilitation

**CARBON EMISSIONS**

<table>
<thead>
<tr>
<th>Year</th>
<th>tCO₂-e/ct</th>
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<tbody>
<tr>
<td>2013</td>
<td>0.23</td>
</tr>
<tr>
<td>2014</td>
<td>0.18</td>
</tr>
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<td>2015</td>
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</tr>
<tr>
<td>2016</td>
<td>0.16</td>
</tr>
<tr>
<td>2017</td>
<td>0.15</td>
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-6% decrease

**WATER USAGE**

<table>
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<tr>
<th>Year</th>
<th>m³/ct</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2.11</td>
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<tr>
<td>2014</td>
<td>2.51</td>
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<tr>
<td>2015</td>
<td>2.23</td>
</tr>
<tr>
<td>2016</td>
<td>1.97</td>
</tr>
<tr>
<td>2017</td>
<td>2.04</td>
</tr>
</tbody>
</table>

+4% increase
Ensuring ethical provenance

• Petra will only operate in countries which are members of the Kimberley Process and will only sell diamonds mined at our operations

• We are fully committed to upholding the human rights of all our stakeholders, including employees, contractors, partners and communities

• There is no risk of child labour or forced labour at our operations due to rigorous employment and pre-employment vetting processes

• All our diamonds are traceable directly to their mine of origin

• 100% of our production is “conflict-free”

Petra has partnered with GIA on the M2M programme, a consumer app that provides retailers with a new way to tell a diamond’s story by shedding light on its journey from mine to market.
Sustaining consumer demand – today and tomorrow

Diamond Producers Association comprises De Beers, ALROSA, Rio Tinto, Dominion, Petra, Lucara, Gem – together 75% of world supply by value

The DPA seeks to actively influence sustainable consumer demand by:

• Promoting the integrity of the diamond industry and maintaining consumer confidence
• Providing generic marketing support, ensuring diamonds remain relevant to the next generation of consumers

DPA budget increases x4 to $57 million in 2017

• $50 million assigned to major US market; comprises multi-channel advertising, innovative digital programmes, high-impact PR around the ‘Real is Rare. Real is a Diamond’ campaign
• Marketing launch in India in late 2017 and in China in 2018
• Industry advocacy and trade programmes to support the pipeline, plus challenging misleading synthetics industry narrative and language
Addressing synthetics

- Synthetics are a feature of all gemstone markets, with diamonds being no exception
- Annual production of industrial synthetic diamonds estimated at ca. 15 billion carats per annum (source: Ehud Laniado); annual production of gem synthetic diamonds estimated at ca. 4 million carats (source: Bonas & Co)
- Technology based product: as volume rises, cost of production goes down
- Synthetics can be detected with 100% accuracy
- Petra believes synthetics will co-exist with natural diamonds in a two-tier market, with natural diamonds remaining a premium product

Source: GIA, USGS, Goldman Sachs Diamond Cut, 6 February 2015
The most highly concentrated form of wealth

What happens when you combine incredible rarity, beauty, ethical provenance and heritage?

The 12.03ct Blue Moon of Josephine

Cut from a 29ct rough stone from the Cullinan mine

Fancy vivid blue, internally flawless

12 November 2015: sold to Hong Kong property magnate Joseph Lau for $48.4 million

$4.0 million per carat, equivalent to

$20 million per gram
Read more about how we are striving to unlock value for all our stakeholders in our 2017 Sustainability Report at [www.petradiamonds.com](http://www.petradiamonds.com)