



**Petra**Diamonds

23 April 2018

LSE: PDL

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

### **Trading Update – Q3 FY 2018 Production and Sales Report**

Petra Diamonds Limited announces the following trading update (unaudited) for the period from 1 January 2018 to 31 March 2018 (the "Period", "Q3 FY 2018" or "Q3").

#### **HIGHLIGHTS**

- Lost Time Injury Frequency Rate ("LTIFR") for the nine months to 31 March 2018 improved to 0.18 (nine months to 31 March 2017: 0.24).
- Q3 production up 20% to 1,194,947 carats (Q3 FY 2017: 999,768 carats) representing record quarterly production for the Group; run-of-mine ("ROM") production for Q3 increased 29% to 981,201 carats (Q3 FY 2017: 760,916 carats).

ROM carat production contributed ca. 82% of the Group's total carats recovered during the Period (Q3 FY 2017: ca. 76%), in line with the Company's focus on value rather than volume production.

- Production for nine months to 31 March 2018 up 13% to 3,403,003 carats (nine months to 31 March 2017: 3,014,856 carats). The Group maintains full year production guidance of ca. 4.6 – 4.7 Mcts.
- Q3 revenue up 44% to US\$172.0 million from 1,373,771 carats sold (Q3 FY 2017: US\$119.1 million from 1,069,886 carats sold).
- Revenue for nine months to 31 March 2018 up 14% to US\$397.3 million from 3,184,924 carats sold, (Q3 FY 2017: US\$347.6 million from 2,979,999 carats sold). Revenue for FY 2018 continues to be impacted by the inability to sell the blocked Williamson parcel of ca. 71,000 carats.
- Rough diamond prices achieved during the two tenders in Q3 up ca. 5% on a like-for-like basis in comparison to the average for H1 FY 2018.
- Shortly after Period end, net debt reduced to ca. US\$622.0 million, in line with management expectations, following the receipt of sales proceeds from diamond debtors of US\$70.2 million. Net debt as at 31 March 2018 was US\$685.9 million (31 December 2017: US\$644.7 million).

## Q3 FY 2018 Production and Sales – Summary

	Unit	Q3 FY 2018 <sup>1</sup>	Q3 FY 2017 <sup>1</sup>	Variance	Nine months to 31 March 2018 <sup>1</sup>	Nine months to 31 March 2017 <sup>1</sup>	Variance
<b>Sales</b>							
Diamonds sold	Carats	1,373,771	1,069,886	28%	3,184,924	2,979,999	7%
<b>Gross revenue</b>	<b>US\$M</b>	<b>172.0</b>	<b>119.1</b>	<b>44%</b>	<b>397.3</b>	<b>347.6</b>	<b>14%</b>
<b>Production</b>							
ROM tonnes	Mt	3.2	2.5	28%	9.7	7.6	27%
Tailings & other <sup>2</sup> tonnes	Mt	1.9	2.1	-11%	5.5	7.0	-21%
<b>Total tonnes treated</b>	<b>Mt</b>	<b>5.1</b>	<b>4.6</b>	<b>10%</b>	<b>15.2</b>	<b>14.6</b>	<b>4%</b>
ROM diamonds	Carats	981,201	760,916	29%	2,759,347	2,092,531	32%
Tailings & other <sup>2</sup> diamonds	Carats	213,746	238,852	-11%	643,656	922,325	-30%
<b>Total diamonds</b>	<b>Carats</b>	<b>1,194,947</b>	<b>999,768</b>	<b>20%</b>	<b>3,403,003</b>	<b>3,014,856</b>	<b>13%</b>

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, commented:

*“Petra has recorded strong results in both production and sales, as well as a continued improvement in our safety performance. It is also important to note that the make-up of our production is transforming, with higher value ROM production representing ca. 82% of our carat volume. The future focus of the Company will move away from volume targets to value optimisation.*

*“While we are very encouraged by the operational delivery against our long-term expansion plans, risks to performance continue to relate to increased volatility in the ZAR/US\$ exchange rate, grade and pricing variability at Cullinan, as well as the outlook for Williamson and the blocked diamond parcel.”*

### CONFERENCE CALL

Petra's Chief Executive Officer, Johan Dippenaar, and Finance Director, Jacques Breytenbach will host a conference call at 9.30am and 4:00pm BST today to discuss the Q3 FY 2018 Trading Update with investors and analysts. Participants may join the calls by dialling one of the following numbers shortly before the call:

#### First Call - 9.30am BST

From the UK (toll free): 0808 237 0040  
 From South Africa (toll free): 0800 222 290  
 From the rest of the world: +44 203 428 1542  
 Participant passcode: 95382420#

A replay of the conference call will be available on the following numbers from 12:00pm BST on 23 April 2018:

From UK (toll free): 0808 237 0026  
 From South Africa and the rest of the world: +44 203 426 2807  
 Playback passcode: 696527#

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

This will be a Q&A call only to cater for international investors. Participants are therefore advised to listen to the replay of the earlier conference call in advance, as the main management commentary will not be repeated.

From the United States (toll free): 1866 928 7517

From the rest of the world: +44 203 428 1542

From the UK (toll free): 0808 237 0040

From South Africa (toll free): 0800 222 290

Participant passcode: 55806616#

## **COMMENTARY**

### **Health and safety**

- The Group's lost time injury frequency rate ("LTIFR") for the nine months to 31 March 2018 improved to 0.18 (nine months to 31 March 2017: 0.24). Although the Company is very encouraged by this improving trend, it will continue to strive to reach its goal of a zero-harm workplace.

### **Production**

- Q3 FY 2018 production up 20% to 1,194,947 carats (Q3 FY 2017: 999,768 carats) following a 29% increase in ROM carats produced to 981,201 carats (Q3 FY 2017: 760,916 carats), contributing ca. 82% of the Group's total carats recovered (Q3 FY 2017: ca. 76%).

The increasing contribution of ROM carats to overall production is due to the underground expansion programmes remaining in line with expectations and the resultant higher contribution of undiluted ore from the new mining areas.

- Finsch ROM production increased 13% to 530,578 carats (Q3 FY 2017: 468,429 carats), driven by higher ROM grades of 63.0 cpht (Q3 FY 2017: 54.2 cpht), positively impacted by the treatment of higher-grade surface ROM material, coupled with the increase in undiluted tonnes from the new Block 5 sub level cave ("SLC"). Overall production increased 6% to 553,669 carats (Q3 FY 2017: 522,515 carats), with the increase in ROM production offset by the planned reduction in tailings production.
- Cullinan production increased 56% to 354,403 carats (Q3 FY 2017: 227,523 carats) mainly due to a 62% increase in ROM carat production as the new C-Cut Phase 1 mining area continued to ramp up and the new plant operated at planned throughput rates. Plant optimisation is ongoing; during the Period, recovered ROM grades improved from ca. 33 cpht achieved in H1 FY 2018 and January to ca. 39 cpht achieved for both February and March, yielding an average ROM grade of 36.2 cpht (Q3 FY 2017: 38.4 cpht) for Q3, which compares to guidance of 37 – 42 cpht for H2, the full six month period to 30 June 2018.
- Koffiefontein's production reduced 8% to 12,180 carats (Q3 FY 2017: 13,184 carats). The new ground handling system was commissioned during Q3, with further ramp up expected during Q4. Some production time was lost early in the quarter due to the tie-in of the new infrastructure, as well as severe thunderstorms causing frequent power interruptions. Unscheduled repairs in plant resulted in ca. 7,000 tonnes of untreated ROM material planned to be treated during Q4. Due to the aforementioned interruptions, the mine is forecast to process ca. 0.65 – 0.7 Mt for FY 2018, below revised guidance of 0.8 to 0.85 Mt.
- Kimberley Ekapa Mining JV's ("KEM JV's") attributable production increased 9% to 202,632 carats (Q3 FY 2017: 185,144 carats), with ROM throughput increasing 37% to 25,869 carats (Q3 FY 2017: 18,842 carats). Tailings production reduced 2% to 1,492,942 tonnes (Q3 FY 2017: 1,516,186 tonnes) mainly due to severe rain storms during the Period, restricting access to higher grade dumps and curtailing total tailings throughput.

As disclosed in Petra's 2017 Annual and Sustainability Reports, there is an ongoing risk of illegal mining taking place at Petra's surface mining operations in Kimberley. Such illegal mining activities continued throughout the Period and caused some disruption to KEM JV tailings production. Petra is currently progressing a lawful eviction order for the illegal miners in conjunction with the local government and other relevant authorities in Kimberley; however, the Company also remains committed to finding a longer-term solution to address this issue via multifaceted stakeholder engagement.

- Williamson's diamond production increased 40% to 72,063 carats (Q3 FY 2017: 51,402 carats) with the mine continuing to deliver on its production plan, despite the operation being impacted by liquidity constraints due to the blocked ca. 71,000 carat parcel and overdue VAT receivables of ca. US\$15 million.

## Sales and Diamond Market

### *Diamond Market*

- The diamond market remained relatively strong in Q3, boosted by the continued festive retail selling season, incorporating Chinese New Year and Valentine's Day, which in turn led to restocking in the pipeline and resultant good demand for purchasing of rough diamonds.

### *Diamond Sales and Prices*

- Q3 revenue increased 44% to US\$172.0 million (Q3 FY 2017: US\$119.1 million). Revenue for nine months to 31 March 2018 up 14% to US\$397.3 million (Q3 FY 2017: US\$347.6 million).
- Revenue remains impacted by the inability to sell the blocked Williamson parcel of ca. 71,000 carats, which was detained by the Government of the United Republic of Tanzania ("GoT") in September 2017. Petra continues to engage with the GoT and remains hopeful to resolve this matter in due course; however, the timing of any resolution is unfortunately outside of the Company's control.
- Rough diamond prices were up ca. 5% for Q3 FY 2018 on a like-for-like basis in comparison to Petra's results for H1 FY 2018.
- A further two tenders will be held during Q4 (April to June 2018), with Q4 being traditionally Petra's strongest sales period in terms of carat volumes.
- Prices realised during Q3 were in line with guidance, with the exception of Cullinan. This mine is the most prone to pricing variability between quarterly reporting periods due to the presence or absence of high-value diamonds in each tender. To demonstrate this price volatility, Cullinan's Q3 price of US\$121 per carat compares to US\$97 recorded in Q1 FY 2018, which then increased to US\$157 per carat in Q2 but averaged at US\$140 per carat for H1 FY 2018, in line with full year guidance.

Over the period FY 2010 to FY 2017, Cullinan tender results have varied from a low of US\$59 per carat to a high of US\$508 per carat, but achieved an average of US\$148 per carat over this time period, based on the sale of ca. 7 million carats.

Mine	Actual <sup>1</sup> (US\$/ct) Q3 FY 2018	Actual <sup>1</sup> (US\$/ct) 9 months to 31 March 2018	Guidance <sup>2</sup> (US\$/ct) FY 2018	Actual <sup>1</sup> (US\$/ct) FY 2017
Finsch	107	105	101 - 106	101
Cullinan	121	131	140 - 160	120
Koffiefontein	534	520	525 - 550	506
KEM JV	108	110	105 - 115	100
Williamson	249	242	214 - 224	258

**Notes:**

1. All sales (both ROM and tailings) including Exceptional Diamonds (diamonds that sell for +US\$5 million each) were used to calculate the average values.
2. Guidance is based on expected average prices for FY 2018, incorporating all sales (both ROM and tailings), including Exceptional Diamonds.

**Corporate**

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

	Unit	31 Mar 2018	31 Dec 2017	30 Jun 2017	31 Mar 2017
<i>Closing exchange rate used for conversion</i>		<i>R11.86:US\$1</i>	<i>R12.38:US\$1</i>	<i>R13.05:US\$1</i>	<i>R13.49:US\$1</i>
Cash at bank	US\$m	83.7	119.1	203.7	66.2
Diamond inventories	US\$m	78.6	92.5	50.2	49.3
	Carats	782,369	961,220	570,264	602,891
Diamond debtors	US\$m	70.2	7.5	41.5	37.9
US\$650 million loan notes (issued April 2017)	US\$m	650.0	650.0	650.0	-
US\$300 million loan notes (issued May 2015)		-	-	-	300.0
Bank loans and borrowings	US\$m	119.6	113.8	109.0	266.4
Net debt	US\$m	685.9	644.7	555.3	500.2

- Shortly after Period end, net debt reduced to ca. US\$622.0 million, in line with management expectations, following the receipt of sales proceeds from diamond debtors of US\$70.2 million.
- Net debt at Period end of US\$685.9 million was impacted by the relatively high level of diamond debtors, due to the second tender of Q3 closing around the end of the Quarter, as well as the early Easter festive season impacting the number of working days available at the end of March.
- The Company had undrawn bank facilities of US\$6.9 million, with an unrestricted cash balance of US\$69.0 million. Shortly after the Period end, this unrestricted cash balance increased to ca. US\$133 million due to the receipt of the aforementioned diamond debtors.
- Post Period end, the Company announced on 10 April 2018 that it had finalised the agreement with its Lender Group with regards to the waiver of the measurement of the 31 December 2017 EBITDA covenants related to its banking facilities, coupled with a reset of the 30 June 2018 and 31 December 2018 EBITDA covenants. The Group's banking covenants are set out at: <https://www.petradiamonds.com/investors/fixed-income-investors/banking-covenants/>.
- The Company's forecasts indicate that the Group retains sufficient liquidity from existing cash resources, operating cashflows and existing facilities to meet its liabilities as they fall due under current forecasts, although headroom remains sensitive to a number of uncertainties, including the increased volatility in the ZAR/US\$ exchange rate, grade and price variability at Cullinan, as well as the outlook for Williamson and the blocked diamond parcel.

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

**Notes:**

1. *The following exchange rate has been used for this announcement:*
  - a. *closing rate as at 31 March 2018 US\$1:ZAR11.86 (31 March 2017 US\$1:ZAR13.49)*
2. *The following definitions have been used in this announcement:*
  - a. *ct: carat*
  - b. *cpht: carats per hundred tonnes*
  - c. *Exceptional Diamonds: stones that sell for more than US\$5 million each*
  - d. *LTIFR: lost time injury frequency rate*
  - e. *Mcts: million carats*
  - f. *Mt: million tonnes*
  - g. *ROM: run-of-mine, i.e. relating to production from the primary orebody*
  - h. *SLC: sub-level cave, a variation of block caving*
  - i. *Tailings: material that has already been processed once through a plant and stockpiled on dumps at surface*
3. *Diamond inventory carrying values are stated at the lower of cost of production on the weighted average basis or estimated net realisable value.*

~ Ends ~

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**About Petra Diamonds Limited**

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company has a diversified portfolio incorporating 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's strategy is to focus on value rather than volume production by optimising recoveries from its high quality asset base in order to maximise the efficiency and profitability of its operations. The Group has a significant resource base in excess of 300 million carats, which supports the potential for long-life operations.

Petra conducts all operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process. The Company aims to generate tangible value for each of its stakeholders, thereby contributing to the socio-economic development of its host countries and supporting long-term sustainable operations to the benefit of its employees, partners and communities.

Petra is quoted with a premium listing on the Main Market of the London Stock Exchange under the ticker 'PDL' and is a constituent of the FTSE4Good Index. For more information, visit [www.petradiamonds.com](http://www.petradiamonds.com).

## APPENDIX – MINE BY MINE PRODUCTION TABLES

### Finsch – South Africa

	Unit	Q3 FY 2018	Q3 FY 2017	Variance	Nine months to 31 March 2018	Nine months to 31 March 2017	Variance
<b>Sales</b>							
Revenue	US\$M	66.5	52.1	28%	167.3	151.5	10%
Diamonds sold	Carats	620,627	527,782	18%	1,591,073	1,537,797	3%
Average price per carat	US\$	107	99	9%	105	98	7%
<b>ROM Production</b>							
Tonnes treated	Tonnes	841,583	864,148	-3%	2,400,863	2,362,597	2%
Diamonds produced	Carats	530,578	468,429	13%	1,462,437	1,284,430	14%
Grade	cpht	63.0	54.2	16%	60.9	54.4	12%
<b>Tailings Production</b>							
Tonnes treated	Tonnes	171,103	344,135	-50%	686,326	1,385,893	-50%
Diamonds produced	Carats	23,091	54,086	-57%	127,828	269,645	-53%
Grade	cpht	13.5	15.7	-14%	18.6	19.5	-4%
<b>Total Production</b>							
Tonnes treated	Tonnes	1,012,686	1,208,283	-16%	3,087,189	3,748,490	-18%
Diamonds produced	Carats	553,669	522,515	6%	1,590,265	1,554,075	2%

**Note:**

1. The Company is not able to precisely measure the ROM / tailings grade split because ore from both sources is processed through the same plant; the Company therefore back-calculates the grade with reference to resource grades.

### Cullinan – South Africa

	Unit	Q3 FY 2018	Q3 FY 2017	Variance	Nine months to 31 March 2018	Nine months to 31 March 2017	Variance
<b>Sales</b>							
Revenue	US\$M	49.1	24.8	98%	110.5	70.8	56%
Diamonds sold	Carats	404,775	251,391	61%	843,787	614,504	37%
Average price per carat	US\$	121	98	23%	131	115	14%
<b>ROM Production</b>							
Tonnes treated	Tonnes	951,449	553,481	72%	2,734,679	1,592,899	72%
Diamonds produced	Carats	344,357	212,545	62%	946,951	571,366	66%
Grade	cpht	36.2	38.4	-6%	34.6	35.9	-3%
<b>Tailings Production</b>							
Tonnes treated	Tonnes	154,547	177,653	-13%	191,570	437,484	-56%
Diamonds produced	Carats	10,046	14,978	-33%	14,687	75,911	-81%
Grade	cpht	6.5	8.4	-23%	7.7	17.4	-56%
<b>Total Production</b>							
Tonnes treated	Tonnes	1,105,996	731,134	51%	2,926,249	2,030,383	44%
Diamonds produced	Carats	354,403	227,523	56%	961,638	647,277	49%

**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.

## Koffiefontein – South Africa

	Unit	Q3 FY 2018	Q3 FY 2017	Variance	Nine months to 31 March 2018	Nine months to 31 March 2017	Variance
<b><u>Sales</u></b>							
Revenue	US\$M	7.0	6.7	4%	18.0	21.5	-16%
Diamonds sold	Carats	13,101	10,315	27%	34,656	40,103	-14%
Average price per carat	US\$	534	652	-18%	520	535	-3%
<b><u>ROM Production</u></b>							
Tonnes treated	Tonnes	163,335	183,790	-11%	452,813	542,834	-17%
Diamonds produced	Carats	12,180	13,184	-8%	37,472	37,954	-1%
Grade	cpht	7.5	7.2	4%	8.3	7.0	18%
<b><u>Total Production</u></b>							
Tonnes treated	Tonnes	163,335	183,790	-11%	452,813	542,834	-17%
Diamonds produced	Carats	12,180	13,184	-8%	37,472	37,954	-1%

## Kimberley Ekapa Mining – South Africa

	Unit	Q3 FY 2018 <sup>1</sup>	Q3 FY 2017 <sup>1</sup>	Variance	Nine months to 31 March 2018 <sup>1</sup>	Nine months to 31 March 2017 <sup>2</sup>	Variance
<b><u>Sales</u></b>							
Revenue	US\$M	26.1	20.5	27%	59.5	58.5	2%
Diamonds sold	Carats	242,450	217,761	11%	543,244	624,427	-13%
Average price per carat	US\$	108	94	14%	110	94	17%
<b><u>ROM Production</u></b>							
Tonnes treated	Tonnes	190,780	134,304	42%	620,968	343,602	81%
Diamonds produced	Carats	25,869	18,842	37%	75,388	49,189	53%
Grade	cpht	13.6	14.0	-3%	12.1	14.3	-15%
<b><u>Tailings Production</u></b>							
Tonnes treated	Tonnes	1,492,942	1,516,186	-2%	4,295,727	4,836,562	-11%
Diamonds produced	Carats	176,763	166,302	6%	491,343	568,128	-14%
Grade	cpht	11.8	11.0	8%	11.4	11.7	-3%
<b><u>Total Production</u></b>							
Tonnes treated	Tonnes	1,683,722	1,650,490	2%	4,916,695	5,180,164	-5%
Diamonds produced	Carats	202,632	185,144	9%	566,731	617,317	-8%

**Note:**

1. Data represent Petra's 75.9% attributable share in the KEM JV.



## Williamson – Tanzania

	Unit	Q3 FY 2018	Q3 FY 2017	Variance	Nine months to 31 March 2018	Nine months to 31 March 2017	Variance
<b><u>Sales</u></b>							
Revenue	US\$M	23.1	14.8	57%	41.6	45.4	-8%
Diamonds sold	Carats	92,759	62,572	48%	172,204	163,284	5%
Average price per carat	US\$	249	236	6%	242	278	-13%
<b><u>ROM Production</u></b>							
Tonnes treated	Tonnes	1,078,518	778,633	39%	3,481,911	2,792,732	25%
Diamonds produced	Carats	68,218	47,916	42%	237,099	149,592	58%
Grade	cpht	6.3	6.2	3%	6.8	5.4	27%
<b><u>Alluvial Production</u></b>							
Tonnes treated	Tonnes	99,166	110,787	-10%	292,338	302,149	-3%
Diamonds produced	Carats	3,845	3,486	10%	9,798	8,641	13%
Grade	cpht	3.9	3.1	23%	3.4	2.9	17%
<b><u>Total Production</u></b>							
Tonnes treated	Tonnes	1,177,684	889,420	32%	3,774,249	3,094,881	22%
Diamonds produced	Carats	72,063	51,402	40%	246,897	158,233	56%