16 September 2019 LSE: PDL

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

Preliminary Results Announcement for the Year ended 30 June 2019 (unaudited)

Petra Diamonds Limited announces its preliminary results (unaudited) for the year ended 30 June 2019 ("the Year" or "FY 2019").

Financial Highlights

- Revenue down 6% to US$463.6 million (FY 2018: US$495.3 million), with diamond prices realised by Petra down ca. 5% in line with the wider market.
- Adjusted EBITDA[3] down 22% to US$153.0 million (FY 2018: US$195.4 million); adjusted EBITDA margin of 33% (FY 2018: 39%).
- Positive operational free cash flow[10] of US$70.5 million (FY 2018: US$61.3 million outflow) an important milestone for the Company and reflecting the strong grip on factors under Petra's control (costs and capex).
- Non-cash impairment charge[5] of US$246.6 million, largely driven by more conservative rough diamond pricing estimates, based on prevailing market conditions and a more conservative outlook on future price growth, impacting the carrying values of all operating assets (FY 2018: US$66.0 million for Koffiefontein).
- Net loss after tax of US$258.1 million including non-cash impairment charge of US$246.6 million (FY 2018 net loss after tax: US$203.1 million).
- Adjusted loss per share[6] from continuing operations: 2.63 US$ cents per share (FY 2018: 0.50 US$ cents profit per share).
- Net debt[11] adjusted for diamond debtors as at 30 June 2019 of US$541.0 million, as compared to US$554.9 million as at 31 December 2018 and US$445.7 million as at 30 June 2018.

Operational Highlights

- Safety: Group Lost Time Injury Frequency Rate ("LTIFR") improved to 0.21 (FY 2018: 0.23).
- Full Year production of 3.87 Mcts (FY 2018: 3.84 Mcts), in line with guidance.
- Run of mine ("ROM") tonnes treated increased 10% to 13.3 Mt (FY 2018: 12.1 Mt).
- Operational Capex (excluding capitalised borrowing costs) reduced to US$81.4 million (FY 2018: US$129.6 million), within budget and in line with the Company's reducing capital expenditure profile.
- The Group achieved absolute on mine costs in line with expectations with a weakening ZAR offsetting most of the inflationary increases.

Current Trading

- Total production of ca. 705 Kcts for July and August.
- Sales of US$61.6 million from the September tender, with prices down ca. 4% on a like-for-like basis compared with Q4 FY 2019, reflecting weaker market conditions. Demand remained solid across all assortments although weaker for larger white stones.
- Current ZAR:USD weakness is partially offsetting some of the weakness in diamond prices.

Corporate

- As part of the Board's Three Year Succession Plan, Non-Executive Chairman Adonis Pouroulis intends to step down from the Board by the end of Q3 FY 2020, once a successor has been identified and appointed. It is expected that an announcement regarding the appointment of a new Chairman will be made before the end of this calendar year.
- The South African Lenders to the Company's black economic empowerment ("BEE") partners agreed post Year end to an amended repayment profile of the ca. US$54.2 million BEE banking debt. The balance (which was to be settled in two instalments, November 2019 and May 2020) will now be spread over the period to November 2021, with ca. US$5.0 million payable in November 2019, followed by four equal bi-annual instalments of US$12.3 million each from May 2020.

Outlook

- On track to achieve FY 2020 production guidance of ca. 3.8 Mcts.
- Project 2022 was launched in July 2019, led by a senior project executive team. The initiative aims to identify and drive efficiencies and improvement across all aspects of the business, targeting delivery of US$150 – 200 million cumulative free cash flow over a three year period, with delivery weighted towards FY 2021 and FY 2022 and dependent on diamond pricing.
- The diagnostic phase has now been completed at both Finsch and Cullinan and has identified a number of potential operational cost saving and throughput enhancement opportunities, scheduled to be implemented from Q1 FY 2020. In addition, further diagnostics are being conducted to identify opportunities at Koffiefontein, Williamson and off-mine expenditure.
- Focus on operational cost efficiencies; Group FY 2020 total on-mine cash costs are expected to remain largely flat relative to FY 2019, with inflationary pressures partially offset by lower tailings production and a Group-wide focus on streamlining operations and re-setting the cost base across its portfolio.
- FY 2020 Capex is guided at ca. US$43 million, continuing the declining trend since peak Capex was reached in FY 2016. FY 2020 Capex is ca. US$29 million lower than previous guidance, with a focus to close out the existing expansion programmes.
- FY 2021 and FY 2022 capex guidance of ca. US$45 – 55 million and ca. US$60 – 70 million respectively, subject to market conditions.
- The recent ZAR:USD weakness has provided favourable hedging opportunities to both benefit from the weaker Rand and protect against possible future Rand strength, partially offsetting the impact of weaker diamond prices.
- Whilst noting that seasonal weakness is typically experienced in pricing at the first tender of FY 2020, the Company expects the diamond market to remain challenging in the near-term. Updated cash flow projections indicate sufficient headroom from available cash balances and existing banking facilities. The continued market weakness and its expected impact on the Company has been discussed with the South African Lender Group[13] who have confirmed their ongoing support. Both the ZAR1 billion (ca. US$70 million) revolving credit facility and the ZAR500 million (ca. US$35 million) working capital facility are currently undrawn and remain available.

Richard Duffy, Chief Executive, commented on the Results:
"Petra achieved a solid operational performance in FY 2019, generating operating free cash flow of US$70.5 million, despite a weaker market, and during the Company's transition from its expansionary capital expenditure phase towards steady-state production. Our Board has conducted a thorough strategic review of the business. In the short term, we remain firmly focused on the rigorous execution of Project 2022, which is expected to reduce the Company's high net debt levels, against this backdrop of a challenging diamond market. Addressing this leverage will enable us to capture future organic growth opportunities and reposition Petra as the leading mid-tier diamond producer."

Results Presentation, Webcast and Conference Call

Presentation:
A presentation for analysts will be held at 9:30am BST on 16 September 2019 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN.

Webcast:
A live webcast of the presentation will be available on Petra's website at www.petradiamonds.com and on: https://www.investis-live.com/petra-diamonds/5d6ccc7b9eecb71000f017fc/ommb

A recording will be available from 1:00pm BST on 16 September 2019 on the same link.

A conference call line will also be available to allow participants to listen to the webcast by dialling one of the following numbers shortly before 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: 27379746#

A replay of the conference call will be available on the following numbers from 12:00pm BST on Monday 16 September:
From the UK (toll free): 0800 358 2049
From South Africa: +27 (21) 672 4123
US (toll free): +1 844 307 9361
From the rest of the world: +44 333 300 0819
Playback passcode: 301296540#

Second Conference Call – 4:00pm BST:
A conference call with management to cater for North American and other international investors will be held at 4:00pm BST on 16 September 2019. Participants are advised to view the results presentation webcast in advance of the call, as the full management commentary on the results will not be repeated.

From the US (toll free): +1 855-85-70686
From the rest of the world: +44 333 300 0804
From the UK (toll free): 0800 358 9473
Participant passcode: 35535875#

SUMMARY OF RESULTS (unaudited)

	Year ended 30 June 2019 ("FY 2019") US$ million	Year ended 30 June 2018 ("FY 2018") US$ million
Revenue	**463.6**	495.3
Adjusted mining and processing costs[1]	**(301.7)**	(291.4)
Other direct (expense) / income	**(0.8)**	1.2
Profit from mining activity[2]	**161.1**	**205.1**
Exploration expense	**(0.4)**	(0.6)
Corporate overhead	**(7.7)**	(9.1)
Adjusted EBITDA[3]	**153.0**	**195.4**
Depreciation	**(106.7)**	(128.0)
Share-based expense	**(0.2)**	(0.6)
Net finance expense	**(57.5)**	(59.6)
Tax expense (excluding taxation credit on impairment charge (FY 2018: tax charge on reduction of unutilised Capex benefits))	**(1.8)**	(5.6)
Adjusted net (loss) / profit after tax[4]	**(13.2)**	**1.6**
Impairment charge[5]	**(246.6)**	(66.0)
Net unrealised foreign exchange gain / (loss)	**4.0**	(26.2)
Taxation credit on impairment charge	**47.6**	—
Taxation charge on reduction of unutilised Capex benefits	**—**	(8.2)
Loss from continuing operations	**(208.2)**	(98.8)
Loss on discontinued operations, net of tax[7]	**(49.9)**	(104.3)
Net loss after tax	**(258.1)**	**(203.1)**
Earnings per share attributable to equity holders of the Company – US cents		
Basic loss per share – from continuing and discontinued operations	**(26.19)**	**(31.29)**
Basic loss per share – from continuing operations	**(20.18)**	**(15.85)**
Adjusted (loss) / profit per share – from continuing operations[6]	**(2.63)**	**0.50**

	Unit	As at 30 June 2019 (US$ million)	As at 30 June 2018 (US$ million)
Cash at bank – (including restricted amounts)	US$m	**85.2**	236.0
Diamond debtors	US$m	**23.8**	75.0
Diamond inventories	US$m	**57.5**	54.0
Diamond inventories	Carats	**666,201**	529,054
US$650 million loan notes (issued April 2017)[8]	US$m	**650.0**	650.0

Bank loans and borrowings[9]	US$m	**—**	106.7
Net debt[11]	US$m	**564.8**	520.7
Bank facilities undrawn and available	US$m	**106.6**	2.6
Consolidated net debt for covenant measurement purposes[12]	US$m	**595.2**	531.6
Consolidated net debt to consolidated EBITDA ratio	X	**3.9**	2.7

The following exchange rates have been used for this announcement: average for FY 2019: US$1:ZAR14.19 (FY 2018: US$1:ZAR12.86); closing rate as at 30 June 2019 US$1:ZAR14.07 (FY 2018: US$1:ZAR13.73).

***Notes*:**
The Group uses several non-GAAP measures above and throughout this report to focus on actual trading activity by removing certain non-cash or non-recurring items and discontinued operations. These measures include adjusted mining and processing costs, profit from mining activities, adjusted EBITDA, adjusted net profit after tax, adjusted earnings per share, adjusted US$ loan note, net debt and consolidated net debt for covenant measurement purposes. As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies. The Board believes that such alternative measures are useful as they exclude one-off items such as the impairment charges and non-cash items to provide a clearer understanding of the underlying trading performance of the Group.

1. *Adjusted mining and processing costs are mining and processing costs stated before depreciation and share-based expense.*
2. *Profit from mining activities is revenue less adjusted mining and processing costs plus other direct income.*
3. *Adjusted EBITDA is stated before depreciation, share-based expense, net finance expense (excluding net unrealised foreign exchange gains and losses), tax expense (excluding taxation credit on impairment charge and taxation charge on unutilised Capex benefits), loss / profit on discontinued operations, impairment charges and net unrealised foreign exchange gains and losses.*
4. *Adjusted net (loss) / profit after tax is net loss / profit after tax stated before losses on discontinued operations, impairment charge, taxation credit on impairment charge, net unrealised foreign exchange gains and losses and taxation charge on reduction of unutilised Capex benefits.*
5. *Impairment charge of US$246.6 million (30 June 2018: US$66.0 million - Koffiefontein) was due to the Group's impairment review of its operations and other receivables. Refer to note 15 for further details.*
6. *Adjusted EPS from continuing operations is stated before impairment charge, taxation credit on impairment charge, net unrealised foreign exchange gains and losses and taxation charge on reduction of unutilised Capex benefits.*
7. *The loss on discontinued operations reflect the results of the KEM JV and Helam operations (net of tax), including impairment of other receivables from the KEM JV.*
8. *The US$ loan note represents the gross capital of US$650 million (30 June 2018: US$650 million), excluding transaction costs.*
9. *In July 2018, the Company repaid the Revolving Credit Facility (capital plus interest) of US$73.1 million and Working Capital Facility (capital plus interest) of US$33.6 million in full, however the facilities were not cancelled and remain available.*
10. *Operational free cash flow is cash generated from operations less capital expenditure for the year as per the consolidated cash flow statement.*
11. *Net debt is the US$ loan notes and bank loans and borrowings net of cash at bank (including restricted cash).*
12. *Consolidated Net Debt for covenant measurement purposes is bank loans and borrowings plus loan notes, less cash, less diamond debtors and includes the BEE guarantees of ca. US$54.2 million (ZAR762.5 million) (30 June 2018: US$85.9 million (ZAR1,218 million)) issued by Petra to the lenders as part of the BEE financing concluded in December 2014 and which are included in the Group's balance sheet as BEE loans payable. This measure differs to the 'Net debt' figure in the table above.*
13. *The South African lender group comprises Absa Bank Limited (acting through its Corporate and Investment Banking division), FirstRand Bank Limited (acting through its Rand Merchant Bank division), Investec Asset Management Proprietary Limited and Nedbank Limited (acting through its Corporate and Investment Banking division Trust ("the Lender Group").*

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

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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.

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. 250 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. The Company's US$650 million loan notes due in 2022 are listed on the Global Exchange market of the Irish Stock Exchange. For more information, visit www.petradiamonds.com.

CEO'S REVIEW

Whilst FY 2019 saw some challenges in terms of both a relatively volatile diamond market, as well as the Company's transition from that of heavy capital expenditure to steady-state production, we delivered solid operational performance. As operations continue to stabilise, the Company is well positioned for the next phase of delivery.

We acknowledge that our people are integral to our success; this continues to drive the Company's thinking in terms of our focus on safety, as evidenced by the continued improvement in the LTIFR of 0.21 for the Year, as opposed to 0.23 in FY 2018, and our approach to labour relations, which remained stable for the Year.

Production of 3.9 Mcts was in line with guidance. Production at Cullinan and Williamson exceeded guidance, offset by lower than expected production at Finsch. Run of mine ("ROM") production increased to 3.8 Mcts – representing ca. 97% of the Group's overall production profile – with a 40% reduction in lower value tailings and other diamonds.

Based on production recorded in the first two months of FY 2020, the Group is on track to achieve its FY 2020 target of ca. 3.8 Mcts.

Revenue decreased 6% to US$463.6 million, largely reflecting the weaker diamond market and resulting in the Group's EBITDA margin declining to 33% (FY 2018: 39%). On-mine cash costs were largely in line with expectations and, looking ahead, one of Project 2022's key focus areas will include the identification and realisation of opportunities to improve cost efficiencies to protect operating margins.

An important turning point for the Company was reached in FY 2019 with the generation of US$70.5 million of operational cash flow (FY 2018: US$61.3 million outflow), reflecting the positive benefits of our capital investment and the stabilisation of production across the operations.

Petra has now effectively completed its significant capital expenditure programme and recorded lower operational Capex of US$81.4 million (excluding capitalised borrowing costs) during the Year (down from US$129.6 million in FY 2018 and below the Company's FY 2019 guidance of ca. US$95 million).

Following our recent review of our Life of Mine ("LOM") plans, FY 2020 capex guidance is maintained at ca. US$43 million, while FY 2021 and FY 2022 capex is guided at ca. US$45 – 55 million and ca. US$60 – 70 million respectively, with ca. US$30 million per annum relating to sustaining capex and the balance mainly related to underground development at Cullinan and Finsch. A significant portion of the FY 2021 and FY 2022 capex is discretionary and can be curtailed should current market conditions worsen.

Further to the review of the LOM plans mentioned above, the Company also completed impairment reviews on all the assets in its portfolio. The changes to the underlying operational plans, costs and capital expenditure assumptions did not materially change the valuation of these assets compared to earlier reviews of this nature and thus did not indicate any impairment on a standalone basis, with the exception of Koffiefontein which is discussed in the Financial and Operational Reviews below. However, the revised starting price assumptions, given recent weakness in the diamond market and a decision to use a lower real price escalator compared to earlier assumptions, resulted in each of the four operational assets' carrying values being partially impaired to reflect the latest assessment of the recoverable value. An asset-level non-cash impairment charge of US$223.7 million has therefore been recognised in the financial results – further detail is provided in the Financial Review section below.

Compelling opportunities
My first priority at Petra has been to assess the business' capacity to deliver free cash flow and, as a result of this exercise, we have launched Project 2022, which will identify opportunities across the business to drive efficiencies and facilitate improvements. The areas in focus include throughput at all operations, cost efficiencies, strategic sourcing and other initiatives (such as the sale of equipment and the resolution of the blocked parcel and VAT receivables in Tanzania). Project 2022 targets delivery of US$150 – 200 million free cash flow by the end of FY 2022, with delivery weighted towards FY 2021 and FY 2022 and dependent on diamond pricing.

In addition to the implementation of Project 2022, Petra's Board and Management have conducted a thorough strategic review of the business. In the short term, we remain firmly focused on the rigorous execution of Project 2022, which is expected to reduce the Company's high net debt levels, against the backdrop of a challenging diamond market. Addressing this leverage will enable us to capture future organic growth opportunities and reposition Petra as the leading mid-tier diamond producer.

Finally, I would like to thank my predecessor Johan Dippenaar, who led Petra through an impressive period of growth whilst also carrying out substantial and at times challenging capital programmes. Following the significant investment in the Group's assets, the business is now well positioned to deliver consistent, solid and sustainable production from its diversified portfolio of mines. With a total resource of nearly 250 million carats, Petra has organic growth opportunities well beyond 2030, and this is underpinned by a strong and committed team that understands the business, both in terms of its challenges and opportunities.

I look forward to continuing to build relationships both internally and externally, with all our stakeholders, and to leading Petra on this next stage of our journey.

THE DIAMOND MARKET

The diamond market environment was challenging in FY 2019, driven by a weakening in global markets, trade tensions between the US and China, higher than normal polished inventories and the sustained tightening of liquidity in the midstream. More recent unrest in Hong Kong, escalating trade tensions between the US and China, and concerns regarding growth in some of the world's leading economies are further headwinds facing the diamond market in the short term.

The major producers of rough diamonds have responded to these difficult market conditions by restricting supply to the market (both via production cuts and the deferral of rough purchases). This action, combined with the forthcoming seasonally stronger jewellery retail season, which includes Thanksgiving in the US, Christmas, Chinese New Year and Valentine's Day, may assist in terms of stabilising the market.

In terms of supply and demand, the outlook is more positive in the medium to longer term, which is expected to be supportive of rough diamond prices. Global supply fell 2% in 2018 to 148.4 Mcts valued at US$14.5 billion (2017: 150.9 Mcts valued at US$14.1 billion), according to the Kimberley Process, and a further tightening of supply is expected over time due to the closure of older mines (including the Argyle mine in Australia which produced 14 Mcts in 2018 and is scheduled to cease production in late 2020) and a dearth of new mines coming on stream.

Demand remained relatively stable in 2018, with global diamond jewellery sales growing ca. 4% to US$85.9 billion, according to industry reports. The US remained the largest market with an estimated market share of more than 50%. The slower pace of growth in sales in the six months to December 2018 (ca. 2%) was largely due to the impacts of a more uncertain economic situation in South East Asia, with trade tensions rising, and a strong US dollar a further headwind. In the medium to long term, marketing spending of the Diamond Producers Association ("DPA"), which has committed an investment of over US$70m for generic marketing in 2019, and others in the sector is expected to stimulate purchases of diamond jewellery in the leading markets of the US, China and India.

Petra Sales and Prices
Carats sold by Petra in FY 2019 were 2% lower at 3,736,847 Mcts (FY 2018: 3,793,799 carats), with revenue 6% lower at US$463.6 million (FY 2018: US$495.3 million), reflecting the weaker diamond market. Petra's average realised diamond prices were ca. 5% lower, and a softening in demand was noted across the size ranges but particularly in the lower value, smaller stones. However, it is worth noting that while rough diamonds smaller than nine sieve size (smaller than 0.2 carats) account for ca. 44% of our production, they account for less than 8% of our sales value.

Sales of US$61.6 million from the September tender, with prices down ca. 4% on a like-for-like basis compared with Q4 FY 2019, reflecting weaker market conditions. Demand remained solid across all assortments although weaker for larger white stones.

The table below provides rough diamond prices achieved for FY 2019 and FY 2018.

Mine	FY 2019 US$/ct	H2 FY 2019 US$/ct	H1 FY 2019 US$/ct	FY 2018 US$/ct
Finsch	99	94	105	108
Cullinan	110	120	96	125
Koffiefontein	480	501	447	525
Williamson	231	239	223	270

The average prices achieved at all operations were negatively impacted by weaker prices in the market for smaller goods, as well as a product mix containing a lower than expected incidence of gem quality coarse diamonds in underground ROM material.

FINANCIAL REVIEW

Revenue
FY 2019 revenue decreased 6% to US$463.6 million (FY 2018: US$495.3 million) due to the number of carats sold for the Year decreasing 2% to 3,736,847 carats (FY 2018: 3,793,799 carats), as well as the impact of a weaker diamond market and product mix. Petra's realised diamond prices reduced by ca. 5% in line with the market movement in this period.

Mining and processing costs
The mining and processing costs for the Year are comprised of on-mine cash costs as well as other operational expenses. A breakdown of the total mining and processing costs for the Year is set out below.

	On-mine cash costs[1] US$m	Diamond royalties US$m	Diamond inventory and stockpile movement US$m	Group technical, support and marketing costs[2] US$m	Adjusted mining and processing costs US$m	Depreciation[3] US$m	Total mining and processing costs (IFRS) US$m
FY 2019	266.9	13.2	(2.9)	24.5	301.7	105.9	407.6
FY 2018	261.4	14.2	(9.5)	25.3	291.4	127.2	418.6

Notes:
1. *Includes all direct cash operating expenditure at operational level, i.e. labour, contractors, consumables, utilities and on-mine overheads.*
2. *Certain technical, support and marketing activities are conducted on a centralised basis.*
3. *Excludes exploration and corporate / administration.*

Absolute on-mine cash costs in FY 2019 rose 2% (in line with expectations), despite ongoing inflationary pressures, due to:
- an increase in production / volumes treated (2.0% increase); and
- inflationary increases, including the impact of electricity and labour costs (7.5% increase);

offset by:
- the effect of translating ZAR denominated costs at the South African operations at a weaker ZAR/USD exchange rate (7.5% decrease).

Profit from mining activities
Profit from mining activities decreased 21% to US$161.1 million (FY 2018: US$205.1 million), due to lower revenue and increases in mining and processing costs.

Corporate overhead – General and Administration
Corporate overhead (before depreciation and share based payments) decreased 15% to US$7.7 million for the Year (FY 2018: US$9.1 million).

Adjusted EBITDA
Adjusted EBITDA, being profit from mining activities less exploration and corporate overhead, decreased by 22% to US$153.0 million (FY 2018: US$195.4 million), representing an adjusted EBITDA margin of 33% (FY 2018: 39%), driven by lower diamond prices.

Depreciation
Depreciation for the Year decreased to US$106.7 million (FY 2018: US$128.0 million), mainly due to prior year depreciation reflecting accelerated depreciation associated with the old Cullinan plant and older mining areas at Finsch and Cullinan; and the weakening of the Rand against the US Dollar during the Year.

Impairment charge
As a result of the impairment review carried out at Cullinan, Finsch, Koffiefontein and Williamson and the Group's other receivables during the Year, the Board recognised an overall impairment charge of US$246.6 million (FY 2018: US$66.0 million relating to Koffiefontein). Further details are provided in Note 15.

Asset level impairments across the mining operations amount to US$223.7 million (representing some 18% of carrying value of property, plant and equipment of US$1,187.5 million pre-impairment), largely driven by reduced starting price assumptions for rough diamonds, given current rough diamond market conditions, and a reduction in the forward-looking pricing escalator from 3% real per annum, in our previous assumptions, to flat prices in real terms for FY 2021, followed by 2.8% per annum real growth from FY 2022 to FY 2030, resulting in an effective 2.5% annual real increase for the ensuing 10 year period from FY 2021 to FY 2030. The underlying operational assumptions did not materially change.

Loss on discontinued operations – KEM JV and Helam
The loss on discontinued operations of US$49.9 million (FY 2018: US$104.3 million reclassification of KEM JV as a discontinued operation) relates to the Group's disposal during the Year of its interests in the KEM JV and Helam operations and is made up of:

- a US$3.6 million disposal consideration for KEM JV; and
- the recycling of the foreign currency translation reserve of US$2.1 million

offset by:

- net loss of US$1.5 million attributable to KEM JV and a net loss of US$0.8 million at Helam for the period 1 July 2018 to disposal date;
- net asset disposal of US$8.8 million (US$8.2 million KEM JV and US$0.6 million Helam);
- US$35.2 million recycling of non-controlling interest (US$26.1 million KEM JV and US$9.1 million Helam);
- US$2.0 million transfer of cash from the rehabilitation guarantee cell captive; and
- US$7.3 million impairment of the KEM JV purchase consideration and current trade and other receivables.

Refer to note 16 for the detailed breakdown.

Net financial expense
Net financial expense of US$53.5 million (FY 2018: US$85.8 million) comprises:

- net unrealised foreign exchange gains of US$4.0 million (FY 2018: US$26.2 million loss) representing (i) the unrealised foreign exchange gains on the foreign currency retranslation of cross border loans considered to be repayable in the foreseeable future, (ii) unrealised losses on forward exchange contracts and (iii) unrealised foreign exchange losses on Rights Issue proceeds (refer to note 6 for further detail);
- interest received on bank deposits of US$1.1 million (FY 2018: US$3.5 million); and
- net realised foreign exchange gains on settlement of forward exchange contracts of US$1.0 million (FY 2018: US$0.9 million);

offset by:

- interest on the Group's debt and working capital facilities of US$47.0 million (FY 2018: US$47.5 million) stated after the capitalisation of interest of US$4.5 million (FY 2018: US$15.2 million) associated with the funding of assets under development; the year on year increase is as a result of expansion programmes transitioning to production phases;
- net interest payable on the BEE partner loans of US$8.6 million (FY 2018: US$12.4 million); and

- a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US$4.0 million (FY 2018: US$4.1 million).

Tax credit / charge
The tax credit of US$45.8 million (FY 2018: US$13.8 million charge), comprised deferred tax credit of US$52.8 million (FY 2018: US$3.3 million charge), offset by an income tax charge of US$7.0 million (FY 2018: US$10.5 million charge, included the one-off settlement with the South African Revenue Service ("SARS") on the right to claim a deduction on unutilised capital allowances (US$8.2 million)). The income tax charge is due to taxable profits generated at Finsch.

The current period effective tax rate is lower than the South African tax rate of 28% (the Group's primary tax paying jurisdiction) predominantly due to:

- tax credit specific to the Cullinan, Finsch and Williamson impairment charge;
- loss making companies where deferred tax assets are not recognised; and
- loss making companies within the Group based in tax jurisdictions with a 0% tax rate (which, when consolidated, increases the Group's overall net loss resulting in an increased effective tax rate).

The tax credit for FY 2019 arises due to deferred tax (net of charges and credits), reflecting principally the utilisation of certain capital allowances and impact of the deferred taxation on the impairment charge, predominantly at Cullinan and Finsch during the Year, and South African current taxation payable at Finsch. The cash taxes paid during the Year amounted to US$13.0 million (FY 2018: US$7.5 million) mainly attributable to Finsch.

Group loss / profit
The Group's net loss after tax is US$258.1 million (FY 2018 net loss: US$203.1 million).

Earnings per share
Basic loss per share from continuing operations of 20.18 US$ cents was recorded (FY 2018: 15.85 US$ cents).

Adjusted loss per share from continuing operations (adjusted for impairment charges, taxation credit on impairment charge, taxation charge on unutilised Capex benefits, net unrealised foreign exchange gains and losses, and loss on discontinued operations) of 2.63 US$ cents was recorded (FY 2018: 0.50 US$ cents profit).

Operational free cash flow
During the Year, generation of operational free cash flow of US$70.5 million (FY 2018: US$61.3 million outflow) reflects the positive benefits of our capital investment and the stabilisation of production across the operations. This positive cash flow was offset by:

- US$43.1 million (FY 2018: US$34.8 million) cash finance expenses net of finance income and realised foreign exchange gains;
- US$46.7 million (FY 2018: US$31.0 million) advances to BEE partners, largely related to servicing of BEE bank debt in line with the Group's stated intent of reducing Consolidated net debt for covenant measurement purposes (which includes BEE banking facilities), with the advances recoverable against future BEE partner distributions; and
- US$5.5 million (FY 2018: US$ nil) net advances and payments to KEM JV further to the disposal.

Cash and Diamond Debtors
As at 30 June 2019, Petra had cash at bank of US$85.2 million (30 June 2018: US$236.0 million). Of these cash balances, US$71.7 million was held as unrestricted cash (30 June 2018: US$221.6 million), US$12.6 million was held by Petra's reinsurers as security deposits on the Group's cell captive insurance structure (with regards to the Group's environmental guarantees) (30 June 2018: US$13.6 million) and US$0.9 million was held by Petra's bankers as security for other environmental rehabilitation bonds lodged with the Department of Mineral Resources in South Africa (30 June 2018: US$0.8 million).

Diamond debtors at 30 June 2019 were US$23.8 million (30 June 2018: US$75.0 million).

Diamond inventory
Diamond inventory at 30 June 2019 increased to 666,201 carats / US$57.5 million (FY 2018: 529,054 carats / US$54.0 million), largely due to the South African June 2019 tender closing eight business days earlier than in the comparative period.

Loans and Borrowings
The Group had loans and borrowings (measured under IFRS) at Year end of US$650.6 million (30 June 2018: US$754.8 million), comprised of the loan notes plus accrued interest of US$650.6 million (30 June 2018: US$648.1 million) and bank loans and borrowings of US$nil (30 June 2018: US$106.7 million). During the Year, the Company settled (without cancelling) its bank loans and borrowings (capital plus interest) of US$106.7 million with its lending group. Bank debt facilities undrawn and available to the Group at 30 June 2019 were US$106.6 million (30 June 2018: US$2.6 million).

Net debt at 30 June 2019 was US$564.8 million (30 June 2018: US$520.7 million).

Covenant Measurements attached to banking facilities
The Company's EBITDA related covenants associated with its banking facilities are as outlined below:

	12 months to 30 Jun 2019	**12 months to 31 Dec 2019**	**12 months to 30 Jun 2020**	**12 months to 31 Dec 2020**	**12 months to 30 Jun 2021**
Consolidated Net Debt to Consolidated EBITDA:					
- **Current covenant ratio:**	**≤ 4.5x**	**≤ 4.25x**	**≤ 3.5x**	**≤ 3.25x**	**≤ 3.0x**
- Previous covenant ratio:	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.5x
Consolidated EBITDA to Consolidated Net Finance Charges:					
- **Current covenant ratio:**	**≥ 2.5x**	**≥ 2.5x**	**≥ 2.75x**	**≥ 3.0x**	**≥ 3.25x**
- Previous covenant ratio:	≥4.0x	≥4.0x	≥4.0x	≥4.0x	≥4.0x
Consolidated Net Senior Debt to Book Equity:					
- **Current covenant ratio**	≤0.4x	≤0.4x	≤0.4x	≤0.4x	≤0.4x

The Group closely monitors and manages its liquidity risk, and cash forecasts are regularly produced and run for different scenarios, indicating that the Group has sufficient cash reserves and banking facilities to meet its working capital and capital development requirements under its forecasts including sensitivities.

The impact of the recent weakness in the diamond market on the Group's operating results and cash flow position has been discussed with the Lender Group, including possible breaches in its EBITDA-related covenants for the December 2019 and June 2020 reporting periods. The Lender Group has re-affirmed its ongoing support of the Group and the Company and the South African Lender Group will further these discussions once the September tender results have been finalised and processed, and the Company has had the opportunity to further assess the impact on forward looking cash flow projections. This may include covenant resets and/or waivers for the measurement period under review in the Board's assessment of the business as a going concern, being a period of at least 18 months from Year end, See 'Basis of preparation including going concern' section for further information.

BEE loans receivable and payable
BEE loans receivable of US$109.6 million (FY 2018: US$64.7 million) relate to the Group's BEE partners' financing of their interests in the Koffiefontein mine, advances provided to the BEE partners to enable the BEE partners to discharge interest and capital commitments under the BEE Lender facilities (refer to the information below regarding the guarantee provided by the Company) and other advances to the BEE partners which have enabled the Itumeleng Petra Diamonds Employee Trust ("IPDET") to make distributions to their beneficiaries (Petra Directors and Senior Managers do not qualify as beneficiaries under the IPDET Trust Deed). During the Year, Petra advanced US$42.2 million (FY 2018: US$24.3 million) to facilitate the servicing of capital and interest payments on behalf of the BEE Partners and US$4.5 million (FY 2018: US$6.7 million) for distributions to the beneficiaries of the IPDET and shareholders of Kago.

The BEE loans payable of US$120.5 million (FY 2018: US$110.5 million) relate to the initial acquisition loan funding advanced by the Group's BEE partners to the operations to acquire their investments in Finsch and Cullinan. The repayment of these loans by the mines to the BEE partners will be from future free cash flows generated by the mining operations.

The South African Lenders to the Company's BEE partners, Absa Bank, Rand Merchant Bank and Investec, agreed post Year end to an amended repayment profile of the ca. US$54.2 million BEE banking debt. The balance, which was to be settled in two instalments, November 2019 and May 2020, will now be spread over the period to November 2021, with ca. US$5.0 million payable in November 2019, followed by four equal biannual instalments of US$12.3 million each from May 2020.

Refer to note 12 for further detail on BEE loans receivable and payable.

Other Liabilities
Other than trade and other payables of US$53.4 million (comprising US$20.9 million trade creditors, US$2.7 million employee related accruals and US$29.8 million other payables) (FY 2018: US$130.8 million), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, post retirement employee related provisions and deferred tax.

Capex
Total Group Capex for the Year reduced to US$86.9 million (FY 2018: US$145.5 million), comprising:
- US$56.0 million expansion Capex (FY 2018: US$110.7 million);
- US$25.4 million sustaining Capex (FY 2018: US$18.9 million);
- US$3.7 million capitalised borrowing costs with regards to the expansion Capex (FY 2018: US$15.2 million); and
- Corporate / exploration Capex of US$1.8 million (FY 2018: US$0.7 million).

Capex	**Unit**	**FY 2019**	**FY 2018**
Finsch	US$M	24.1	54.0
Cullinan	US$M	46.3	73.9
Koffiefontein	US$M	6.1	12.3
Williamson	US$M	8.6	4.6
Subtotal – Capex incurred by operations	US$M	**85.1**	**144.8**
Corporate / exploration	US$M	1.8	0.7
Total Group Capex[1]	US$M	**86.9**	**145.5**

Notes:
1. *Capex for the Year includes US$3.7 million (FY 2018: US$15.2 million) capitalised borrowing costs, which is also included in the applicable mine-by-mine tables to follow.*
2. *Petra's annual Capex guidance is cash-based and excludes capitalised borrowing costs. Given that the majority of Petra's expansion and development programmes are primarily complete, Petra's guidance is to assume that all interest and financing fees will be expensed through the income statement from FY 2020.*

OPERATIONAL REVIEW

Safety

Petra's overriding concern is the health and safety of both its employees and contractors and the Company is committed to achieving a zero harm work environment. Petra aims to have a deeply-ingrained safety culture, backed up by effective systems and processes, with managers through all levels of the business leading by example.

The Group's LTIFR for the Year improved to 0.21 (FY 2018: 0.23).

Combined Operations (excluding KEM JV)

	Unit	FY 2019	FY 2018	Variance
Sales				
Diamonds sold	Carats	3,736,847	3,793,799	-2%
Revenue	**US$M**	**463.6**	**495.3**	**-6%**
Production				
ROM tonnes	Mt	13.3	12.1	10%
Tailings & other[1] tonnes	Mt	1.6	1.6	0%
Total tonnes treated	**Mt**	**14.9**	**13.7**	**9%**
ROM diamonds	Carats	3,763,622	3,649,704	3%
Tailings & other[1] diamonds	Carats	111,324	186,132	-40%
Total diamonds	**Carats**	**3,874,946**	**3,835,836**	**1%**
On mine cash costs	**US$M**	**266.9**	**261.4**	**2%**
Capex				
Expansion	US$M	56.0	110.7	-49%
Sustaining	US$M	25.4	18.9	34%
Borrowing Costs Capitalised	US$M	3.7	15.2	-76%
Total operational capex	**US$M**	**85.1**	**144.8**	**-41%**

Note:

1. *'Other' represents alluvial diamond mining at Williamson.*

FY 2019 production of 3.87 Mcts was largely flat year on year (FY 2018: 3.84 Mcts), with higher than expected production at Cullinan and Williamson offset by lower than expected production at Finsch. ROM carats produced increased 3% to 3,763,622 (FY 2018: 3,649,704 carats), contributing ca. 97% of the Group's production profile (FY 2018: ca. 95%), in comparison to lower value carats from surface tailings operations.

ROM tonnes treated increased 10% to 13.3 Mt (FY 2018: 12.1 Mt) driven by an 11% increase in underground ROM tonnes mined from the South African operations of 7.6 Mt (FY 2018: 6.9 Mt), a 9% increase in tonnages mined from the Williamson open pit of 5.1 Mt (FY 2018: 4.7 Mt) whilst the contribution from surface overburden ROM material at Finsch remained flat at 0.6 Mt.

The commentary below mainly relates to operational results for the Year and a brief overview of the outlook. Further detailed operational guidance, as published on 22 July 2019, is available on the Company's website at: https://www.petradiamonds.com/investors/analysts/analyst-guidance/. Guidance for FY 2020 remains as published, including cost guidance.

Finsch – South Africa

	Unit	FY 2019	FY 2018	Variance
Sales				
Revenue	US$M	170.2	231.9	-27%
Diamonds sold	Carats	1,711,311	2,152,786	-21%
Average price per carat	US$	99	108	-8%
ROM Production				
Tonnes treated	Tonnes	3,073,479	3,084,395	0%
Diamonds produced	Carats	1,724,265	1,926,467	-10%
Grade[1]	Cpht	56.1	62.5	-10%
Tailings Production				
Tonnes treated	Tonnes	223,568	794,973	-72%
Diamonds produced	Carats	31,503	147,010	-79%
Grade[1]	Cpht	14.1	18.5	-24%
Total Production				
Tonnes treated	Tonnes	3,297,047	3,879,368	-15%
Diamonds produced	Carats	1,755,768	2,073,477	-15%
Costs				
On-mine cash cost per tonne treated	ZAR	388	329	18%
Capex				
Expansion Capex	US$M	13.6	42.3	-68%
Sustaining Capex	US$M	9.1	7.7	18%
Borrowing Costs Capitalised	US$M	1.4	4.0	-65%
Total Capex	US$M	24.1	54.0	-55%

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.*

Overall production decreased 15% to 1,755,768 carats (FY 2018: 2,073,477 carats) with ROM carat production decreasing 10% to 1,724,265 carats (FY 2018: 1,926,467 carats) and tailings production decreasing to 31,503 carats (FY 2018: 147,010 carats) in line with the mine plan.

The contribution from underground ROM production remained mostly flat at 1,504,722 carats (FY 2018: 1,507,561 carats) with ore from the newly established Block 5 SLC replacing ore mined from Block 4 which was depleted during FY 2018. The decrease in overall ROM production is mainly due to the depletion of surface overburden ROM stockpiles, which contributed production of 219,544 carats (FY 2018: 418,905 carats).

Overall Finsch managed to maintain a flat ROM tonnes treated profile at 3,073,479 tonnes (FY 2018: 3,084,395 tonnes). The tonnage contribution from the Block 5 SLC ramped up to 2.5 Mt (FY 2018: 1.6 Mt), with the remaining ROM ore supplemented from the surface overburden ROM stockpiles, which came at a much reduced grade as they were depleted over the Year.

The Block 5 SLC production ramp up delivered 2.5 Mt, compared to a plan of 2.7 Mt for the Year, impacted by a schedule overrun on the winder upgrade project conducted in December, a significant belt tear incurred on one of the main line ground handling conveyor belts in January and low availabilities of the crusher and ground handling system in May. The Block 5 SLC remains in a production build up phase and, barring the months mentioned above, it was encouraging to see the nameplate capacity of the underground system being achieved and exceeded at more regular intervals during H2 FY 2019 and continuing into FY 2020. The focus is on maintaining these production levels at a steady and consistent rate.

The ROM grade of 56.1 cpht (FY 2018: 62.5 cpht) compared to guidance of 56 – 59 cpht mainly due to the lower grades of the ROM surface stockpiles (overburden dumps), which are nearing depletion.

Revenue decreased by 27% to US$170.2 million (FY 2018: US$231.9 million) mainly due to the shortfall in production and the lower average value per carat, which was negatively impacted by weaker prices in the market for smaller goods, as well as a product mix containing a lower than expected incidence of gem quality coarse diamonds. The variation should reduce with the SLC progressing across the orebody on the various levels, with more broken ore reporting to the lower levels.

Costs:
The on-mine cash unit cost increased 18% to ZAR388/t (FY 2018: ZAR329/t), mainly due to a decrease in low cost tailings tonnes treated. The total on mine cash cost for FY 2020 is guided at ca. ZAR1,268 million. As the mine transitions from a capital-intensive expansion phase into a steady state production phase, the right sizing and streamlining of the cost structure at Finsch is a priority focus in FY 2020.

Capex:
FY 2019 Expansion Capex of US$13.6 million was mainly spent on underground development and infrastructure relating to the Block 5 SLC. Expansion Capex for FY 2020 is guided at ca. US$8.7 million, primarily relating to the completion of the blue (kimberlite) tunnel development in the Block 5 SLC and associated infrastructure.

Outlook:
FY 2020 ROM throughput is planned at 2.9 – 3.0 Mt with tonnage from the Block 5 SLC planned at ca. 2.8 Mt (FY 2019: 2.5 Mt) and 0.1 – 0.2 Mt to be sourced from the remaining economically viable ROM surface overburden stockpiles. This is lower than previous guidance of 3.2 Mt due to a slower than planned ramp up of the SLC, as well as the depletion of the surface ROM stockpiles.

The Company will continue to assess options to accelerate the ramp up of production from the SLC to the name plate capacity of 3.2 Mtpa.

Finsch's underground ROM grade is expected to remain within guidance of 56 - 59 cpht. If the lower grade surface overburden ROM stockpiles are included, the overall ROM grade will reduce to 54 - 57 cpht.

Negligible tailings production is planned for FY 2020, with the pre-79 tailings resource coming to an end. Whilst tailings production post FY 2020 does not form part of the current mine plan, lower grade post-79 tailings material remains available to supplement the underground operations in the future.

Cullinan – South Africa

	Unit	FY 2019	FY 2018	Variance
Sales				
Revenue	US$M	171.4	167.0	3%
Diamonds sold	Carats	1,562,922	1,335,669	17%
Average price per carat	US$	110	125	-12%

ROM Production				
Tonnes treated	Tonnes	4,119,406	3,741,086	10%
Diamonds produced	Carats	1,589,707	1,342,020	18%
Grade[1]	Cpht	38.6	35.9	8%
Tailings Production				
Tonnes treated	Tonnes	956,035	412,749	132%
Diamonds produced	Carats	66,222	26,700	148%
Grade[1]	Cpht	6.9	6.5	7%
Total Production				
Tonnes treated	Tonnes	5,075,441	4,153,835	22%
Diamonds produced	Carats	1,655,929	1,368,720	21%
Costs				
On-mine cash cost per tonne treated	ZAR	234	239	-2%
Capex				
Expansion Capex	US$M	37.2	56.2	-34%
Sustaining Capex	US$M	6.8	6.5	5%
Borrowing Costs Capitalised	US$M	2.3	11.2	-79%
Total Capex	US$M	46.3	73.9	-37%

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.*

Production increased 21% to 1,655,929 carats (FY 2018: 1,368,720 carats) mainly due to underground throughput increasing from 3.7 Mt in FY 2018 to 4.1 Mt in FY 2019, further supplemented by an increase in ROM grades from 35.9 cpht in FY 2018 to 38.6 cpht in FY 2019.

FY 2019 production from the newly established C-Cut and CC1 East mining areas increased to ca. 3.6 Mt in FY 2019 (FY 2018: ca. 2.46 Mt), with the remaining tonnage being supplemented from older B-Block mining areas.

A total of 0.9 Mt of tailings were treated with an average grade of 6.9 cpht.

Cullinan's revenue increased by 3% to US$171.4 million for the Year (FY 2018: US$167.0 million), due to higher production offset by the weaker average value per carat, largely driven by a low incidence of larger, high value goods, specifically in H1 FY 2019 when an average price of US$96 per carat was realised. This improved during H2 FY 2019 as the C-Cut Phase 1 block cave extended across a larger part of the footprint, yielding an average sales price of US$120 per carat in H2 (positively impacted by the sale of a 425 carat Type II gem quality diamond for US$15 million and a 9.4 carat Type II blue diamond for US$5.4 million), resulting in a full year average price of US$110 per carat.

Four +100 carat gem quality stones were recovered during the Year, and post Year end, a 132 carat D colour Type II gem quality stone was recovered, reflecting the regular occurrence of such stones within the Cullinan orebody and the ability of the plant to recover them.

Costs:
The on-mine unit cash cost per total tonne treated decreased to ZAR234/t (FY 2018: ZAR239/t), mainly due to an increase in tonnes treated. The total on mine cash cost for FY 2020 is guided at ca. ZAR1,269 million.

Capex:
FY 2019 expansion Capex of US$37.2 million was mainly spent on the C-Cut Phase 1, plant related expenditure and CC1E projects. Based on the re-prioritisation of capital spend, the construction of the shaft plant interface has been deferred. The current system proved to be reliable and will be utilised in the interim. FY 2020 expansion Capex for Cullinan is guided at ca. US$10.3 million, primarily relating to the completion of the C-Cut Phase 1 drawpoint installations.

Outlook:
The Company is guiding 4.0 – 4.2 Mt of ROM material to be treated during FY 2020, higher than previous guidance of 4.0 Mtpa, due to the additional contribution of production from B-Block areas which remain available to be mined and treated. The C-Cut Phase 1 project is planned to contribute ca. 3.5 Mt and 0.5 – 0.7 Mt will be sourced predominantly from the CC1E and remnant B-Block areas. The ROM grade is guided at 38 - 42 cpht for FY 2020.

Tailings production was curtailed for FY 2020 by ca. 0.1 Mcts compared to previous guidance, due to price pressure on smaller, lower quality diamonds. ROM production will be prioritised, supplemented by low volumes of higher grade recovery tailings. The economic evaluation of Cullinan's substantial tailings resource will be monitored continuously and could be included in future mine plans should the market conditions and pricing of smaller diamonds improve.

Cullinan contains a major diamond resource of 154.88 Mcts (including 17.2 Mcts in tailings) and the Company will on an ongoing basis review the mining plan to ensure that the full extent of the large Cullinan orebody (ca. 16 ha at current production depths) is utilised.

Koffiefontein – South Africa

	Unit	FY 2019	FY 2018	Variance
Sales				
Revenue	US$M	28.9	27.2	6%
Diamonds sold	Carats	60,291	51,936	16%
Average price per carat	US$	480	525	-9%
ROM Production				
Tonnes treated	Tonnes	1,000,726	649,259	54%
Diamonds produced	Carats	63,635	52,537	21%
Grade	Cpht	6.4	8.1	-21%
Total Production				
Tonnes treated	Tonnes	1,000,726	649,259	54%
Diamonds produced	Carats	63,635	52,537	21%
Costs				
On-mine cash cost per tonne treated	ZAR	450	596	-24%
Capex				
Expansion Capex	US$M	5.2	9.6	-46%
Sustaining Capex	US$M	0.9	2.7	-67%
Total Capex	US$M	6.1	12.3	-50%

ROM production increased 21% to 63,635 carats (FY 2018: 52,537 carats) further to the ramping up of the SLC to a planned 1.0 Mt, notwithstanding lower production during Q2 as a result of community unrest relating to municipal service delivery and operational challenges experienced relating to plant availability.

A ROM grade of 6.4 cpht was achieved during the Year, lower than expected due to the delayed ramp up of the higher grade ore facies on 60 Level (third level of the SLC) which is mainly due to better than expected tonnages extracted per ring blasted on the first two levels.

Revenue increased 6% to US$28.9 million (FY 2018: US$27.2 million) for the Year due to increased volumes offset by lower prices achieved.

Costs:
The on-mine cash unit cost decreased 24% to ZAR450/t (FY 2018: ZAR 596/t), mainly due to increased throughput. The total on mine cash cost for FY 2020 is guided at ca. ZAR433 million.

Capex:
Capex of US$6.1 million mainly related to the SLC project. FY 2020 expansion Capex is guided at ca. US$2.9 million, primarily relating to blue (kimberlite) tunnel development in the SLC.

Outlook:
The SLC is expected to deliver ROM throughput of ca. 1 Mtpa at an average grade of 8.0 – 8.5 cpht for FY 2020.

Williamson – Tanzania

	Unit	FY 2019	FY 2018	Variance
Sales				
Revenue	US$M	93.0	68.5	36%
Diamonds sold	Carats	402,329	253,524[1]	59%
Average price per carat	US$	231	270	-14%
ROM Production				
Tonnes treated	Tonnes	5,082,319	4,659,563	9%
Diamonds produced	Carats	386,016	328,681	17%
Grade	Cpht	7.6	7.0	9%
Alluvial Production				
Tonnes treated	Tonnes	413,151	385,721	7%
Diamonds produced	Carats	13,599	12,421	9%
Grade	Cpht	3.3	3.2	3%
Total Production				
Tonnes treated	Tonnes	5,495,470	5,045,284	9%
Diamonds produced	Carats	399,615	341,102	17%
Costs				
On-mine cash cost per tonne treated	US$	11.1	10.7	4%
Capex				
Expansion Capex	US$M	0.0	2.6	-100%
Sustaining Capex	US$M	8.6	2.0	328%
Total Capex	US$M	8.6	4.6	86%

Note:
1. *Negatively impacted by the 71,654 carat parcel blocked for export in FY 2018.*

The mine performed well operationally, with production up 17% to 399,615 carats (FY 2018: 341,102 carats), the highest level of production achieved by the mine in over 40 years. This is despite operations being impacted by liquidity constraints due to the parcel of 71,654 carats that remains blocked for export and the overdue VAT receivables of US$32.9 million (FY 2018: US$24.0 million).

Revenue increased 36% to US$93.0 million (FY 2018: US$68.5 million) due to increased production and resultant higher sales volumes, offset by lower prices per carat achieved.

Costs:
The on-mine cash cost increased 4% to US$11.1/t (FY 2018: US$10.7/t). The positive impact on the unit cost of increased volumes treated was offset by the normalisation of costs, following the severe cost cutting measures implemented in FY 2018 required due to the mine's liquidity constraints. The total on mine cash cost for FY 2020 is guided at ca. US$62 million.

Capex:
FY 2019 Capex of US$8.6 million mainly related to in-pit waste stripping activities. Total Capex is guided at US$7 million for FY 2020, primarily related to in-pit waste stripping and extending the tailings disposal facilities. This Capex will be funded from the mine's own cash flow.

Outlook:
ROM throughput is planned at ca. 5.0 Mt at a grade of ca. 6.5 – 7.0 cpht for FY 2020, supplemented by alluvial production of ca. 0.3 Mt at a grade of ca. 2.5 cpht.

EXPLORATION

As Petra continued to focus on the ramp up of its development programmes at its producing operations, a limited exploration programme was continued in South Africa and Botswana in FY 2019, with a cash budget of US$0.4 million (FY 2018: US$0.6 million).

DIVIDEND

Distribution covenants were not met for the measurement period to 30 June 2019 and as a result no dividend is declared for FY 2019.

GROSS RESERVES & RESOURCES

Petra manages one of the world's largest diamond resources of ca. 250 million carats. This major resource implies that the potential mine lives of Petra's core assets could be considerably longer than the current mine plans in place at each operation, or could support higher production rates.

Gross Resources
As at 30 June 2019, the Group's gross Diamond Resources (inclusive of Reserves) decreased 15% to 248.15 Mcts (30 June 2018: 290.48 Mcts), due to depletion by mining activity at all operations, changes to Resource estimates for Cullinan, Finsch and Williamson, and the disposal of Petra's interest in Helam. An interim Resource estimate for Cullinan has been completed, and will be updated once the C-Cut bulk sampling programme is completed in December 2019.

Cullinan's gross Resource at a 1.0mm bottom cut-off decreased 19% to 154.9 Mcts (FY 2018: 190.3 Mcts), in line with an interim Resource estimate carried out by Z-Star Mineral Resource Consultants (Pty) Ltd on the Cullinan kimberlite pipe. This was based upon a new geological model, incorporating data from C-Cut Phase 1 development tunnels, as well as additional micro-diamond sampling data and new diamond grade information from the C-Cut bulk sampling programme. However, there has been no material impact on the Cullinan Reserve for mine planning purposes as the effect of the revised Resource estimate was taken into account as part of the plant recovery factors calculated for the new Cullinan plant on the previous Resource estimate.

Gross Reserves
The Group's gross Diamond Reserves decreased 1% to 42.51 Mcts (30 June 2018: 42.92 Mcts) due to depletions, changes to block cave and sub-level cave designs at Finsch, and a Reserve of 60.5Mt and 4.30Mcts being declared at Williamson.

The following table summarises the gross Reserves and Resources status of the combined Petra Group operations as at 30 June 2019

	Gross		
Category	**Tonnes (millions)**	**Grade (cpht)**	**Contained Diamonds (Mcts)**
Reserves			
Proved	-	-	-
Probable	146.6	29.0	42.51
Sub-total	**146.6**	**29.0**	**42.51**
Resources			
Measured			
Indicated	376.8	45.1	170.06
Inferred	1,298.4	6.0	78.10
Sub-total	**1,675.2**	**14.8**	**248.15**

Note:
See https://www.petradiamonds.com/our-operations/reserves-resources/ for mine by mine detail.

CORPORATE

Launch of Project 2022
The Company launched Project 2022 in July 2019 and has established an internal Project Team to identify and drive efficiencies to enable the Company to deliver an initial target of US$150 – 200 million of cumulative free cash flow over a three year period from FY 2019 to FY 2022, with delivery weighted towards FY 2021 and FY 2022 and dependent on diamond pricing.

Juan Kemp (previously General Manager at Cullinan) has been appointed Projects Executive and will work closely with the Company's Executive Committee to drive the delivery of Project 2022 across the Group. A Central Project Team has been established, together with Project teams at each of the Company's operations to ensure that opportunities are captured and delivered to the business. The Company has appointed Partners in Performance, a global management consulting firm, to support Juan and the Project Team.

Project 2022 aims to identify and drive efficiencies and improvements across all aspects of the business. The areas in focus include throughput at all operations (ca. 75% of the target), cost efficiencies (ca. 10% of the target), strategic sourcing (ca. 5% of the target) and other initiatives (ca. 10% of the target), such as the sale of equipment and the resolution of the blocked parcel and VAT receivables in Tanzania. The diagnostic phase has now been completed at both Finsch and Cullinan and has identified a number of potential operational cost saving and throughput enhancement opportunities, scheduled to be implemented from Q1 FY 2020. In addition, further diagnostics are being conducted to identify opportunities at Koffiefontein, Williamson and off-mine expenditure.

Project 2022 is a bottom up assessment of the business and is based on the following assumptions:

- flat nominal diamond prices (with reference to pricing achieved in H2 FY 2019, excluding exceptional stones sold for US$5 million or greater) over the three year period; and
- an exchange rate of ZAR14 to US$1 in FY 2020, devaluing at 3.5% annually to ZAR14.49 in FY 2021 and to ZAR14.99 in FY 2022.

Board Succession Plan

As part of the ongoing Board Succession Plan, Adonis Pouroulis intends to step down as Chairman of the Group by the end of Q3 FY 2020 once a successor has been identified and appointed. The search for his successor is underway and is being led by the Nomination Committee, with assistance from an Executive Search agency. It is expected that an announcement regarding the appointment of a new Chairman will be made before the end of this calendar year.

Appointment of Cullinan General Manager

Post Year end, Jaison Rajan was appointed as General Manager of Cullinan, effective 10 July 2019. Jaison has almost twenty years' experience in a variety of operational and project leadership roles across a number of commodities including coal, manganese and diamonds; his most recent position was that of General Manager at South 32's Khutala Colliery. He has extensive experience in various mining methods, including block caving, and has led a number of significant projects and change management initiatives, which is particularly relevant to Petra at this current stage.

Update on Tanzania

In Tanzania, Petra is in ongoing dialogue with the Government and local advisers in relation to recent legislative developments and overdue VAT receivables. Petra also continues to communicate with the Government in relation to the blocked parcel of diamonds from Williamson.

PRINCIPAL BUSINESS RISKS

The Group is exposed to a number of risks and uncertainties which could have a material impact on its long-term development, and performance and management of these risks is an integral part of the management of the Group.

An overview of the key risks which could affect the Group's operational and financial performance was included in the Company's 2018 Annual Report, which can be accessed at www.petradiamonds.com. These may impact the Group over the medium to long term; however the following key risks have been identified which may impact the Group over the next twelve months.

Short term demand and prices

The stability of financial markets and the corresponding effect on consumer demand impacts the Group and the diamond industry as a whole. Whilst the medium to long term fundamentals of the diamond market remain intact, with demand forecast to significantly outpace supply, in the short term the prevailing climate of global economic uncertainty may cause some volatility in rough diamond pricing.

Although diamond prices are influenced by numerous factors beyond the Company's control, the Group's management closely monitors developments in the international diamond market (across the pipeline from the rough market to the retail consumer market) to be in a position to react in a timely manner to changes in rough diamond prices and demand.

Product mix variability

Some level of variability in terms of product mix occurs depending on the mix of ore produced from the current mining areas at each operation and can also be impacted by the inclusion of production from surface resources available at some of the mines. Variability in overall diamond prices realised as a result of this product mix volatility may have an impact on the Group's financial performance.

Financing and liquidity
The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in rough diamond prices, product mix and foreign exchange rates, different production rates from the Group's producing assets and delays to development projects.

The Group's forecast, taking into account the risks described above and the covenants as discussed in the 'Covenant measurements attached to banking facilities' section of the Financial Review, show that the Group will be able to operate within its current debt facilities and have sufficient liquidity headroom for at least the next twelve months, although headroom remains sensitive to diamond prices, foreign exchange rates and production. There remains a risk, given these factors and the impact on operating cash flows, that the Group's liquidity position could deteriorate and the resulting lack of adequate available cash flows, potential breach of covenants and restricted access to its debt facilities could impact development work and impact the operations.

Labour relations
The Group's production is dependent on a stable and productive labour workforce. The mining labour relations environment in South Africa has been notably volatile over the years, but less so in the diamond sector, where there is a higher incidence of mechanisation and skilled workers leading to smaller and more manageable workforces which do not rely on migrant labour.

Petra remains highly focused on managing labour relations and on maintaining open and effective communication channels with its employees and the appropriate trade union representatives at its operations, as well as local communities.

The Company's three-year wage agreement relating to its South African operations remains in force and stable labour relations were experienced throughout the Year. The existing three-year wage agreement comes to an end by June 2020 and, as we move into the negotiation phase of the next agreement, there may be some volatility.

Exchange rates
With Petra's operations mainly in South Africa, but diamond sales based in US Dollars, the volatility and movement in the Rand is a significant factor to the Group. Also, the Group undertakes transactions in a number of different currencies, including Tanzanian Shillings, GBP and Euro. Fluctuations in these currencies can have an impact on the Group's performance, albeit less significant than the impact of fluctuations in the ZAR/USD exchange rate.

In order to mitigate currency risk, the Group continually monitors the movement of the Rand against the US Dollar, the maturity dates and the level of the hedge book and takes expert advice from its bankers in this regard. It is the Group's policy to hedge, on a short term basis, linked to the tender calendar, a portion of US Dollar sales revenue when weakness in the Rand deems it appropriate.

Country and political risk
Petra's operations are predominantly based in South Africa, with lesser exposure to Tanzania and Botswana. Emerging market economies could be subject to greater risks, including legal, regulatory, taxation, economic, and political risks, and are potentially subject to rapid change.

Tanzania has introduced a number of legislative changes to the framework governing the natural resources sector, which have increased regulatory uncertainty. These changes will be set out in the Company's 2019 Annual Report.

In addition, there is no certainty with regards to the outcome for the blocked Williamson parcel, which remains in the custody of the Government of the United Republic of Tanzania.

OUTLOOK

Petra has delivered solid results in both a difficult market and during its continued transition from a period of high capital investment to a steady state operational phase. The focus in the short term continues to be on driving efficiencies across the business through Project 2022 to provide a stable, consistent operating platform. This will be supported by an appropriate organisational structure and cost base to enhance our cash flow generation and significantly reduce our net debt, to enable successful and sustainable operations over the long-term.

Richard Duffy
Chief Executive
16 September 2019

Notes

1. *The following exchange rates have been used for this announcement: average for the Year US$1:ZAR14.19 (FY 2018: US$1:ZAR12.86); closing rate as at 30 June 2019 US$1:ZAR14.07 (FY 2018: US$1:ZAR13.73).*
2. *The following definitions have been used in this announcement:*
    a. *ct: carat*
    b. *cpht: carats per hundred tonnes*
    c. *Kcts: thousand carats*
    d. *Mctpa: million carats per annum*
    e. *Mcts: million carats*
    f. *mL: metre level*
    g. *Mt: million tonnes*
    h. *Mtpa: million tonnes per annum*
    i. *ROM: run-of-mine, i.e. relating to production from the primary orebody*
    j. *SLC: sub-level cave, a variation of block caving*

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

US$ million	Notes	**2019**	2018
Revenue		**463.6**	495.3
Mining and processing costs		**(407.6)**	(418.6)
Other direct (expense) / income		**(0.8)**	1.2
Exploration expenditure		**(0.5)**	(0.7)
Corporate expenditure	5	**(8.6)**	(10.4)
Impairment charge	15	**(246.6)**	(66.0)
Total operating costs		**(664.1)**	(494.5)
Financial income	6	**12.1**	8.5
Financial expense	6	**(65.6)**	(94.3)
Loss before tax		**(254.0)**	(85.0)
Income tax credit / (charge)		**45.8**	(13.8)
Loss for the year from continuing operations		**(208.2)**	(98.8)
Loss on discontinued operations including associated impairment charges (net of tax)	16	**(49.9)**	(104.3)
Loss for the Year		**(258.1)**	(203.1)
Attributable to:			
Equity holders of the parent company		**(226.8)**	(166.9)
Non-controlling interest		**(31.3)**	(36.2)
		(258.1)	(203.1)
Loss per share attributable to the equity holders of the parent during the Year:			
From continuing operations:			
Basic loss per share – US cents	13	**(20.18)**	(15.85)
Diluted loss per share – US cents	13	**(20.18)**	(15.85)
From continuing and discontinued operations:			
Basic loss per share – US cents	13	**(26.19)**	(31.29)
Diluted loss per share – US cents	13	**(26.19)**	(31.29)

PETRA DIAMONDS LIMITED - PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

US$ million	**2019**	2018
Loss for the Year	**(258.1)**	(203.1)
Exchange differences on translation of the share-based payment reserve	**(0.1)**	1.3
Exchange differences on translation of foreign operations[1]	**(14.9)**	(41.3)
Exchange differences on non-controlling interest[1]	**(0.7)**	(5.3)
Total comprehensive expense for the Year	**(273.8)**	(248.4)

Total comprehensive income and expense attributable to:		
Equity holders of the parent company	**(241.8)**	(206.9)
Non-controlling interest	**(32.0)**	(41.5)
	(273.8)	(248.4)

[1] These items will be reclassified to the consolidated income statement if specific future conditions are met.

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

US$ million	Notes	**2019**	2018
ASSETS			
Non-current assets			
Property, plant and equipment	7	**967.8**	1 244.2
BEE loans and receivables	12	**109.6**	64.7
Other receivables		**10.1**	20.3
Total non-current assets		**1,087.5**	1,329.2
Current assets			
Trade and other receivables		**34.4**	99.4
Inventories		**85.6**	78.1
Cash and cash equivalents (including restricted amounts)		**85.2**	236.0
Total current assets		**205.2**	413.5
Non-current assets classified as held for sale	16,17	**0.6**	46.5
Total assets		**1,293.3**	1,789.2
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**133.4**	133.4
Share premium account		**790.2**	790.2
Foreign currency translation reserve		**(361.7)**	(344.7)
Share-based payment reserve		**6.2**	7.7
Other reserves		**(0.8)**	(0.8)
Accumulated loss		**(255.6)**	(30.4)
Attributable to equity holders of the parent company		**311.7**	555.4
Non-controlling interest		**14.4**	11.2
Total equity		**326.1**	566.6
Liabilities			
Non-current liabilities			
Loans and borrowings	9	**603.5**	601.2
BEE loans payable	12	**120.5**	110.5
Provisions		**61.3**	59.5
Deferred tax liabilities		**81.4**	139.2
Total non-current liabilities		**866.7**	910.4
Current liabilities			
Loans and borrowings	9	**47.1**	153.6
Trade and other payables		**53.4**	130.8
Total current liabilities		**100.5**	284.4
Liabilities directly associated with non-current assets classified as held for sale	16,17	**—**	27.8
Total liabilities		**967.2**	1,222.6
Total equity and liabilities		**1,293.3**	1,789.2

PETRA DIAMONDS LIMITED –PRELIMINARY ANNOUNCEMENT
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

US$ million	Notes	2019	2018
Loss before taxation for the Year from continuing and discontinued operation		**(303.9)**	(183.2)
Depreciation of property plant and equipment		**106.7**	135.7
Impairment charge	15	**246.6**	66.0
Loss and impairment charge on discontinued operations	16	**49.9**	92.7
Movement in provisions		**0.7**	(3.0)
Financial income	6	**(12.1)**	(8.9)
Financial expense	6	**65.6**	95.6
Profit on disposal of property, plant and equipment		**1.3**	—
Share based payment provision		**0.2**	0.6
Operating profit before working capital changes		**155.0**	195.5
Decrease / (increase) in trade and other receivables		**62.5**	(76.8)
(Decrease) / increase in trade and other payables		**(54.7)**	14.2
Increase in inventories		**(6.4)**	(18.8)
Cash generated from operations		**156.4**	114.1
Net realised gains on foreign exchange contracts		**1.0**	0.2
Finance expense		**(45.4)**	(38.9)
Income tax paid		**(13.0)**	(7.5)
Net cash generated from operating activities		**99.0**	67.9
Cash flows from investing activities			
Acquisition of property, plant and equipment (including capitalised cash interest paid of US$3.7 million (30 June 2018: US$13.3 million))		**(85.9)**	(175.4)
Proceeds from sale of property, plant and equipment		**0.4**	0.6
Loans advanced to BEE partners		**(46.7)**	(31.0)
Loans advanced to KEM JV post disposal		**(9.4)**	—
Repayments from KEM JV		**3.9**	—
Disposal of interest in KEM JV and Helam (net of cash disposed of)		**(1.5)**	—
Finance income		**1.3**	3.9
Net cash utilised in investing activities		**(137.9)**	(201.9)
Cash flows from financing activities			
Proceeds from the issuance of share capital (net of cash issue costs paid of US$6.5 million in FY2018)		—	166.9
Increase in borrowings		**5.8**	35.6
Repayment of borrowings		**(108.5)**	(32.8)
Net cash generated from financing activities		**(102.7)**	169.7
Net (decrease) / increase in cash and cash equivalents		**(141.6)**	35.7
Cash and cash equivalents at beginning of the Year		**223.0**	190.2
Effect of exchange rate fluctuations on cash held		**(9.7)**	(2.9)
Cash and cash equivalents at end of the Year[1]		**71.7**	223.0

The cash flows specific to the discontinued operation (net of tax) are included in the amounts above and are disclosed in Note 16.
[1] Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US$13.5 million (30 June 2018: US$14.4 million) and unrestricted cash of US$71.7 million (30 June 2018: US$221.6 million) and excludes unrestricted cash attributable to KEM JV of US$nil (30 June 2018: US$1.4 million).

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

(Unaudited) US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained earnings	Attributable to the parent	Non-controlling interest	Total equity
At 1 July 2018	133.4	790.2	(344.7)	7.7	(0.8)	(30.4)	555.4	11.2	566.6
Loss for the Year	—	—	—	—	—	(226.8)	(226.8)	(31.3)	(258.1)
Other comprehensive expense	—	—	(14.9)	(0.1)	—	—	(15.0)	(0.7)	(15.7)
Recycling of foreign currency translation reserve on disposal of KEM JV and Helam[1]	—	—	(2.1)	—	—	—	(2.1)	—	(2.1)
Transfer between reserves for lapsed employee options	—	—	—	(1.6)	—	1.6	—	—	—
Non-controlling interest disposed	—	—	—	—	—	—	—	35.2	35.2
Equity settled share based payments	—	—	—	0.2	—	—	0.2	—	0.2
At 30 June 2019	133.4	790.2	(361.7)	6.2	(0.8)	(255.6)	311.7	14.4	326.1

[1] During the Year, the Company disposed of the KEM JV and Helam operations and recognised a foreign currency translation gain of US$2.1 million which has been recycled through the consolidated income statement as part of loss on discontinued operations (refer to note 16).

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

(Unaudited) US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Retained earnings	Attributable to the parent	Non-controlling interest	Total equity
At 1 July 2017	89.6	666.0	(303.4)	12.8	(0.8)	129.5	593.7	52.7	646.4
Loss for the Year	—	—	—	—	—	(166.9)	(166.9)	(36.2)	(203.1)
Other comprehensive income / (expense)	—	—	(41.3)	1.3	—	—	(40.0)	(5.3)	(45.3)
Transfer between reserves for exercise of employee options and warrants	—	—	—	(7.0)	—	7.0	—	—	—
Equity settled share based payments	—	—	—	0.6	—	—	0.6	—	0.6
Allotments during the Year:									
- Ordinary shares – Rights issue (net of US$7.4 million issue costs)	43.7	124.1	—	—	—	—	167.8	—	167.8
- Share options exercised	0.1	0.1	—	—	—	—	0.2	—	0.2
At 30 June 2018	133.4	790.2	(344.7)	7.7	(0.8)	(30.4)	555.4	11.2	566.6

NOTES TO THE CONDENSED CONSOLIDATED PRELIMINARY FINANCIAL STATEMENTS

FOR THE YEAR 30 JUNE 2019

1. GENERAL INFORMATION

Petra Diamonds Limited (the "Company"), a limited liability company listed on the Main Market of the London Stock Exchange, is registered in Bermuda with its Group management office domiciled in the United Kingdom. The Consolidated Preliminary Financial Statements of the Company for the year ended 30 June 2019 comprise the Company and its subsidiaries, joint operations and associates (together referred to as the "Group").

2. ACCOUNTING POLICIES

The preliminary results, which are unaudited, do not include all the notes of the type normally included in an annual financial report. Accordingly, this unaudited preliminary report is to be read in conjunction with the Annual Report for the year ended 30 June 2018, and any public announcements made by the Group during the reporting period. The annual financial report for the year ended 30 June 2018 was prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS's") and the accounting policies applied in this preliminary report are consistent with the polices applied in the annual financial report for the year ended 30 June 2018 unless otherwise noted.

The company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Customers' in the Year, following the standards becoming effective for accounting periods commencing on or after 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 'Financial instruments' addresses the classification and measurement of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. The adoption of IFRS 9 did not result in any material change to the consolidated results of the Group from the beginning of the earliest period presented. Following an assessment of the consolidated financial assets no changes to classification of those financial assets was required. The Group has applied the expected credit loss impairment model to its financial assets, focused in particular on its KEM JV receivables in respect of the purchase consideration, working capital and equipment facility advances and non current BEE receivables. The expected credit loss for KEM JV was US$7.3 million. No material credit losses are considered to apply to the non current BEE receivables. As per note 12, the Group provided a guarantee to the BEE Lenders over the repayment of loans advanced to the Group's BEE Partners. The BEE Partners will settle their loan obligations with the BEE Lenders from their share of future operational cash flows, either through repayment of the amounts owing to the BEE Partners by Petra or through recoverable advances provided by Petra from Group treasury. The adoption of IFRS 9 has not had any material impact on the accounting treatment of the BEE guarantee. The Group's VAT receivables are excluded from the scope of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 introduced a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of IFRS 15 did not result in any material change to the Group's revenue recognition. The Group recognises revenue to depict the transfer of promised diamond sales to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the diamond sales. Diamond sales are made through a competitive tender process.

The Group's performance obligations are considered to be satisfied and control of the rough diamonds transferred at the point the tender is awarded.

Where the Group makes rough diamond sales to customers and retains a vested right in the future sale of a polished diamond, the Group will record such revenue only at the date when the polished diamond is sold (and only its interest therein).

Basis of preparation including going concern

Background

The Group entered the Year with cash and cash equivalents of US$236 million on the back of a US$170 million Rights Issue in June 2018, used shortly thereafter to settle ca. US$103 million drawn under the ZAR1 billion (ca. US$70 million) Revolving Credit and ZAR500 million (ca. US$35 million) Working Capital facilities from the Group's Lender Group; both these facilities remain available to the Group.

Production for the Year was largely delivered according to management expectations. However, rough diamond market conditions and product mix negatively impacted rough diamond pricing and, as a result, revenue and cash flow results. Product mix results are discussed in more detail in the mine-by-mine commentary in the Operational Review section, while the rough diamond market is discussed in the Diamond Market section. As a result of the above, revenue in FY 2019 decreased 6%.

During April 2019, Petra and its Lender Group reached agreement to reset the forward looking EBITDA-related maintenance covenants associated with its banking facilities to more appropriate levels; the Company announced the following amendments to the market at the end of April 2019:

	12 months to 30 Jun 2019	**12 months to 31 Dec 2019**	**12 months to 30 Jun 2020**	**12 months to 31 Dec 2020**	**12 months to 30 Jun 2021**
Consolidated Net Debt to Consolidated EBITDA:					
- New covenant ratio:	**≤ 4.5x**	**≤ 4.25x**	**≤ 3.5x**	**≤ 3.25x**	**≤ 3.0x**
- Previous covenant ratio:	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.5x
Consolidated EBITDA to Consolidated Net Finance Charges:					
- New covenant ratio:	**≥ 2.5x**	**≥ 2.5x**	**≥ 2.75x**	**≥ 3.0x**	**≥ 3.25x**
- Previous covenant ratio:	≥4.0x	≥4.0x	≥4.0x	≥4.0x	≥4.0x

Further to the appointment of new CEO Richard Duffy on 1 April 2019, Project 2022 was initiated and subsequently announced to the market in July 2019. This project aims to identify and drive efficiencies and improvements across all aspects of the business with the objective of delivering an initial target of US$150 – 200 million free cash flow over a three year period, with delivery weighted towards FY 2021 and FY 2022 and dependent on diamond pricing. Project 2022's focus is on enhancing cash flow generation and reducing net debt.

Forecasts and associated risks

In light of the above, coupled with continued weakness in the diamond market, the following have been key considerations for the Board in assessing the Group's ability to operate as a going concern at the date of this Report:

- risks of further market weakness reducing diamond prices;
- the impact on pricing due to product mix volatility;
- risks of general production disruptions;
- risks of increased operating costs;
- volatility in the South African Rand; and
- the impact of reduced revenue on earnings, cash flow projections and associated covenant measurements.

Base case forecasts (which incorporate current diamond market conditions) assume an average exchange rate of ZAR14.50:US$1 for the period to June 2020 and ZAR14.00:US$1 thereafter, continued advances to BEE partners to enable them to meet their loan obligations to the BEE Lenders, and specifically excludes the proceeds from the sale of exceptional stones, the sale of the blocked Williamson parcel and the recovery of historical and current VAT during the forecast period.

The Board has reviewed the Group's forecasts and sensitivities for a period of at least 18 months from Year end, including both forecast liquidity and covenants. In doing so, careful consideration was given to potential risks to the forecasts as listed above.

Under the base case, and considering the above sensitivities on an individual basis, the Company's forecast liquidity will require temporary utilisation of the South African banking facilities, should the ongoing weakness in the diamond market persist during the period under review. The impact of the recent weakness in the diamond market on the Group's operating results and cash flow position has been discussed with the Lender Group, including possible breaches in its EBITDA-related covenants for the December 2019 and June 2020 reporting periods. The Lender Group has re-affirmed its ongoing support of the Group and the Company; discussions with the Lender Group will continue once the September tender results have been finalised and processed, and the Company has had the opportunity to further assess the impact on forward looking cash flow projections. This may include covenant resets and/or waivers for the measurement periods as mentioned.

Conclusion
The Board is of the view that the longer term fundamentals of the diamond market remain sound. The forecast benefits of Project 2022 (increased production/ reduced spend) are expected to materialise in FY 2020 and beyond, and having the third largest diamond resource globally will continue to provide further organic growth opportunities well beyond 2030.

The Board recognises the significant debt levels within the Group and despite the operations now performing in line with guidance, with all major capital expansion programmes having been delivered on, the current weakness in the diamond market has heightened the need to continue to optimise production across all operations and focus on key deliverables as currently envisaged to be addressed via Project 2022.

Ongoing engagement with the Lender Group is key to ensuring facilities remain available to the Group. Cash management and preservation will continue to be of the highest importance by maintaining very tight control over costs and overheads and by deferring certain elements of its capital expenditure.

Considering the recent positive engagements with the Lender Group, alongside the Group's existing cash resources and the continuing availability of current facilities, the Board assessed the liquidity headroom to be adequate under the Group's current base case and reasonable sensitivities.

Accordingly, the Board has concluded that the going concern basis in the preparation of the unaudited preliminary financial statements remains appropriate and that there are no material uncertainties that would cast doubt on that basis of preparation.

New standards and interpretations applied

The IASB has issued new standards, amendments to published standards and interpretations to existing standards with effective dates on or prior to 1 July 2018 which have an impact on the Group are:

- IFRS 9 Financial Instruments and
- IFRS 15 Revenue from Contracts with Customers

Refer to Accounting Polices above.

New standards and interpretations not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 July 2019 or later periods, which the Group has decided not to adopt early or which are yet to be European Union endorsed.

The only standard which is anticipated to be significant or relevant to the Group is:

IFRS 16 Leases

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognise all lease assets and liabilities on the balance sheet; recognise amortisation of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cash flow statement. The requirements of IFRS 16 extend to certain service contracts, such as mining contractors in which the contractor provides services and the use of assets, which may impact the Group. The Company will apply the modified retrospective approach where the cumulative effect of initially applying IFRS 16 is recognised at the date of initial application in FY 2020. Below is a summary of the impact upon adoption of IFRS 16 leases.

	US$ million
Right-of-use asset – 30 June 2019	9.1
Lease liability – 30 June 2019	(9.5)
Effect on retained earnings – 30 June 2019	—
30 June 2020	
Variable non-discounted lease payments	5.8
Amortisation of right-of-use asset	4.7
Finance charges on lease liability	0.8

Significant assumptions and judgements:

The preparation of the condensed consolidated interim financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, reported revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the interim financial statements. Estimates and judgements are continually evaluated and based on management's historical experience and other factors, including future expectations and events that are believed to be reasonable. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results of the Group in future reporting periods are discussed below.

Key estimates and judgements:

Impairment reviews

The Group prepares impairment models and assesses mining assets for impairment. While conducting an impairment test of its assets using recoverable values using the current life of mine plans, the Group exercised judgement in making assumptions about future rough diamond prices, foreign exchange rates, volumes of production, ore reserves and resources included in the current life of mine plans, future development and production costs and factors such as inflation and discount rates. Changes in estimates used can result in significant changes to the 'Consolidated Income Statement' and 'Statement of Financial Position'.

Cullinan, Finsch, Koffiefontein and Williamson

The impairment tests for Cullinan, Finsch, Koffiefontein and Williamson resulted in the recognition of an impairment charge of US$223.7 million (30 June 2018: US$66.0 million Koffiefontein impairment) on a carrying value of property, plant and equipment of US$1,187.5 million (30 June 2018: US$118.2 million Koffiefontein carrying value). For further details of the inputs, assumptions and sensitivities in the impairment model, refer to note 15.

KEM JV

Refer to note 16 for impairment reviews in the prior periods and disposal of KEMJV in the Year.

Recoverability of diamond parcel in Tanzania

The Group holds diamond inventory valued at lower of cost and net realisable value of US$12.4 million (30 June 2018: US$12.4 million) in the Statement of Financial Position in respect of the Williamson mine's confiscated diamond parcel. During FY 2018, an investigation into the Tanzanian diamond sector by a parliamentary committee in Tanzania was undertaken to determine if diamond royalty payments were being understated. In connection with this, Petra announced on 11 September 2017 that a parcel of diamonds (71,654.45 carats) from the Williamson mine in Tanzania (owned 75% by Petra and 25% by the Government of the United Republic of Tanzania ("GoT")) had been blocked for export to Petra's marketing office in Antwerp.

The assessment of the recoverability of the diamond parcel required significant judgement. In making such a judgement, the Group considered their ongoing discussions with the GoT, confirmation was received from the GoT in FY 2018 that they held the diamond parcel of 71,654.45 carats, verbal re-confirmation has been given this year in the course of the ongoing discussions held with the GoT this year, an assessment of the internal process used for the sale and export of diamonds confirming such process is in full compliance with legislation in Tanzania and the Kimberley Process, and legal advice received from the Group's in-country attorneys which supports the Group's position.

During FY 2018, Petra received authorisation from the GoT to resume diamond exports and sales from Williamson and all subsequent parcels of diamonds have been exported from Tanzania for sale at the Company's marketing office in Antwerp. While a resolution has not yet been reached with regards to the parcel of diamonds that was blocked from export, based on the above judgements and assessment thereof, management remain confident that the diamond parcel will be released by the GoT and will be available for future sale.

Recoverability of VAT in Tanzania

The Group has gross VAT receivables of US$32.9 million (30 June 2018: US$24.2 million) in respect of the Williamson mine, all of which are past due and have therefore been classified, after providing for a time-value of money provision inclusive of risk adjustments for various factors, as non-current given the potential delays in receipt. Of the total VAT receivables, US$13.8 million (30 June 2018: US$15.1 million) relates to historic VAT pre July 2017. The assessment of the carrying value of the VAT receivables under the historic VAT legislation required significant judgement over the timing of future payments, progress and finalisation of VAT audits, ongoing discussions with the relevant authorities in Tanzania and the wider operating environment.

A further US$19.1 million (30 June 2018: US$9.1 million) of VAT is receivable which relates to VAT under the current legislation, effective from July 2017. The assessment of the carrying value of the VAT receivable under the current VAT legislation required significant judgement over the timing of future payments, the definition of raw minerals under the new VAT legislation, ongoing discussions with the relevant authorities in Tanzania, legal advice, a formal rejection letter received from the Tanzania Revenue Authority and the Company's legal objection thereto and the wider operating environment. Management have considered the current legislation and consider that input VAT can continue to be recovered in relation to the export of rough diamonds, however note that the current legislation is unclear. As such, Management consider the VAT receivables under the new VAT legislation to be valid. Accordingly, the Group is considering various alternatives in pursuing payment in accordance with legislation.

While the total VAT balance is considered receivable, significant uncertainty exists regarding the timing of receipt. Accordingly, the receivable has been discounted by US$22.8 million (30 June 2018: US$3.9 million), which required estimates as to the timing of future receipts and determination of a risk adjusted discount rate. The carrying value of the non-current receivable after adjusting for the time-value of money provision is US$10.1 million (30 June 2018: US$20.3 million). A discount rate of 14% has been applied to the expected cash receipts inclusive of estimated country credit risk. A 1% increase in the discount rate would increase the provision by US$0.8 million and a one year delay would increase the provision by US$1.2 million.

Kimberley Ekapa Mining Joint Venture (30 June 2018)

At 30 June 2018, in line with IFRS 5 and the Group's accounting policy for assets held for sale and discontinued operations, the Kimberley Ekapa Mining Joint Venture ("KEM JV") was classified as held for sale. Judgement was required in determining the fair value adjustment on reclassification of the KEM JV to non-current assets held for sale, with regards to the purchase offer, received from Ekapa Mining, for the Company's and its black economic empowerment ("BEE") partners' 75.9% interest. The fair value adjustment to property, plant and equipment, non-current trade and other receivables and trade and other receivables was to ensure the asset values of the KEM JV were reflected at fair value based on the consideration receivable under the purchase offer if the transaction completed. The fair value was less than the book value. The accounting treatment involved consideration of the structure of the arrangement, the legal form and the contractual agreements between the parties. During the Year, the Company disposed of the KEM JV operation (refer to note 16 for further details, including the judgement and estimate regarding the fair value of consideration receivable).

BEE guarantee

The BEE partners obtained bank financing from ABSA, RMB and Investec (the "BEE Lenders") to refinance amounts owing by the BEE partners to Petra, which had provided funding to the BEE partners to enable them to acquire their interests in Finsch and Cullinan. As part of the refinancing, the Group provided a guarantee to the BEE Lenders over the repayment of loans advanced to the Group's BEE partners. The BEE partners will settle their loan obligations with the BEE Lenders from their share of future operational cash flows, either through repayment of the amounts owing to the BEE partners by Petra or through recoverable advances provided by Petra from Group treasury.

Judgement has been applied by management in assessing the risk of the BEE partners defaulting under their obligations to the BEE Lenders, including any acceleration of repayments due to future covenant positions. Management have considered the Group's future cash flows forecasts, the likelihood of settlement lender facilities remaining available given the possible covenant breaches and its ability to meet planned forecast BEE partner distributions. Accordingly management are of the opinion that the risk of default by the BEE partners to the BEE Lenders is remote (refer to going concern note above and note 12 for further details).

Life of mine and ore reserves and resources

There are numerous risks inherent in estimating ore reserves and resources and the associated current life of mine plan. The life of mine plan is the current approved management plan for ore extraction that considers specific resources and associated capital expenditure. The life of mine plan frequently includes less tonnes than the total reserves and resources that are set out in the Group's Reserves and Resources Statement and which management may consider to be economically viable and capable of future extraction.

Management must make a number of assumptions when making estimates of reserves and resources, including assumptions as to exchange rates, rough diamond and other commodity prices, extraction costs, recovery and production rates. Any such estimates and assumptions may change as new information becomes available. Changes in exchange rates, commodity prices, extraction costs, recovery and production rates may change the economic viability of ore reserves and resources and may ultimately result in the restatement of the ore reserves and resources and potential impairment to the carrying value of the mining assets and life of mine plans.

The current life of mine plans are used to determine the ore tonnes and capital expenditure in the impairment tests. Ore reserves and resources, both those included in the life of mine and certain additional tonnes which form part of reserves and resources considered to be sufficiently certain and economically viable, also impact the depreciation of mining assets depreciated on a unit of production basis. Ore reserves and resources further impact the estimated date of decommissioning and rehabilitation.

Other key estimates and judgements

In addition to the key estimates and judgements disclosed above, the following estimates and judgements have not significantly changed from those disclosed in the FY 2018 Annual Report and will be discussed in further detail in the FY 2019 Annual Report:

- Capitalisation of borrowing costs
- Provision for rehabilitation
- Inventory and inventory stockpile
- Depreciation
- Pension and post-retirement medical fund schemes
- Net investments in foreign operations

3. DIVIDENDS

No dividends have been declared in respect of the current Year under review (30 June 2018: US$nil).

4. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's operating and geographical segments:
Mining – the extraction and sale of rough diamonds from mining operations in South Africa and Tanzania.
Exploration – exploration activities in Botswana.
Corporate – administrative activities in the United Kingdom.

Segments are based on the Group's management and internal reporting structure. Management reviews the Group's performance by reviewing the results of the mining activities in South Africa and Tanzania, reviewing the results of exploration activities in Botswana and reviewing the corporate administration expenses in the United Kingdom. Each segment derives, or aims to derive, its revenue from diamond mining and diamond sales, except for the corporate and administration cost centre.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Segment results are calculated after charging direct mining costs, depreciation and other income and expenses. Unallocated items comprise mainly interest-earning assets and revenue, interest-bearing borrowings and expenses and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period. Eliminations comprise transactions between Group companies that are cancelled on consolidation. The results are not materially affected by seasonal variations. Revenues are generated from tenders held in South Africa and Antwerp for external customers from various countries, the ultimate customers of which are not known to the Group.

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities			Tanzania - Mining activities	Botswana	United Kingdom	South Africa		
US$ million	Cullinan	Finsch	Koffiefontein	Williamson	Exploration[4]	Corporate and treasury	Beneficiation[3]	Inter-segment	Consolidated
	2019	2019	2019	2019	2019	2019	2019	2019	2019
Revenue	171.4	170.2	28.9	93.0	—	—	0.1	—	463.6
Segment result[1]	26.2	32.2	(9.6)	9.9	(0.5)	(8.6)	(1.2)	(1.5)	46.9
Impairment charge - operations	(63.9)	(85.4)	(33.2)	(41.2)	—	—	—	—	(223.7)
Impairment charge – other receivables	—	—	—	(18.9)	—	(4.0)	—	—	(22.9)
Other direct (expense) / income	(0.1)	(0.5)	(0.4)	0.2	—	—	—	—	(0.8)
Operating loss[2]	(37.8)	(53.7)	(43.2)	(50.0)	(0.5)	(12.6)	(1.2)	(1.5)	(200.5)
Financial income									12.1
Financial expense									(65.6)
Income tax credit									45.8
Loss on discontinued operation (net of tax)[5]									(49.9)
Non-controlling interest									31.3
Loss attributable to equity holders of the parent company									(226.8)
Segment assets	609.7	396.6	168.7	182.5	—	3 146.8	13.0	(3 224.0)	1 293.3
Segment liabilities	607.0	184.3	303.4	300.6	—	2 306.9	13.8	(2 748.8)	967.2
Capital expenditure	46.3	24.1	6.1	8.6	—	1.8	—	—	86.9

[1] Total depreciation of US$106.7 million included in the segmental result comprises depreciation incurred at Finsch US$32.7 million, Cullinan US$56.1 million, Koffiefontein US$6.9 million, Williamson US$10.2 million, Exploration US$0.1 million and Corporate and treasury US$0.7 million.

[2] Operating loss is equivalent to revenue of US$463.6 million less total costs of US$664.1 million as disclosed in the Consolidated Income Statement.

[3] The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

[4] Assets of US$0.6 million and liabilities of US$nil in respect of the exploration assets in Botswana have been classified as non-current assets held for sale (refer to note 17).

[5] The operating results in respect of KEM JV and Helam have been reflected within loss on discontinued operation (refer to note 16).

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities				Care and maintenance	Tanzania - Mining activities	Botswana	United Kingdom	South Africa		
US$ million	Cullinan	Finsch	Koffiefontein	KEM JV[4,5]	Helam[5]	Williamson	Exploration[4]	Corporate and treasury	Beneficiation[3]	Inter-segment	Consolidated
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Revenue	167.0	231.9	27.2	—	—	68.5	—	—	25.5	(24.8)	495.3
Segment result[1]	14.2	67.7	(12.5)	—	(1.7)	13.0	(0.7)	(10.4)	(1.0)	(3.0)	65.6
Impairment charge	—	—	(66.0)	—	—	—	—	—	—	—	(66.0)
Other direct income	(0.2)	0.3	—	—	(0.4)	0.4	—	—	—	1.1	1.2
Operating profit / (loss)[2]	14.0	68.0	(78.5)	—	(2.1)	13.4	(0.7)	(10.4)	(1.0)	(1.9)	0.8
Financial income											8.5
Financial expense											(94.3)
Income tax expense											(13.8)
Loss on discontinued operation (net of tax)[5]											(104.3)
Non-controlling interest											36.2
Loss attributable to equity holders of the parent company											(166.9)
Segment assets	727.3	557.4	135.8	—	7.2	211.3	—	3 323.8	13.0	(3 186.6)	1 789.2
Segment liabilities	653.3	281.8	291.0	—	50.1	302.5	—	2 304.5	14.1	(2 674.7)	1 222.6
Capital expenditure	73.9	54.0	12.3	—	—	4.6	—	0.7	—	—	145.5

[1] Total depreciation of US$128.0 million included in the segmental result, comprises depreciation incurred at Finsch US$41.7 million, Cullinan US$66.1 million, Koffiefontein US$9.1 million, Williamson US$9.5 million, Helam US$0.7 million, Exploration US$0.1 million and Corporate and treasury US$0.8 million.

[2] Operating profit is equivalent to revenue of US$495.3 million less total costs of US$494.5 million as disclosed in the Consolidated Income Statement.

[3] The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

[4] Assets of US$46.5 million and liabilities of US$27.8 million in respect of KEM JV and the exploration assets in Botswana were classified as non-current assets held for sale (refer to notes 16 and 17).

[5] The operating results in respect of KEM JV have been reflected within loss on discontinued operation and the assets and liabilities classified as held for sale (refer to note 16). The Helam prior period results are insignificant and as such have not been restated.

US$ million	2019	2018
5. CORPORATE EXPENDITURE		
Corporate expenditure includes:		
Depreciation of property, plant and equipment	**0.7**	0.7
London Stock Exchange and other regulatory expenses	**1.3**	1.4
Share-based expense - Directors	**0.2**	0.6
Other staff costs	**2.6**	3.6
Total staff costs	**2.8**	4.2

6. FINANCING EXPENSE

US$ million	2019	2018
Net unrealised foreign exchange gains	**4.0**	—
Interest received on BEE loans and other receivables	**5.8**	4.1
Interest received bank deposits	**1.1**	3.5
Realised foreign exchange gains on the settlement of foreign loans and forward exchange contracts	**1.2**	0.9
Financial income	**12.1**	8.5
Gross interest on senior secured second lien notes, bank loans and overdrafts	**(50.7)**	(62.7)
Interest on bank loans and overdrafts capitalised	**3.7**	15.2
Net interest expense on bank loans and overdrafts	**(47.0)**	(47.5)
Other debt finance costs, including BEE loan interest and facility fees	**(14.4)**	(16.5)
Unwinding of present value adjustment for rehabilitation costs	**(4.0)**	(4.1)
Net unrealised foreign exchange losses[1]	**—**	(26.2)
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts	**(0.2)**	—
Financial expense	**(65.6)**	(94.3)
Net financial expense	**(53.5)**	(85.8)

[1] The Group predominantly enters into hedge contracts where the risk being hedged is the volatility in the South African Rand and US Dollar exchange rates affecting the proceeds in South African Rand of the Group's US Dollar denominated diamond tenders. In the event of a capital raising, as was the case with the Rights Issue in FY 2018, the Group may also enter into short dated hedges to facilitate the conversion between functional currencies across the Group as was the case with the settlement of the South African lender facilities out of the Pound Sterling Rights Issue proceeds in July 2018. The fair value of the Group's hedges as at the end of the Year are based on Level 2 mark-to-market valuations performed by the counterparty financial institutions. The contracts are all short dated in nature and mature within the next 12 months. An unrealised gain of US$4.0 million (30 June 2018: US$26.2 million loss) in respect of foreign exchange contracts and inter-group loans held at Year end and a net realised foreign exchange gain of US$1.0 million (30 June 2018: US$0.9 million gain) in respect of foreign exchange contracts closed during the Year is included in the net finance and expense amount.

7. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment for the Year is a decrease of US$276.4 million (30 June 2018: US$197.1 million). This is primarily as a result of:

- an increase in property, plant and equipment from capital expenditure of US$86.9 million (30 June 2018: US$159.3 million), which includes US$nil million (30 June 2018: US$13.8 million) additions attributable to KEM JV; and
- an increase in the rehabilitation asset of US$nil million (30 June 2018: US$2.7 million)

offset by:

- the movement in the US$/ZAR foreign exchange rate resulting in a foreign exchange decrease on Rand based assets of US$28.4 million (30 June 2018: US$62.5 million decrease);
- depreciation of US$106.7 million (30 June 2018: US$128.0 million);
- the impairment of the Cullinan, Finsch, Koffiefontein and Williamson assets of US$223.7 (30 June 2018: US$66.0 million Koffiefontein);
- the impairment of the KEM JV assets of US$nil (30 June 2018: US$77.0 million);
- the transfer of the remaining KEM JV assets to non-current assets held for sale of US$nil (30 June 2018: US$19.8 million);
- the disposal of the Helam assets of US$1.5 million (30 June 2018: US$nil);
- the transfer of the exploration assets of US$nil (30 June 2018: US$0.7 million) to non-current assets held for sale; and
- assets of US$3.0 million (30 June 2018: US$5.1 million) disposed of during the Year.

8. SHARES ISSUED

There were no allotments by the Company during the Year under review.

In the prior year, a Rights Issue by the Company raised gross proceeds of US$175.2 million (£133.1 million), comprising share capital of US$43.7 million (£33.3 million) and share premium of US$131.5 million (£99.8 million). The costs of US$7.4 million associated with the Rights Issue were capitalised against share premium. The proceeds from the Rights Issue were used to settle costs of US$7.4 million in respect of the Rights Issue, the Revolving Credit Facility ("RCF") (capital plus interest) of US$73.1 million and the Working Capital Facility ("WCF") (capital plus interest) of US$33.6 million held with the Group's Lenders (refer note 9).

Further details with regards to the Group's share plans will be provided in the Group's 2019 Annual Report.

9. LOANS AND BORROWINGS

US$ million	**2019**	2018
Non-current liabilities		
Loans and borrowings – Senior secured second lien notes	**603.5**	601.2
	603.5	601.2
Current liabilities		
Loans and borrowings – Senior secured lender debt facilities	**—**	106.7
Loans and borrowings – Senior secured second lien notes	**47.1**	46.9
	47.1	153.6
Total loans and borrowings - bank facilities	**650.6**	754.8

a) Senior Secured Lender Debt Facilities

The Group's South African Lender Group (Absa Corporate and Investment Banking ("Absa"), FirstRand Bank Limited (acting through its Rand Merchant Bank division) ("RMB"), and Nedbank Limited) and lending facilities are detailed in the table below. There have been no amendments to the facilities during the period under review.

The Group's debt and hedging facilities are detailed in the table below:

Senior Lender Debt Facilities	2019 Facility amount	2018 Facility amount
ZAR Debt Facilities:		
ZAR Lenders RCF	**ZAR1,000 million**	ZAR1,000 million
ZAR Lenders WCF	**ZAR500 million**	ZAR500 million
Absa/RMB – FX Hedging facilities	**ZAR300 million**	ZAR300 million

The repayment terms remain unchanged, however due to the covenant amendments (refer below) there was a change in the interest rate and commitment fee ratchet mechanisms to the ZAR RCF contingent on the Consolidated Net Debt: Consolidated EBITDA covenant levels at each measurement date. The revised interest rate and commitment fee ratchet mechanisms are as follows:

Consolidated Net Debt to Consolidated EBITDA	Additional interest rate ratchet	Additional commitment fee ratchet
≤ to 2.5:1	0.0%	0.0%
> 2.5:1 but ≤ 3.0:1	+1.0%	0.0%
> 3.0:1 but ≤ 3.5:1	+2.0%	+0.225%
> 3.5:1 but ≤ 4.0:1	+3.0%	+0.450%
> 4.0:1	+4.0%	+0.675%

The terms and conditions of the Group facilities will be detailed in the Group's FY 2019 Annual Report.

The facilities are secured on the Group's interests in Finsch, Cullinan, Koffiefontein and Williamson.

On 9 July 2018, the Company settled the RCF loan (capital plus interest) of US$73.1 million with its Lender Group.

On 13 July 2018, the Company settled the WCF loan (capital plus interest) of US$33.6 million with its Lender Group.

The RCF and WCF have not been cancelled and still remain available to the Group.

As at date of this Report, both the RCF and WCF remain undrawn.

Covenant ratios

On 26 April 2019, agreement was reached with Petra's Lender Group to amend the EBITDA-related maintenance covenant levels for the respective measurement periods as follows:

	12 months to 30 Jun 2019	12 months to 31 Dec 2019	12 months to 30 Jun 2020	12 months to 31 Dec 2020	12 months to 30 Jun 2021
Consolidated Net Debt to Consolidated EBITDA:					
- **New covenant ratio:**	**≤ 4.5x**	**≤ 4.25x**	**≤ 3.5x**	**≤ 3.25x**	**≤ 3.0x**
- Previous covenant ratio:	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.5x
Consolidated EBITDA to Consolidated Net Finance Charges:					
- **New covenant ratio:**	**≥ 2.5x**	**≥ 2.5x**	**≥ 2.75x**	**≥ 3.0x**	**≥ 3.25x**
- Previous covenant ratio:	≥4.0x	≥4.0x	≥4.0x	≥4.0x	≥4.0x

Refer to the Covenant measurements attached to banking facilities section within the Financial Review for further commentary with regards to covenants.

b) US$650 million Senior Secured Second Lien Notes

A wholly owned subsidiary of the Company, Petra Diamonds US$ Treasury Plc, issued debt securities consisting of US$650 million five-year senior secured second lien notes with a maturity date of 01 May 2022 (the "2022 Notes"). The 2022 Notes carried a coupon of 7.25% per annum, which is payable semi-annually in arrears on 1 May and 1 November of each year. The 2022 Notes are guaranteed by the Company and by the Group's material subsidiaries and are secured on a second lien basis on the assets of the Group's material subsidiaries.

Further details about the 2022 Notes (including security) will be included in the Group's FY 2019 Annual Report.

10. COMMITMENTS

As at 30 June 2019, the Company had committed to future capital expenditure totalling US$6.6 million (30 June 2018: US$24.4 million), mainly comprising Cullinan US$3.1 million (30 June 2018: US$16.9 million), Finsch US$1.9 million (30 June 2018: US$6.3 million), Koffiefontein US$0.5 million (30 June 2018: US$1.2 million), KEM JV US$nil (30 June 2018: US$nil) and Williamson US$1.1 million (30 June 2018: US$nil).

11. RELATED PARTY TRANSACTIONS

The Group's related party BEE partners, Kago Diamonds (Pty) Ltd ("Kago Diamonds") and Sedibeng Mining (Pty) Ltd ("Sedibeng Mining"), and their gross interests in the mining operations of the Group are disclosed in the table and 'Group restructuring' paragraph below.

Mine	Partner and respective interest as at 30 June 2019 (%)	Partner and respective interest as at 30 June 2018 (%)
Finsch	Kago Diamonds (14%)	Kago Diamonds (14%)
Cullinan	Kago Diamonds (14%)	Kago Diamonds (14%)
Koffiefontein	Kago Diamonds (14%)	Kago Diamonds (14%)
KEM JV[1]	Kago Diamonds (0.0%)	Kago Diamonds (8.4%)
	Ekapa Mining (0.0%)	Ekapa Mining (24.1%)
Helam[1]	Sedibeng Mining (0.0%)	Sedibeng Mining (26%)

[1] During the Year, the Company and its BEE Partners disposed of their interests in KEM JV and Helam (refer to note 16).

A prior restructuring of the Group and its BEE Partner structures allowing for a simplified Group structure resulted in the IPDET acquiring a 12% interest in each of the Group's South African operations, with Petra's commercial BEE Partners holding the remaining 14% interest through their respective shareholdings in Kago Diamonds, in which Petra has a 31.46% interest. The effective interest percentages attributable to the remaining operations for the Group's shareholders, as a result of the restructuring, are disclosed in the table below:

Mine	Resultant Group's effective interest % - Post restructuring
Finsch	78.4
Cullinan	78.4
Koffiefontein	78.4

The non-current loans receivable, non-current loans payable, finance income and finance expense due from and due to the related party BEE partners and other related parties are disclosed in the table below:

US$ million	**1 July 2018 - 30 June 2019[3]**	1 July 2017 - 30 June 2018
Non-current receivable		
Sedibeng Mining	**—**	0.9
Kago Diamonds[1, 2]	**54.6**	26.2
	54.6	27.1
Non-current payable		
Kago Diamonds[1]	**64.9**	59.5
	64.9	59.5
Current trade and other receivables		
KEM JV[3]	**8.6**	—
Impairment provision[3]	**(7.3)**	—
	1.3	—
Finance income		
Kago Diamonds[1]	**3.5**	1.8
Ekapa Mining	**—**	0.2
	3.5	2.0
Finance expense		
Kago Diamonds	**6.8**	6.7
Ekapa Mining	**—**	0.2
	6.8	6.9

[1] Umnotho weSizwe Group (Pty) Ltd ("Umnotho"), holds a 16.34% interest in Kago Diamonds. Mr Dippenaar (the former Group CEO) is directly or indirectly a beneficiary of a trust that is a shareholder in Umnotho.

[2] Included in non-current receivables are amounts advanced during the Year of US$26.8 million (30 June 2018: US$14.3 million).

[3] Included in current trade and other receivables are amounts advanced of US$9.4 million to KEM JV in the form of a working capital facility and equipment finance facility (of which the Company has received repayments of US$3.9 million during the Year) and the balance of the KEM JV purchase consideration of US$3.1 million. The Group has applied the expected credit loss impairment model to the KEM JV receivables, taking into account various factors and the expected credit loss was deemed to be US$7.3 million.

Kago Diamonds is one of the BEE partners which obtained bank financing from ABSA, RMB and Investec (the "BEE Lenders") to acquire its interests in Finsch and Cullinan. The Group has provided a guarantee to the BEE Lenders for repayment of loans advanced to the Group's BEE Partners (refer to note 12 for further detail).

Helam disposal (refer to note 16)

Mr Jim Davidson, former Technical Director of Petra who retired from the Company on 30 June 2018, was approached by the existing owners of Lindleys Mining to be a co-shareholder in this venture given his extensive experience with Helam and to maximise their chances of success. Mr Davidson agreed to subscribe for 49% of the shares in Lindleys Mining. As such, Mr Davidson is considered to be a related party of the Company under Listing Rule 11.1.4R. Lindleys Mining purchased the Helam mine on 6 December 2018.

As disclosed in the Company's FY 2012 Annual Report, Mr Johan Dippenaar, (former Group CEO), and Mr Jim Davidson, former Technical Director, exercised an option to acquire the Helam game farm from the Company for ZAR2.5 million (ca. US$0.3 million at the prevailing exchange rate) granted in 2004. Although Mr Dippenaar and Mr Davidson duly paid the option price, the transfer of the properties has to date not been effected. In the interest of the Helam disposal (refer to note 16), and to ensure the surface rights (including the mining right area and the Helam game farm) are transferred without any encumbrance to the new owners, Helam entered into a cancellation agreement with Mr Dippenaar and Mr Davidson prior to the Helam disposal as disclosed above, to unwind the exercise of the original option through the repayment of the original option price of ZAR2.5 million (US$0.2 million at current exchange rates), the "Option Cancelation". The Option Cancelation is classified as a small transaction as defined in Listing Rule 11 Annex 1.

Rental income receivable

The Group received US$nil (30 June 2018: US$nil) of rental income from Pella Resources Ltd and US$0.1 million (30 June 2018: US$0.4 million) from Alufer Mining Ltd. The Group has US$0.3 million (30 June 2018: US$0.3 million) receivable from Pella Resources Ltd and US$0.1 million (30 June 2018: US$0.4 million) receivable from Alufer Mining Ltd, both companies of which Mr Pouroulis is a director.

12. BEE LOANS RECEIVABLE AND PAYABLE

US$ million	**1 July 2018 - 30 June 2019**	1 July 2017 - 30 June 2018
Non-current assets		
Loans and other receivables	**109.6**	64.7
Non-current liabilities		
Trade and other payables	**120.5**	110.5

BEE Loans Receivable

The non-current BEE loans receivable represents those amounts receivable from the Group's BEE partners (Kago Diamonds, Sedibeng Mining and the IPDET) in respect of financing their interest in the Koffiefontein mine, advances provided to the BEE partners to enable the BEE partners to discharge interest and capital commitments under the BEE Lender facilities (refer below guarantee provided by the Company) and other advances to the BEE partners which have enabled them to make distributions to their beneficiaries (Petra directors do not qualify as beneficiaries under the IPDET Trust Deed).

As a result of prior period delays in the Cullinan plant ramp-up and the Finsch SLC ramp-up, the Group has elected to advance the BEE partners funds using Group treasury to enable the BEE partners to service their interest and capital commitments under the BEE Lender facilities (refer below). As a result, the BEE loans receivable due to Petra have increased. The BEE partners are also required to settle future interest and capital repayments under the BEE Lender facilities and Petra may, at its discretion, elect to advance the BEE partners funds to enable the BEE partners to service those future interest and capital commitments. These loan advances will be recoverable from the BEE's share of future cash flows from the underlying mining operations.

US$ million	**1 July 2018 - 30 June 2019**	1 July 2017 - 30 June 2018
As at 1 July	**64.7**	35.0
Foreign exchange movement on opening balance	**(1.2)**	(3.7)
Discretionary advance – capital and interest commitment (BEE Lender facility)	**42.2**	24.3
Discretionary advance – distributions to beneficiaries	**4.5**	6.7
Interest receivable	**4.9**	2.4
BEE partner receivables written off – KEM JV disposal	**(5.5)**	—
As at 30 June	**109.6**	64.7

BEE loans payable

BEE loans payable represent those loans advanced by the BEE partners to the Group to acquire their interest in Finsch and Cullinan. Details of the movements are set out below.

US$ million	**1 July 2018 - 30 June 2019**	1 July 2017 - 30 June 2018
As at 1 July	**110.5**	99.5
Foreign exchange movement on opening balance	**(2.6)**	(1.5)
Interest payable	**12.6**	12.5
As at 30 June	**120.5**	110.5

Group guarantee provided to BEE Lenders

The BEE partners obtained bank financing from ABSA, RMB and Investec (the "BEE Lenders") to refinance amounts owing by the BEE partners to Petra, which had provided funding to the BEE partners to enable them to acquire their interests in Finsch and Cullinan. As part of the refinancing, the Group provided a guarantee to the BEE Lenders over the repayment of loans advanced to the Group's BEE partners. The BEE partners will settle their loan obligations with the BEE Lenders from their share of future operational cash flows, either through repayment of the amounts owing to the BEE partners by Petra or through recoverable advances provided by Petra from Group treasury.

As at 30 June 2019, the BEE lender facility for which Petra stands surety was US$54.2 million (30 June 2018: US$88.8 million) with interest and capital commitments as detailed below:

US$ million	**Interest repayments**	**Capital repayments**	**Balance**
BEE Lender facility as at 30 June 2019			54.2
Due and payable within 12 months	(6.0)	(17.0)	(23.0)
Due and payable in 1 – 2 years			**31.2**

The BEE Lender facility forms part of Petra's Consolidated Net Debt for Petra's covenant measurement purposes and is subject to the same covenant requirements (refer to note 9 for further detail).

The BEE Lender facility was amended post Year end, with an amendment to the interest rate and margin (same interest rate ratchet terms as disclosed in note 9) and an extension to the repayment profile. The BEE Lender facility bears interest at SA JIBAR plus 6.5%, is repayable in bi-annual instalments (capital plus interest) in November and May, with a final repayment date in May 2021. The probability of repayment default by the BEE Partners to Absa, Investec and RMB and any subsequent call by the Lender Group on the guarantee provided by Petra is considered remote.

13. EARNINGS PER SHARE

	Continuing operations 30 June 2019 US$	**Discontinued operations 30 June 2019 US$**	**Total 30 June 2019 US$**	Continuing operations 30 June 2018 US$	Discontinued operations 30 June 2018 US$	Total 30 June 2018 US$
Numerator						
Loss for the Year	**(174,622,904)**	**(52,015,046)**	**(226,637,950)**	(84,562,428)	(82,312,465)	(166,874,893)
Denominator						
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS						
Brought forward	**865,336,485**	**865,336,485**	**865,336,485**	531,986,218	531,986,218	531,986,218
Effect of shares issued during the Year	**—**	**—**	**—**	1,248,794	1,248,794	1,248,794
Carried forward	**865,336,485**	**865,336,485**	**865,336,485**	533,235,012	533,235,012	533,235,012
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	**—**	**—**	**—**	2,011,279	—	2,011,279
Weighted average number of ordinary shares in issue used in diluted EPS	**865,336,485**	**865,336,485**	**865,336,485**	535,246,291	533,235,012	535,246,291
	US cents	**US cents**	**US cents**	US cents	US cents	US cents
Basic loss per share – US cents	**(20.18)**	**(6.01)**	**(26.19)**	(15.85)	(15.44)	(31.29)
Diluted loss per share – US cents	**(20.18)**	**(6.01)**	**(26.19)**	(15.85)	(15.44)	(31.29)

Due to the loss for the Year, the diluted loss per share is the same as the basic loss per share. The number of potentially dilutive ordinary shares, in respect of employee share options, Executive Director and Senior Management share award schemes is nil (30 June 2018: 2,011,279). These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share.

14. ADJUSTED EARNINGS PER SHARE (non-GAAP measure)

In order to show earnings per share from operating activities on a consistent basis, an adjusted earnings per share is presented which excludes certain items as set out below. It is emphasised that the adjusted earnings per share is a non-GAAP measure. The Petra Board considers the adjusted earnings per share to better reflect the underlying performance of the Group. The Company's definition of adjusted earnings per share may not be comparable to other similarly titled measures reported by other companies.

	Continuing operations 30 June 2019 US$	**Discontinued operations 30 June 2019 US$**	**Total 30 June 2019 US$**	Continuing operations 30 June 2018 US$	Discontinued operations 30 June 2018 US$	Total 30 June 2018 US$
Numerator						
Loss for the Year	**(174,622,904)**	**(52,015,046)**	**(226,637,950)**	(84,562,428)	(82,312,465)	(166,874,893)
Net unrealised foreign exchange loss / (gain)	**(4,022,483)**	**—**	**(4,022,483)**	26,233,603	—	26,233,603
Present value discount – Williamson VAT receivable*	**14,212,444**	—	**14,212,444**	1,805,365	—	1,805,365
Impairment charge - operations*	**174,009,126**	**—**	**174,009,126**	54,232,200	67,306,108	121,538,308
Impairment charge – other receivables	**3,941,305**	**—**	**3,941,305**	—	—	—
Taxation credit on impairment charge*	**(36,279,098)**	**—**	**(36,279,098)**	—	—	—
Taxation charge on reduction of unutilised Capex benefits*	**—**	**—**	**—**	6,736,719	—	6,736,719
Adjusted (loss) / profit for the Year attributable to parent	**(22,761,610)**	**(52,015,046)**	**(74,776,656)**	4,445,459	(15,006,357)	(10,560,898)

*Portion attributable to equity shareholders of the Company

Denominator						
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS						
As at 1 July	**865,336,485**	**865,336,485**	**865,336,485**	531,986,218	531,986,218	531,986,218
Effect of shares issued during the Year	**—**	**—**	**—**	1,248,794	1,248,794	1,248,794
Carried forward	**865,336,485**	**865,336,485**	**865,336,485**	533,235,012	533,235,012	533,235,012
	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	**—**	**—**	**—**	2,011,279	—	2,011,279
Weighted average number of ordinary shares in issue used in diluted EPS	**865,336,485**	**865,336,485**	**865,336,485**	535,246,291	533,235,012	535,246,291

	US cents	**US cents**	**US cents**	US cents	US cents	US cents
Adjusted basic (loss) / profit per share – US cents	**(2.63)**	**(6.01)**	**(8.64)**	0.83[1]	(2.81)	(1.98)
Adjusted diluted (loss) / profit per share – US cents	**(2.63)**	**(6.01)**	**(8.64)**	0.83[1]	(2.81)	(1.98)

[1] 30 June 2018 adjusted to include present value discount adjustment of the Williamson VAT receivable.

15. IMPAIRMENT CHARGE

The recent downturn in the global rough diamond market and variability in product mix have severely impacted rough diamond prices, resulting in management taking a critical review of the Group's business models and operational assets. The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is determined on a fair value less cost to develop basis.

During the Year under review, the Group reviewed the carrying value of its investments, loan receivables and operational assets for indicators of impairment. Following the assessment, impairment of property, plant and equipment were considered appropriate for Cullinan, Finsch, Koffiefontein and Williamson. The Group recognised a consolidated income statement charge of US$246.6 million comprising of US$223.7 million, being management's estimate of recoverable value of the Cullinan, Finsch, Koffiefontein and Williamson assets, and US$22.9 million, being management's estimate of the recoverability of other receivables due from external parties. For impairment considerations of Helam and KEM JV, refer to note 16.

Details of the impairment assessment are shown below:

Impairment (US$ million)	Asset class	Carrying value pre impairment	Impairment	Carrying value post impairment
Impairment operations:				
Cullinan	Property, plant & equipment	637.2	(63.9)	573.3
Finsch	Property, plant & equipment	374.0	(85.4)	288.6
Koffiefontein	Property, plant & equipment	46.5	(33.2)	13.3
Williamson	Property, plant & equipment	129.8	(41.2)	88.6
Sub-total		**1,187.5**	**(223.7)**	**963.8**
Impairment other receivables:				
Other	Other receivables	4.0	(4.0)	—
Other	Tanzania VAT receivable (refer note 2)	29.0	(18.9)	10.1
Sub-total		**33.0**	**(22.9)**	**10.1**
Total		**1,220.5**	**(246.6)**	**973.9**

30 June 2018

Impairment (US$ million)	Asset class	Carrying value pre impairment	Impairment	Carrying value post impairment
Koffiefontein	Property, plant & equipment	118.2	(66.0)	52.2

Cullinan, Finsch, Koffiefontein and Williamson impairment considerations and assumptions

The Group performs impairment testing on an annual basis of all operations and when there are potential indicators of impairment. The impairment testing performed resulted in impairments of the Cullinan, Finsch, Koffiefontein and Williamson assets. The key assumptions used in determining the recoverable value calculations, determined on fair value less cost to develop basis, are listed in the table below:

Group assumptions:

Key assumptions	Explanation
LOM and recoverable value of reserves and resources	Economically recoverable reserves and resources are based on management's expectations based on the availability of reserves and resources at mine sites and technical studies undertaken in house and by third party specialists. The LOM for the operations are as follows: Cullinan: FY 2029 Finsch: FY 2030 Koffiefontein: FY 2024 (FY 2018: FY 2032) Williamson: FY 2032 Resources remaining after the current LOM plans have not been included in impairment testing for the operations.
LOM reserves and resources	Cullinan – Life of mine over the next 10 years; total resource processed 40.5 Mt.
	Finsch – Life of mine over the next 11 years; total resource processed 35.8 Mt
	Koffiefontein – 5 years life of mine plan; total resource processed 4.8 Mt ROM
	Williamson – 13 years life of mine plan: total resource processed 64.1 Mt.
LOM – capital expenditure	Management has estimated the timing and quantum of the capital expenditure based on the Group's current LOM plans for each operation. There is no inclusion of capital expenditure to enhance the asset beyond exploitation of the LOM plan orebody.
Diamond prices	The diamond prices used in the impairment test have been set with reference to recent achieved pricing and market trends, and long-term diamond price escalators are informed by industry views of long-term market supply / demand fundamentals. 30 June 2019 impairment testing models incorporated diamond price escalation of 2.8% above a long-term US inflation rate of 2.5% per annum from FY 2022 to FY 2030. This equates to a 2.5% real CAGR for the ten year period from FY 2021 to FY 2030. Estimates for the contribution of exceptional diamonds sold for more than US$5 million each are determined with reference to historical trends. 30 June 2018 impairment testing models incorporated diamond price escalation of 3.0% above a long-term US inflation rate of 2.5% per annum. Estimates for the contribution of exceptional diamonds sold for more than US$5 million each are determined with reference to historical trends.
Discount rate	A discount rate of 8.5% (30 June 2018: 8.5%) was used for the South African operations and 9.0% (30 June 2018: 9.0%) for Williamson. Discount rates calculated based on a nominal weighted cost of capital including the effect of factors such as market risk and country risk as at the Year end.
Cost inflation rate	Long-term inflation rates of 3.5%–7.5% (30 June 2018: 3.5%–7.5%) above the long-term US$ inflation rate were used for Opex and Capex escalators. Opex savings of 5% per annum have been applied from FY 2020 onwards in line with the Project 2022 strategy implemented by the Group.
Exchange rates	Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The US$/ZAR exchange rate range used for all South African operations commenced at ZAR14.00 (30 June 2018: ZAR12.75), further devaluing at 3.9% (30 June 2018: 3.9%) per annum over a period of three years, reverting to 3.4% per annum thereafter.
Valuation basis	Discounted present value of future cash flows.
Williamson	At Williamson, the key judgement is around the recoverability of the VAT receivable under the new legislation effective 20 July 2018. As detailed in note 2, Management consider the future VAT to be fully recoverable. However, if the VAT were not to be recoverable the impact would be to increase the impairment by an additional US$80.9 million.

Sensitivity analysis

The impairment impact of applying sensitivities on the key inputs is noted below:

	Additional impairment charge			
(US$ million)	Williamson	Koffiefontein	Finsch	Cullinan
Base case				
Increase in discount rate by 2%	12.3	0.4	33.9	47.4
Reduction in pricing by 5% over Life of Mine	28.5	8.8	48.4	57.6
Reduction in short-term production by 10%	11.4	7.3	17.5	41.7
Increase in Opex by 5%	46.8	7.2	23.9	26.8
Strengthening of the ZAR from US$/ZAR14.00 to US$/ZAR13.00	n/a	12.6	71.6	85.1

16. DISPOSAL OF OPERATIONS

a) Disposal of KEM JV

On 5 December 2018, the Group and its BEE partners disposed of their 75.9% interest in the KEM JV operation to the Company's joint venture partner Ekapa Mining (Pty) Ltd ("Ekapa Mining") for a gross cash consideration of ZAR300 million (US$18.6 million) (the "Disposal") comprising deferred and contingent elements.

The Disposal was on a going concern basis, with Ekapa Mining taking on all of the Company's financial, employee, environmental, health, safety and social obligations with regards to the KEM JV operation. The rationale for the Disposal is to ensure a sustainable future for KEM JV by placing the operation under the sole stewardship of an operator best suited to maximise its value. Ekapa Mining's extensive experience of operating specifically within Kimberley and its ability to solely focus on these assets is expected to provide the right fit for the operation, thereby ensuring continuation of diamond mining employment and related economic activity in this renowned diamond centre.

The terms of repayment of the ZAR300 million purchase consideration, originally to be payable in 24 monthly instalments starting in January 2019, were amended prior to completion to allow Ekapa Mining to maximise the prospects of the financial viability of the operation. According to the terms, the purchase consideration will be settled as follows:

- ZAR60 million payable in 24 monthly instalments starting on 1 April 2019;
- the balance, ZAR 240 million, of the purchase consideration will be repayable from a 50% share of future operating cash flows above set benchmark thresholds, including proceeds from the sale of assets adjusted for sustaining capital of between ZAR110 million and ZAR130 million per annum, for a period of five years to 30 June 2024; and possible proceeds from a pending insurance claim, that is subject to ongoing discussions, in relation to the mud-rush incident at Bultfontein, as previously announced. The Company has fair valued the balance of the purchase consideration and deemed it to be US$nil, having considered the historical trading performance of the asset, knowledge of the mine and risks and uncertainties.

On initial reclassification of the assets and liabilities of the KEM JV mining operation (being Petra's effective 75.9% interest) as held for sale in the Statement of Financial Position at 30 June 2018, in accordance with IFRS 5, the Group recognised a US$92.7 million impairment loss. The financial results of KEM JV have been disclosed in the Consolidated Income Statement in Loss on discontinued operation. The KEM JV mining operation was a separate operating segment for the purposes of the Group's segmental reporting.

Effect of the transaction

The transaction had the following effect on the Group's assets and liabilities:

i) Net assets of KEM JV:

US$ million	As at 30 November 2018	As at 30 June 2018
Mining property, plant and equipment	19.8	19.8
Non-current trade and other receivables	—	—
Trade and other receivables	3.0	12.0
Inventory	10.0	12.6
Cash and cash equivalents	0.7	1.4
Non-current assets held for sale	**33.5**	45.8
Environmental liabilities and other non-current trade and other payables	(13.8)	(14.2)
Trade and other payables	(11.5)	(13.0)
Non-current liabilities associated with non-current assets held for sale	**(25.3)**	(27.2)
Net assets disposed	**8.2**	18.6

ii) Result of KEM JV:

US$ million	**Period ended 30 November 2018**	1 July 2017 – 30 June 2018
Revenue	**31.3**	81.6
Cost of sales	**(32.2)**	(86.1)
Gross loss	**(0.9)**	(4.5)
Financial income	**0.1**	0.4
Financial expense	**(0.7)**	(1.3)
Loss before tax	**(1.5)**	(5.4)
Income tax charge	—	(6.2)
Loss after tax before impairment charge	**(1.5)**	(11.6)
Impairment charge	**—**	(92.7)[1]
Net loss for the Period	**(1.5)**	(104.3)
Attributable to:		
- Equity holders of the parent	**0.5**	(85.6)
- Non-controlling interest	**(2.0)**	(18.7)
	(1.5)	(104.3)
Basic loss per share (US cents)	**(0.17)**	(15.44)
Dilutive loss per share (US cents)	**(0.17)**	(15.44)

1. The US$92.7 million impairment loss recorded on the KEM JV assets represents the difference between the fair value of the assets and liabilities and the consideration receivable upon the completion of the transaction. An impairment charge of US$56.2 million was recognised in respect of assets written down to carrying values in accordance with IAS 36 Impairment of assets. This includes US$52.0 million impairment recognised in respect of the carrying value of the assets and US$4.2 million impairment of assets damaged in the mudrush. In addition, a further impairment charge of US$36.5 million was recognised to reduce assets of the KEM JV to equal the fair value less costs to sell, being the fair value of the consideration receivable.

iii) Post tax loss on disposal of KEM JV at:

US$ million	Period ended 30 November 2018
Fair value consideration receivable on disposal	**3.6**
Less: net assets disposed of	**(8.2)**
Less: cash transferred from rehabilitation guarantee Cell captive	**(2.0)**
Less: foreign currency translation recycled on disposal	**(1.3)**
Less: non-controlling interest	**(26.1)**
Loss on disposal of discontinued operation	**(34.0)**
Add: net loss for the Period	**(1.5)**
Loss on discontinued operation	**(35.5)**
Less: impairment of purchase consideration	**(3.1)**
Less: impairment of group other receivables	**(4.2)**
	(42.8)

During the Year, the Company advanced US$9.4 million funding to the KEM JV; of this amount, US$3.9 million has been recovered. Management have assessed the recoverability of the remaining US$5.5 million and as a result of the assessment an impairment charge of US$4.2 million was recognised in the Consolidated Income Statement. In assessing the recoverability, management considered the historical trading performance of the KEM JV, the current downturn in the diamond market, current economic climate, payment history and recent press coverage involving the KEM JV operation. The remaining balance has been included under current trade and other receivables.

As a result of the above assessment by management of the loan receivable, management have also impaired the remaining balance of the purchase consideration, reducing it to US$nil, and an impairment charge of US$3.1 million was recognised in the Consolidated Income Statement.

iv) The consolidated cash flow statement includes the following amounts relating to KEM JV:

US$ million	Period ending 30 November 2018	1 July 2017 – 30 June 2018
Operating activities	**3.4**	(0.5)
Investing activities	**(2.1)**	(23.4)
Net cash utilised in discontinued operations	**(16.1)**	(0.6)

b) Helam

On 6 December 2018, the Company and its BEE partners disposed of their interest in Helam Mining (Pty) Ltd (“Helam”) to Lindleys Mining (Pty) Ltd ("Lindleys Mining") for a nominal consideration of ZAR200 with immediate effect.

The Helam mine was put on care and maintenance by the Company during FY 2015, following previous attempts to source a suitable purchaser, and no mining activities have been conducted by Petra since. The rationale for the disposal is to support the South African Government’s intention to prolong the lives of mines facing closure by facilitating opportunities for emerging miners to the benefit of entrepreneurs, host communities and local employment. The disposal is also in line with Petra’s strategic priorities, which include that the Board continues, on an ongoing basis, to review the asset portfolio of the business with a view to maximising return on capital and to ensure that all assets are in a position to contribute positive cash flow to the business.

The disposal shall have the following benefits:

- an owner-manager approach will ensure sole focus on the optimisation of the Helam assets;
- it will reduce Group cash outflow (with existing care and maintenance expenditure amounting to ca. US$2 million per annum); and
- Lindleys Mining will take on all of the Company's environmental obligations with regards to Helam, currently estimated at ca. ZAR23 million excluding VAT (ca. US$1.7 million).

As part of the disposal, agreement has been reached for the joint use of the processing plant at Helam, which has historically been utilised to conduct resource and production sampling and analyses for the Petra Group. Lindleys Mining have agreed to continue with such sampling and analyses for a period of up to two years. Petra intends to establish appropriate sampling facilities elsewhere in the Group which, once commissioned, will replace the need to continue with this arrangement.

Helam generated a net loss of US$0.8 million for the Year, which is disclosed in the Consolidated Income Statement in Loss on discontinued operation, and the net assets disposed of amounted to US$1.0 million.

i) Post tax profit / (loss) on disposal of Helam at:

US$ million	**Period ended 30 November 2018**
Fair value consideration receivable on disposal	**0.0**
Less: net assets disposed of	**(0.6)**
Add: foreign currency translation recycled on disposal	**3.4**
Less: non-controlling interest	**(9.1)**
Loss on disposal of discontinued operation	**(6.3)**
Less: net loss for the Period	**(0.8)**
Loss on discontinued operation	**(7.1)**

17. ASSETS HELD FOR SALE

Botswana (exploration)

During FY 2018, the Company took the decision to sell its exploration assets held in Botswana and considered offers to purchase these assets from potential purchasers. The offers to purchase were not accepted, however the Company is still actively seeking potential purchasers for the exploration assets. The assets and liabilities of the Botswana exploration operation have been classified as held for sale in the Statement of Financial Position, in accordance with IFRS 5.

US$ million	**30 June 2019**	30 June 2018
Mining property, plant and equipment	0.6	0.6
Trade and other receivables	—	0.1
Non-current assets held for sale	**0.6**	0.7
Trade and other payables	—	(0.6)
Non-current liabilities associated with non-current assets held for sale	**—**	(0.6)
Net assets	**0.6**	0.1

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the preliminary financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit of the Group for the Year; and

(b) the preliminary management report for the Year includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (DTR 4.1.8 R and 4.1.9 R).

By order of the Board

Richard Duffy
Chief Executive Officer
16 September 2019