



PetraDiamonds

This announcement contains inside information

15 April 2019

LSE: PDL

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

Trading Update – Q3 FY 2019 Production and Sales Report

Petra Diamonds Limited announces the following trading update (unaudited) for the three month period 1 January 2019 to 31 March 2019 (the "Period", "Q3 FY 2019" or "Q3") and the nine months ending 31 March 2019 ("FY 2019 YTD").

HIGHLIGHTS

- Lost Time Injury Frequency Rate ("LTIFR") for the nine months to 31 March 2019 of 0.19 (FY 2018 YTD: 0.18).
- Q3 production of 924,228 carats (Q3 FY 2018: 992,315 carats), reflecting increased production at Cullinan, Koffiefontein and Williamson, offset by lower production at Finsch.
- Production for the nine months to 31 March 2019 up 4% to 2,943,374 carats (FY 2018 YTD: 2,836,272 carats).
- Production guidance of 3.8 – 4.0 million carats for FY 2019 maintained.
- Installation of the remaining draw points across the footprint of the C-Cut Phase 1 block cave at Cullinan is progressing as planned, with completion expected during H1 FY 2020.
- With the progression across the C-Cut footprint, the incidence of larger stones is improving as demonstrated by the recovery of two +100 carats gem-quality stones during the Period.
- The 425.1 carat D colour Type II gem quality diamond recovered at Cullinan on 29 March 2019, is expected to be sold during Q4 FY 2019 as previously announced.
- Q3 revenue decreased 7% to US\$135.2 million due to a 6% reduction in sales volumes to 1,061,343 carats sold (Q3 FY 2018: US\$145.7 million from 1,131,262 carats sold).
- Revenue for the nine months to 31 March 2019 up 1% to US\$342.4 million from 2,797,700 carats sold (Q3 FY 2018 YTD: US\$337.4 million from 2,641,720 carats sold).
- Rough diamond prices achieved during the two tenders in Q3 up ca. 1% on a like-for-like basis compared to prices achieved in H1 FY 2019.
- Net debt reduced to ca. US\$553.1 million, (31 December 2018: US\$559.3 million), excluding US\$46.4 million relating to diamond debtors as at 31 March 2019 received shortly after Period end (31 December 2018: US\$4.4 million).

Q3 FY 2019 Production and Sales – Summary

	Unit	Q3 FY 2019	Q3 FY 2018	Variance	Nine months to 31 March 2019	Nine months to 31 March 2018	Variance
Sales							
Diamonds sold	Carats	1,061,343	1,131,262	-6%	2,797,700	2,641,720	6%
Gross revenue	US\$M	135.2	145.7	-7%	342.4	337.4	1%
Production							
ROM tonnes	Mt	3.4	3.0	12%	9.8	9.1	8%
Tailings & other ¹ tonnes	Mt	0.3	0.4	-22%	1.3	1.2	16%
Total tonnes treated	Mt	3.7	3.4	7%	11.1	10.2	9%
ROM diamonds	Carats	898,517	955,333	-6%	2,845,234	2,683,959	6%
Tailings & other ¹ diamonds	Carats	25,711	36,982	-30%	98,140	152,313	-36%
Total diamonds	Carats	924,228	992,315	-7%	2,943,374	2,836,272	4%

1. 'Other' includes alluvial diamond mining at Williamson.

Richard Duffy, Chief Executive Officer, commented:

"I have visited all of Petra's operations and am impressed by the very capable teams and quality asset base, strongly reinforcing my initial views of the business. Our capital investment phase is largely over and we are well positioned to benefit from this as we move towards steady state operational performance.

I am pleased with the incremental improvement in operational performance at Cullinan, Koffiefontein and Williamson and despite a challenging January, Finsch's performance through February and March is as expected. Our focus remains on the delivery of free cash flow to reduce our net debt and generate future options for the Company."

CONFERENCE CALL

Petra's Chief Executive Officer, Richard Duffy and Finance Director, Jacques Breytenbach will host a conference call at 9.30am and 4:00pm BST today to discuss the Q3 FY 2019 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): 0800 358 9473
 From South Africa (toll free): 0800 111 446
 From the rest of the world: +44 333 300 0804
 Participant passcode: 66129403#

A replay of the conference call will be available on the following numbers from 12:00pm BST on 15 April 2019.

From UK (toll free): 0800 358 2049
 From US (toll free): 1 844 307 9361
 From South Africa: +27 21 672 4123
 Rest of the world: +44 333 300 0819
 Playback passcode: 301282059#

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): 1 855 857 0686

From the rest of the world: +44 333 300 0804

From the UK (toll free): 0800 358 9473

From South Africa (toll free): 0800 111 446

Participant passcode: 32503418#

COMMENTARY

Health and safety

- The Group's LTIFR for the nine months to 31 March 2019 remains well managed at 0.19 (FY 2018 YTD: 0.18). The Company continues to focus on its goal of a zero-harm workplace.

Production

- Q3 production of 924,228 carats (Q3 FY 2018: 992,315 carats) reflected increased production at Cullinan, Koffiefontein and Williamson, offset by lower production at Finsch. Despite power interruptions across South Africa during the quarter and the Company's compliance with Eskom's request for load curtailment, the operational impact of these interruptions was largely offset by a number of mitigating measures, with negligible impact on production.
- Production for the nine month period to 31 March 2019 increased 4% to 2,943,374 carats (FY 2018 YTD: 2,836,272 carats) following a 6% increase in ROM carats produced to 2,845,234 carats (FY 2018 YTD: 2,683,959 carats), partially offset by the planned reduction in tailings throughput at Finsch. Production guidance of 3.8 – 4.0 million carats for FY 2019 is maintained.
- Finsch Q3 production decreased 30% to 387,370 carats (Q3 FY 2018: 553,669 carats) which is ca. 55,000 carats below expectations, 80% of which relates to a delay in the planned winder upgrade and a belt tear on the main underground conveyor, both of which occurred in January 2019. These issues have been addressed, with underground production in both February and March 2019 being in line with expectations. The balance of the Q3 shortfall relates to lower grades in the ROM surface stockpiles (overburden dumps), which are nearing depletion. Underground ROM grades remained in line with guidance during the quarter.
- Cullinan Q3 production increased 22% to 432,001 carats (Q3 FY 2018: 354,403 carats) following a 10% increase in ROM tonnes treated to 1.04 Mt (Q3 FY 2018: 0.95 Mt) and ROM grades remaining in line with expectations at 40.0 cpht (Q3 FY 2018: 36.2 cpht). The installation of the remaining draw points across the footprint of the C-Cut Phase 1 block cave is progressing as planned, with completion expected during H1 FY 2020, reaching maturity during FY 2020. With the progression across the C-Cut footprint, an improvement in the incidence of larger stones is evident, which included the recovery of two gem-quality stones larger than 100 carats each during the Period, and also demonstrates the ability of the plant to recover these stones. Proactive management of the Eskom load curtailment saw tailings production halted during the quarter to focus on higher value ROM production.
- Koffiefontein Q3 production increased 42% to 17,355 carats (Q3 FY 2018: 12,180 carats), with ROM throughput achieving its annualised target of 1 Mtpa, following the return to stable production after the community unrest related to municipal service delivery experienced in Q2 FY 2019.
- Williamson Q3 production increased 21% to 87,503 carats (Q3 FY 2018: 72,063 carats) with production continuing in line with expectations. Three gem-quality pink stones were recovered and sold during the Period, positively impacting the average price achieved.

Sales and Diamond Market

Diamond Market

- There were signs of stabilisation in the diamond market during Q3 with steady demand across all size categories.

Diamond Sales and Prices

- Q3 revenue decreased 7% to US\$135.2 million (Q3 FY 2018: US\$145.7 million), mainly due to lower production from Finsch. Revenue for the nine month period to 31 March 2019 increased marginally to US\$342.4 million (Q3 FY 2018: US\$337.4 million).
- Rough diamond prices were up ca. 1% for Q3 on a like-for-like basis in comparison to Petra's results for H1 FY 2019, the six month period to 31 December 2018.
- A further two tenders will be held during Q4 (April to June 2019).
- Prices realised during Q3 are summarised in the table below.

Mine	Actual (US\$/ct) Q3 FY 2019	Actual (US\$/ct) H1 FY 2019	Actual (US\$/ct) FY 2018
Finsch	101	105	108
Cullinan	101	96	125
Koffiefontein	559	447	525
Williamson	285	223	270

Succession Planning

- The Nomination Committee is in the final year of its three year Succession Plan. During the Period, the Company announced the appointment of Richard Duffy as CEO effective 1 April 2019.
- In a recent statement regarding the voting at the Company's November 2018 Annual General Meeting the Board confirmed that given the recent CEO appointment and to ensure continuity and stability of leadership and management, the appointment of a new Chairman was not considered appropriate at this time. The Nomination Committee expects to make further changes to the composition of the Board during this calendar year.

Corporate

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

	Unit	31 Mar 2019	31 Dec 2018	30 Jun 2018
<i>Closing exchange rate used for conversion</i>		R14.48:US\$1	R14.35:US\$1	R13.73:US\$1
Cash at bank	US\$M	96.9	90.7	236.0
Diamond inventories	US\$M	64.9	76.3	54.0
	Carats	674,632	811,718	529,054
Diamond debtors	US\$M	46.4	4.4	75.0
US\$650 million loan notes (issued April 2017)	US\$M	650.0	650.0	650.0
Bank loans and borrowings	US\$M	–	–	106.7
Net debt	US\$M	553.1	559.3	520.7
South African bank facilities undrawn and available	US\$M	103.6	104.5	2.6
Consolidated net debt for covenant measurement purposes	US\$M	580.8	627.4	531.6

- The Company's ZAR1.5 billion (US\$103.6 million) South African banking facilities remain undrawn and available, with an unrestricted cash balance of US\$84.5 million as at 31 March 2019.
- Discussions with South African lenders relating to covenant re-profiling are expected to be finalised by 30 April 2019.

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

Notes:

- The following definitions have been used in this announcement:
 - ct: carat
 - cpht: carats per hundred tonnes
 - Exceptional Diamonds: stones that sell for more than US\$5 million each
 - LTIFR: lost time injury frequency rate
 - Mcts: million carats
 - Mt: million tonnes
 - ROM: run-of-mine, i.e. relating to production from the primary orebody
 - SLC: sub-level cave, a variation of block caving
 - Tailings: material that has already been processed through a plant and stockpiled on dumps at surface
- 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 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). Petra also conducts a limited 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.

APPENDIX A – MINE BY MINE PRODUCTION TABLES

Finsch – South Africa

	Unit	Q3 FY 2019	Q3 FY 2018	Variance	Nine months to 31 March 2019	Nine months to 31 March 2018	Variance
Sales							
Revenue	US\$M	48.0	66.5	-28%	135.1	167.3	-19%
Diamonds sold	Carats	475,312	620,627	-23%	1,304,843	1,591,073	-18%
Average price per carat	US\$	101	107	-6%	104	105	-2%
Total ROM Production							
Tonnes treated	Tonnes	758,003	841,583	-10%	2,261,337	2,400,863	-6%
Diamonds produced	Carats	379,488	530,578	-28%	1,307,422	1,462,437	-11%
Grade	cpht	50.1	63.0	-21%	57.8	60.9	-5%
Tailings Production							
Tonnes treated	Tonnes	52,532	171,103	-69%	186,927	686,326	-73%
Diamonds produced	Carats	7,882	23,091	-66%	27,372	127,828	-79%
Grade	cpht	15.0	13.5	11%	14.6	18.6	-21%
Total Production							
Tonnes treated	Tonnes	810,535	1,012,686	-20%	2,448,265	3,087,189	-21%
Diamonds produced	Carats	387,370	553,669	-30%	1,334,794	1,590,265	-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.

Cullinan – South Africa

	Unit	Q3 FY 2019	Q3 FY 2018	Variance	Nine months to 31 March 2019	Nine months to 31 March 2018	Variance
Sales							
Revenue	US\$M	46.2	49.1	-6%	112.4	110.5	2%
Diamonds sold	Carats	456,652	404,775	13%	1,145,188	843,787	36%
Average price per carat	US\$	101	121	-17%	98	131	-25%
ROM Production							
Tonnes treated	Tonnes	1,043,105	951,449	10%	3,039,730	2,734,679	11%
Diamonds produced	Carats	417,742	344,357	21%	1,203,186	946,951	27%
Grade	cpht	40.0	36.2	11%	39.6	34.6	14%
Tailings Production							
Tonnes treated	Tonnes	164,911	154,547	7%	861,265	191,570	350%
Diamonds produced	Carats	14,259	10,046	42%	60,841	14,687	314%
Grade	cpht	8.6	6.5	33%	7.1	7.7	-8%
Total Production							
Tonnes treated	Tonnes	1,208,016	1,105,996	9%	3,900,994	2,926,249	33%
Diamonds produced	Carats	432,001	354,403	22%	1,264,027	961,638	31%

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 2019	Q3 FY 2018	Variance	Nine months to 31 March 2019	Nine months to 31 March 2018	Variance
<u>Sales</u>							
Revenue	US\$M	8.3	7.0	19%	18.8	18.0	4%
Diamonds sold	Carats	14,925	13,101	14%	38,332	34,656	11%
Average price per carat	US\$	559	534	5%	490	520	-6%
<u>ROM Production</u>							
Tonnes treated	Tonnes	282,860	163,335	73%	660,251	452,813	46%
Diamonds produced	Carats	17,355	12,180	42%	42,630	37,472	14%
Grade	cpht	6.1	7.5	-18%	6.5	8.3	-22%
<u>Total Production</u>							
Tonnes treated	Tonnes	282,860	163,335	73%	660,251	452,813	46%
Diamonds produced	Carats	17,355	12,180	42%	42,630	37,472	14%

Williamson – Tanzania

	Unit	Q3 FY 2019	Q3 FY 2018	Variance	Nine months to 31 March 2019	Nine months to 31 March 2018	Variance
<u>Sales</u>							
Revenue	US\$M	32.6	23.1	41%	76.1	41.6	83%
Diamonds sold	Carats	114,452	92,759	23%	309,365	172,204	80%
Average price per carat	US\$	285	249	14%	246	242	2%
<u>ROM Production</u>							
Tonnes treated	Tonnes	1,300,659	1,078,518	21%	3,811,110	3,481,911	9%
Diamonds produced	Carats	83,932	68,218	23%	291,997	237,099	23%
Grade	cpht	6.5	6.3	2%	7.7	6.8	13%
<u>Alluvial Production</u>							
Tonnes treated	Tonnes	112,709	99,166	14%	308,266	292,338	5%
Diamonds produced	Carats	3,570	3,845	-7%	9,927	9,798	1%
Grade	cpht	3.2	3.9	-19%	3.2	3.4	-5%
<u>Total Production</u>							
Tonnes treated	Tonnes	1,413,368	1,177,684	20%	4,119,376	3,774,249	9%
Diamonds produced	Carats	87,503	72,063	21%	301,924	246,897	22%