



# PetraDiamonds

22 October 2018

LSE: PDL

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

## Trading Update – Q1 FY 2019 Production and Sales Report

Petra Diamonds Limited announces the following Trading Update (unaudited) for the period from 1 July 2018 to 19 October 2018, covering production and sales from 1 July 2018 to 30 September 2018 ("Q1 FY 2019" or "Q1" or the "Period").

### SUMMARY

- Lost Time Injury Frequency Rate ("LTIFR") improved to 0.10 (Q1 FY 2018: 0.24). Petra remains committed to achieving a zero harm working environment.
- Q1 production up 21% to 1,068,140 carats (Q1 FY 2018: 883,803 carats), mainly driven by a 25% increase in ROM production across the operations to 1,022,571 carats (Q1 FY 2018: 815,571 carats), offset by planned reductions in tailings recoveries at Finsch.
- Q1 revenue up 22% to US\$80.2 million from 626,541 carats sold (Q1 FY 2018: US\$65.8 million from 586,571 carats sold).
- Diamond prices for Q1 on a like-for-like basis were down ca. 5% in comparison to FY 2018 due to the usual seasonal weakness, but partially offset by the improvement in product mix.
- Net debt at 30 September 2018 of US\$538.9 million (30 June 2018: US\$520.7 million); the increase in net debt (due to the timing of our first tender) was in line with expectations; and takes into account an increase in diamond inventories, valued at US\$91.6 million at period end (30 June 2018: US\$54.0 million).
- Petra remains on track to generate free cashflow in FY 2019.
- The new South African Mining Charter, which was published on 27 September 2018, has served to remove uncertainty and has addressed a number of concerns.
- During Q1, the South African Rand has continued to weaken against the US Dollar from ZAR13.73:US\$1 at 30 June 2018 to ZAR14.14:US\$1 at Period end, averaging ZAR14.07 for the Period.

### FY 2019 Production and Sales – Summary<sup>1</sup>

	Unit	Q1 FY 2019 <sup>1</sup>	Q1 FY 2018 <sup>1</sup>	Variance	FY 2018 <sup>1</sup>
<b>Sales</b>					
Diamonds sold	Carats	626,541	586,571	+7%	3,793,799
<b>Gross revenue</b>	<b>US\$M</b>	<b>80.2</b>	<b>65.8</b>	<b>+22%</b>	<b>495.3</b>
<b>Production</b>					
ROM tonnes	Mt	3.4	2.9	+17%	12.1

Tailings & other <sup>2</sup> tonnes	Mt	0.5	0.4	+25%	1.6
<b>Total tonnes treated</b>	<b>Mt</b>	<b>3.9</b>	<b>3.3</b>	<b>+18%</b>	<b>13.7</b>
ROM diamonds	Carats	1,022,571	815,571	+25%	3,649,704
Tailings & other <sup>2</sup> diamonds	Carats	45,570	68,232	-33%	186,132
<b>Total diamonds</b>	<b>Carats</b>	<b>1,068,140</b>	<b>883,803</b>	<b>+21%</b>	<b>3,835,836</b>

1. Production and sales data have been adjusted to exclude KEM JV, following the proposed disposal announced in July 2018.
2. 'Other' includes alluvial diamond mining at Williamson.

**Johan Dippenaar, Chief Executive of Petra Diamonds, commented:**

*“The first quarter of FY 2019 shows solid operational delivery, underpinned by strong safety performance, with the ramp up of our expansion programmes leading to a healthy increase in ROM carat production, thereby supporting our expectation of free cash flow generation and subsequent debt reduction.”*

**CONFERENCE CALLS**

Petra 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:

First Call - 9:30am BST

UK Toll-Free Number: 0808 237 0040  
 From South Africa (toll free): 0800 222 290  
 From the rest of the world: +44 (0) 203 428 1542  
 Participant passcode: 45484248#

A replay of the conference call will be available on the following numbers:

From UK (toll free): 0808 237 0026  
 From South Africa (toll free): 0800 002 877  
 From the rest of the world: +44 (0)20 3426 2807  
 Playback passcode: 699626#

Second Call – 4:00pm BST

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.

From the United States (toll free): 1866 928 7517  
 From the rest of the world: +44(0) 203 428 1542  
 From the UK (toll free): 08082370040  
 From South Africa (toll free): 0800 222 290  
 Participant passcode: 37549157#

## COMMENTARY

### Health and safety

- The Company's LTIFR improved to 0.10 for the Period (Q1 FY 2018: 0.24).
- Our safety culture is backed by effective systems and processes and is underpinned by the aim of reaching a zero harm working environment. Safety is at the heart of everything we do at Petra and is our number one priority.

### Production

- Overall carat production increased 21% to 1,068,140 carats (Q1 FY 2018: 883,803 carats) with a 25% increase in ROM carat contribution of 1,022,571 carats (Q1 FY 2018: 815,571 carats).
- The Group maintains full year production guidance of ca. 3.8 – 4.0 Mcts.
- Finsch ROM carat production increased by 4% to 486,806 carats (Q1 FY 2018: 467,795 carats) as a result of improved ROM grades of 65.2 cpht (Q1 FY 2018: 60.9 cpht), further to the increased contribution from the Block 5 SLC and also assisted by the high grade material recovered from the ROM surface stockpiles. ROM surface stockpile grades are expected to decline towards the latter part of FY 2019. The Company maintains full year ROM grade guidance of ca. 56 – 59 cpht as Block 5 SLC mining progresses over an ever larger footprint of the ore body. Overall production decreased by 5% to 505,821 carats (Q1 FY 2018: 533,325 carats) further to the planned reduction in tailings treatment.
- Cullinan's ROM production increased by 67% to 417,249 carats (Q1 FY 2018: 250,001 carats) mainly due to the increased contribution from the C-Cut in line with the ramp up plan. The optimisation of the Cullinan plant continues and has seen ROM grades rise by 23% since Q1 FY 2018 to 40.5 cpht (Q1 FY 2018: 33.0 cpht). Since Q4 FY 2018, the ROM grade has remained steady and within guidance of 37 – 42 cpht range. Tailings treatment continued to ramp up as planned through the new plant and 23,418 carats were recovered at a grade of 6.6 cpht (in line with guidance of 6 – 7 cpht).
- Koffiefontein's production continued its improving trend with ROM production up 45% to 18,238 carats (Q1 FY 2018: 12,563 carats). ROM tonnes mined improved by 71% to 264,767 tonnes (Q1 FY 2018: 155,269 tonnes) whilst ROM treated improved 50% to 232,589 tonnes (Q1 FY 2018: 155,263 tonnes). Our current focus is to complete the turnaround strategy at this operation by improving plant availability and to treat the ca. 70kt ROM stockpile during the remainder of FY 2019. Community-related protest actions against local government structures was observed at Koffiefontein; the situation is monitored and managed closely to minimise the impact on production.
- Williamson's ROM production increased 18% to 100,278 carats (Q1 FY 2018: 85,213 carats), demonstrating the continued steady operational delivery of the mine. The Company remains in discussions with the Government of Tanzania and local advisers in relation to the overdue VAT receivables and the blocked parcel.
- As previously noted, the proposed disposal of KEM JV was announced in July 2018; the conditional approval from the South African Competition Commission was received on 19 October 2018 with the remaining conditions precedent now expected to be met during Q2 FY 2019. The disposal is not yet effective but is expected to be completed during Q2 FY 2019.

### Diamond market and sales

- The market is showing the usual signs of seasonal weakness associated with this time of year, with a number of religious and other holidays observed by clients in the midstream, but is generally assessed by industry participants 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 2019 was up 22% to US\$80.2 million (Q1 FY 2018: US\$65.8 million), due to increased volumes sold at all operations except Finsch. The comparative period was negatively impacted by the blocked Williamson parcel (which has not yet been released for sale).
- Diamond inventory as at 30 September 2018 was 970,620 carats valued at US\$91.6 million (30 September 2017: 790,537 carats valued at US\$70.2 million) driven by increased production rates and the timing of the first tender.
- Diamond prices for Q1 on a like-for-like basis were down ca. 5% in comparison to FY 2018 due to the usual seasonal weakness, but partially offset by the improvement in product mix.
- Prices achieved during Q1 FY 2019 is set out in the table below:

Mine	Actual Q1 FY 2019 <sup>1</sup> (US\$/ct)	Actual Q1 FY 2018 (US\$/ct)	Actual FY 2018 (US\$/ct)
Finsch	106	110	108
Cullinan	101	97	125
Koffiefontein	505	464	525
Williamson	237	n/a	270

### Notes:

1. All prices, adjusted for market movement, are within expectations; Cullinan remains within historical average ranges.

## Succession Planning:

- As noted in the FY 2018 Preliminary Results, the Nomination Committee is now in the final year of its three year Succession Plan.
- The Nominations Committee has progressed with the identification of new Non-Executive Directors to join the Board and expects to be in a position to make an announcement by the end of October 2018.
- The process to find a successor for the CEO position is progressing and the Company will keep the market updated as appropriate.

## 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 2018	30 June 2018	30 September 2017
Closing exchange rate used for conversion		R14.14:US\$1	R13.73:US\$1	R13.57:US\$1
Cash at bank	US\$m	111.1	236.0	125.8
Diamond inventories <sup>1</sup>	US\$m	91.6	54.0	70.2
	Carats	970,620	529,054	790,537
Diamond debtors	US\$m	14.4	75.0	5.6

US\$650 million loan notes (issued April 2017)	US\$m	650.0	650.0	650.0
Bank loans and borrowings	US\$m	0.0	106.7	89.6
Net debt <sup>2</sup>	US\$m	538.9	520.7	613.8
Bank facilities undrawn and available	US\$m	106.1	2.6	20.9

**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 (including restricted cash).

- Net debt at Period end of US\$538.9million (30 June 2018: US\$520.7 million).
- The Company has undrawn bank facilities of US\$106.1 million (30 June 2018: US\$2.6 million), with an additional cash balance of US\$111.1 million (30 June 2018: US\$236.0 million) at Period end.
- Petra remains on track to generate free cashflow in FY 2019 but notes the weighting of tenders towards H2, with two further tenders scheduled during H1 and four in H2 FY 2019.
- On 27 September 2018 the South African Department of Mineral Resources published a new Mining Charter which has served to remove uncertainty and address a number of concerns. Provisions regarding ownership requirements will not impact on Petra's three South African operations, all of which comply with the 26% BEE ownership requirement for existing mining rights, have been granted until 2037 (Cullinan), 2038 (Finsch) and 2047 (Koffiefontein). On behalf of the mining industry, the Minerals Council of South Africa, of which Petra is a member, is engaging with the Government on certain items which require further clarification.
- Risks to FY 2019 performance relate to grade and throughput variability during the ongoing project ramp-up phase, the uncertain outlook for Williamson as well as local community protests and labour disruption in South Africa.

**Notes:**

1. The production and financial results in this announcement are adjusted to exclude the results of KEM JV, which has been reclassified as a discontinued operation following the proposed disposal, announced in July 2018.
2. The following definitions have been used in this announcement:
  - a. *cpht*: carats per hundred tonnes
  - b. *Kcts*: thousand carats
  - c. *Kt*: thousand tonnes
  - d. *Mcts*: million carats
  - e. *Mt*: million tonnes
  - f. *Q*: quarter of the financial year
  - g. *ROM*: run-of-mine (i.e. production from the primary orebody)
  - h. *SLC*: sub level cave

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

~ Ends ~

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### About Petra Diamonds Limited

Petra Diamonds is a leading independent diamond mining group and a consistent supplier of gem quality rough diamonds to the international market. The Company has a diversified portfolio incorporating interests in three underground producing mines in South Africa (Finsch, Cullinan and Koffiefontein) and one open pit producing mine in Tanzania (Williamson). It announced in July 2018 the proposed disposal of its interest in the Kimberley Ekapa Mining JV in South Africa. It also maintains an exploration programme in Botswana and South Africa, which is currently under review.

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 their efficiency and profitability. The Group has a significant resource base of ca. 290 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	Q1 FY 2019	Q1 FY 2018	Variance	FY 2018
<b>Sales</b>					
<b>Revenue</b>	<b>US\$M</b>	<b>33.8</b>	<b>49.8</b>	<b>-32%</b>	<b>231.9</b>
Diamonds sold	Carats	318,872	454,504	-30%	2,152,786
Average price per carat	US\$	106	110	-3%	108
<b>ROM Production</b>					
Tonnes treated	Tonnes	746,914	768,165	-3%	3,084,395
Diamonds produced	Carats	486,806	467,795	+4%	1,926,467
Grade <sup>1</sup>	cpht	65.2	60.9	+7%	62.5
<b>Tailings Production</b>					
Tonnes treated	Tonnes	86,049	280,832	-69%	794,973
Diamonds produced	Carats	19,015	65,530	-71%	147,010
Grade <sup>1</sup>	cpht	22.1	23.3	-5%	18.5
<b>Total Production</b>					
Tonnes treated	Tonnes	832,963	1,048,997	-21%	3,879,368
<b>Diamonds produced</b>	<b>Carats</b>	<b>505,821</b>	<b>533,325</b>	<b>-5%</b>	<b>2,073,477</b>

**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 2019	Q1 FY 2018	Variance	FY 2018
<b>Sales</b>					
<b>Revenue</b>	<b>US\$M</b>	<b>22.0</b>	<b>12.0</b>	<b>+83%</b>	<b>167.0</b>
Diamonds sold	Carats	217,727	123,888	+76%	1,335,669
Average price per carat <sup>1</sup>	US\$	101	97	+4%	125
<b>ROM Production</b>					
Tonnes treated	Tonnes	1,031,446	757,781	+36%	3,741,086
Diamonds produced	Carats	417,249	250,001	+67%	1,342,020
Grade	cpht	40.5	33.0	+23%	35.9
<b>Tailings Production</b>					
Tonnes treated	Tonnes	354,077	-	+100%	412,749
Diamonds produced	Carats	23,418	-	+100%	26,700
Grade	cpht	6.6	-	+100%	6.5
<b>Total Production</b>					
Tonnes treated	Tonnes	1,385,523	757,781	+83%	4,153,835
<b>Diamonds produced</b>	<b>Carats</b>	<b>440,667</b>	<b>250,001</b>	<b>+76%</b>	<b>1,368,720</b>

### Notes:

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	Q1 FY 2019	Q1 FY 2018	Variance	FY 2018
<b>Sales</b>					
<b>Revenue</b>	<b>US\$M</b>	<b>6.0</b>	<b>3.8</b>	<b>+59%</b>	<b>27.2</b>
Diamonds sold	Carats	11,942	8,178	+46%	51,936
Average price per carat	US\$	505	464	+9%	525
<b>ROM Production</b>					
Tonnes treated	Tonnes	232,589	155,263	+50%	649,259
Diamonds produced	Carats	18,238	12,563	+45%	52,537
Grade	cpht	7.8	8.1	-3%	8.1
<b>Total Production</b>					
Tonnes treated	Tonnes	232,589	155,263	+50%	649,259
<b>Diamonds produced</b>	<b>Carats</b>	<b>18,238</b>	<b>12,563</b>	<b>+45%</b>	<b>52,537</b>

## Williamson – Tanzania

	Unit	Q1 FY 2019	Q1 FY 2018	Variance	FY 2018
<b>Sales</b>					
<b>Revenue</b>	<b>US\$M</b>	<b>18.5</b>	<b>-</b>	<b>+100%</b>	<b>68.5</b>
Diamonds sold	Carats	78,028	-	+100%	253,524 <sup>1</sup>
Average price per carat	US\$	237	-	+100%	270

<b><u>ROM Production</u></b>					
Tonnes treated	Tonnes	1,321,905	1,206,451	+10%	4,659,563
Diamonds produced	Carats	100,278	85,213	+18%	328,681
Grade	cpht	7.6	7.1	+7%	7.0
<b><u>Alluvial Production</u></b>					
Tonnes treated	Tonnes	82,313	90,340	-9%	385,721
Diamonds produced	Carats	3,137	2,702	+16%	12,421
Grade	cpht	3.8	3.0	+27%	3.2
<b><u>Total Production</u></b>					
Tonnes treated	Tonnes	1,404,218	1,296,791	+8%	5,045,284
<b>Diamonds produced</b>	<b>Carats</b>	<b>103,414</b>	<b>87,915</b>	<b>+18%</b>	<b>341,102</b>