



PetraDiamonds

21 October 2019

LSE: PDL

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

Trading Update – Q1 FY 2020 Production and Sales Report

Petra Diamonds Limited announces the following Trading Update (unaudited) for the period from 1 July 2019 to 18 October 2019, covering production and sales from 1 July 2019 to 30 September 2019 ("Q1 FY 2020" or "Q1" or the "Period").

SUMMARY

- Lost Time Injury Frequency Rate ("LTIFR") of 0.22 (FY 2019: 0.21). Petra remains committed to achieving a zero harm working environment.
- Q1 production up 1% to 1,082,764 carats (Q1 FY 2019: 1,068,140 carats) and on track to deliver guidance of ca. 3.8 Mcts for FY 2020.
- Q1 revenue down 23% to US\$61.6 million from 603,626 carats sold (Q1 FY 2019: US\$80.2 million from 626,541 carats sold), due to lower diamond prices and volumes in comparison to Q1 FY 2019, compounded by a poorer product mix at Finsch, Williamson and Koffiefontein.
- Diamond prices for Q1 FY 2020 on a like-for-like basis decreased ca. 4% in comparison to Q4 FY 2019. Post Quarter end, prices at our second tender indicate some stabilisation with early signs of modest improvement towards year end.
- As previously announced, a 20.08 carat Type IIb exceptional blue diamond was recovered at the Cullinan mine in September and will be sold via special tender in Johannesburg in November 2019.
- Net debt at 30 September 2019 of US\$592.8 million (30 June 2019: US\$564.8 million); the increase in net debt is due to only one tender in Q1 and takes into account an increase in diamond inventories, valued at US\$92.4 million at Period end (30 June 2019: US\$57.5 million).
- Project 2022 progressing well, with implementation under way at Cullinan and Finsch, and diagnostics being completed at Koffiefontein and Williamson. Benefits expected to start being realised in H2 FY 2020.
- ZAR:USD exchange rate weakness continued during the Period and 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.

FY 2020 Production and Sales – Summary¹

	Unit	Q1 FY 2020	Q1 FY 2019	Variance	FY 2019
Sales					
Diamonds sold	Carats	603,626	626,541	-4%	3,736,847
Gross revenue	US\$M	61.6	80.2	-23%	463.6
Production					
ROM tonnes	Mt	3.6	3.4	6%	13.3
Tailings & other ¹ tonnes	Mt	0.3	0.5	-40%	1.6
Total tonnes treated	Mt	3.9	3.9	0%	14.9
ROM diamonds	Carats	1,059,329	1,022,571	4%	3,763,622
Tailings & other ² diamonds	Carats	23,435	45,570	-49%	111,324
Total diamonds	Carats	1,082,764	1,068,140	1%	3,874,946

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

Richard Duffy, Chief Executive of Petra Diamonds, commented:

“We have reported another quarter of solid operational performance putting us on track to achieve our full year production target of ca. 3.8 Mcts. The diamond market remains challenging, however we will benefit from the sale of the exceptional 20.08 carat Type II blue diamond from Cullinan recovered at the end of the quarter. The implementation of Project 2022 is now under way, targeting US\$150 – 200 million free cashflow over the next three years. We are expecting benefits to be realised from H2 FY 2020 and will provide regular updates on our progress.”

CONFERENCE CALLS

Petra’s Chief Executive Officer, Richard Duffy, Finance Director, Jacques Breytenbach, and Chief Operating Officer, Luctor Roode, will host a conference call at 9:30am BST today to discuss the Trading Update with investors and analysts. Participants may join the call by dialling one of the following numbers shortly before the call:

First Call - 9:30am BST

UK Toll-Free Number: 0800 358 9473
 From South Africa (toll free): 0800 111 446
 From the rest of the world: +44 (0) 333 300 0804
 Participant passcode: 83448299#

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

From UK (toll free): 0800 358 2049
 From the US (toll free): 1 844 307 9361
 From the rest of the world: +44 (0) 333 300 0819
 Playback passcode: 301300775#

Second Call – 4:00pm BST

An additional conference call to cater for North American and other international investors will be held at 4:00pm BST today. Participants are advised to listen to the replay of the first conference call in advance of this call.

From the United States (toll free): 1 855 857 0686
 From the rest of the world: +44(0) 333 300 0804
 From the UK (toll free): 0800 358 9473
 From South Africa (toll free): 0800 111 446
 Participant passcode: 97603705#

COMMENTARY

Health and safety

- Group LTIFR of 0.22 (FY 2019: 0.21). Our safety culture is backed by effective systems and processes and is underpinned by the aim of reaching a zero harm working environment. Safety is at the heart of everything we do at Petra and is our number one priority.

Production

- Overall carat production increased 1% to 1,082,764 carats (Q1 FY 2019: 1,068,140 carats), with a 4% increase in ROM production to 1,059,329 carats (Q1 FY 2019: 1,022,571 carats) offset by planned reductions in overburden stockpile material at Finsch and tailings production at both Cullinan and Finsch
- Finsch overall carat production decreased by 5% to 482,452 carats (Q1 FY 2019: 505,821 carats) due to ROM carat production decreasing by 4% to 468,639 carats (Q1 FY 2019: 486,806 carats) and tailings carat production decreasing by 27% to 13,813 carats (Q1 FY 2019: 19,015 carats). The contribution from Block 5 SLC to the ROM carat production increased by 17% to 460,431 carats (Q1 FY 2019: 394,334 carats) whilst the contribution from the high grade ROM overburden dumps reduced to 8,208 carats (Q1 FY 2019: 92,472 carats). The higher carat contribution from Block 5 SLC was largely driven by an increased volume treated of 784,576 tonnes (Q1 FY 2019: 596,696 tonnes) with ROM grade at the upper end of guidance of ca. 54 – 57 cpht.
- Cullinan overall carat production increased by 5% to 462,919 carats (Q1 FY2019: 440,667 carats) due to ROM production increasing by 10% to 457,104 carats (Q1 FY 2019: 417,249 carats), whilst tailings production decreased by 75% to 5,815 carats in line with our plan (Q1 FY 2019: 23,418 carats). The higher ROM carat production was largely driven by an increased volume treated of 1,206,433 tonnes (Q1 FY 2019: 1,031,446 tonnes) with ROM grade at the lower end of guidance of 38 – 42 cpht.
- Koffiefontein's overall production continued its improving trend with ROM production up 12% to 20,420 carats (Q1 FY 2019: 18,238 carats). ROM tonnes treated improved by 35% to 314,302 tonnes (Q1 FY 2019: 232,589 tonnes).
- Williamson's ROM production increased 13% to 113,166 carats (Q1 FY 2019: 100,278 carats), demonstrating the continued steady operational delivery of the mine. The Company remains in discussions with the Government of Tanzania and local advisers in relation to the overdue VAT receivables and the blocked parcel.

Diamond market and sales

- The rough diamond market remains quiet ahead of the start of the seasonally busier retail sales period. There was a slight increase in activity in the Indian manufacturing centres ahead of the Diwali holiday, however polished prices and exports remain under pressure, with softer demand and lower prices for rough diamonds.
- Supply discipline by the major diamond producers, combined with increased advertising spend targeting the festive retail season, is expected to help establish a balance of supply and demand in the midstream

Diamond Sales and Prices

- Revenue for Q1 FY 2020 was down 23% in comparison to Q1 FY 2019 to US\$61.6 million (Q1 FY 2019: US\$80.2 million), due to lower volumes sold (-4%), lower prices due to the weak diamond market (-11%) and poorer product mix (-8%).
- Diamond prices for Q1 FY 2020 on a like-for-like basis were down ca. 4% in comparison to Q4 FY 2019.
- Post Quarter end, prices at our second tender indicate some stabilisation with early signs of modest improvement towards year end.

- Diamond inventory as at 30 September 2019 was 1,145,274 carats valued at US\$92.4 million (30 September 2018: 970,620 carats valued at US\$91.6 million) largely as a result of increased production during September 2019.
- Prices achieved during Q1 FY 2020 are set out in the table below:

Mine	Actual Q1 FY 2020 (US\$/ct)	Actual Q4 FY 2019 (US\$/ct)	Actual Q1 FY 2019 (US\$/ct)	Actual FY 2019 (US\$/ct)
Finsch	81	86	106	99
Cullinan	89	141 ¹	101	110
Koffiefontein	415	461	505	480
Williamson	176	182	237	231

1. Average price of US\$93/ct excluding sale of two exceptional stones during Q4 FY 2019.

- As previously announced, a 20.08 carat Type IIb exceptional blue diamond was recovered at the Cullinan mine in September and will be sold via special tender in Johannesburg in November 2019.

Project 2022 Update

- As previously announced, the areas of focus for Project 2022 are throughput improvements 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 in Tanzania.
- Implementation has commenced at Cullinan and Finsch, with diagnostics being completed at Koffiefontein and Williamson. Sourcing and Overhead Support work streams have also commenced with the Programme Management Office having been established. Benefits from all work streams are expected to be realised from H2 FY 2020.

Corporate and Financial

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

	Unit	30 September 2019	30 June 2019	30 September 2018
<i>Closing exchange rate used for conversion</i>		<i>R15.16:US\$1</i>	<i>R14.07:US\$1</i>	<i>R14.14:US\$1</i>
Cash at bank	US\$m	57.2	85.2	111.1
Diamond inventories ¹	US\$m	92.4	57.5	91.6
	Carats	1,145,274	666,201	970,620
Diamond debtors	US\$m	7.2	23.8	14.4
US\$650 million loan notes (issued April 2017)	US\$m	650.0	650.0	650.0
Bank loans and borrowings	US\$m	0.0	0.0	0.0
Net debt ²	US\$m	592.8	564.8	538.9

Bank facilities undrawn and available	US\$m	98.9	106.6	106.1
Consolidated net debt ³	US\$m	637.7	595.2	613.6

Notes:

1. Recorded at the lower of cost and net realisable value.
2. Net debt is the US\$ loan notes and bank loans and borrowing net of cash at bank (including restricted cash).
3. Consolidated Net Debt is bank loans and borrowings plus loan notes, less cash, less diamond debtors and includes the BEE guarantees of ca. US\$52.1 million (ZAR790.4 million) as at 30 September 2019 (ca. US\$54.2 million (ZAR762.5 million) as at 30 June 2019).

- 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.
- Whilst noting that typical seasonal weakness was 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 the Company has 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 who have confirmed their ongoing support. Both the ZAR1 billion (ca. US\$66 million) revolving credit facility and the ZAR500 million (ca. US\$33 million) working capital facility are currently undrawn and remain available.

Notes:

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

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

~ Ends ~

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About Petra Diamonds Limited

Petra Diamonds is a leading independent diamond mining group and a consistent supplier of gem quality rough diamonds to the international market. The Company has a diversified portfolio incorporating interests in three underground producing mines in South Africa (Finsch, Cullinan and Koffiefontein) and one open pit producing mine in Tanzania (Williamson). 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.

APPENDIX – MINE BY MINE PRODUCTION TABLES

Finsch – South Africa

	Unit	Q1 FY 2020	Q1 FY 2019	Variance	FY 2019
Sales					
Revenue	US\$M	22.1	33.8	-35%	170.2
Diamonds sold	Carats	272,249	318,872	-15%	1,711,311
Average price per carat	US\$	81	106	-23%	99
ROM Production					
Tonnes treated	Tonnes	813,621	746,914	9%	3,073,479
Diamonds produced	Carats	468,639	486,806	-4%	1,724,265
Grade ¹	cpht	57.6	65.2	-12%	56.1
Tailings Production					
Tonnes treated	Tonnes	88,537	86,049	3%	223,568
Diamonds produced	Carats	13,813	19,015	-27%	31,503
Grade ¹	cpht	15.6	22.1	-29%	14.1
Total Production					
Tonnes treated	Tonnes	902,158	832,963	8%	3,297,047
Diamonds produced	Carats	482,452	505,821	-5%	1,755,768

Note:

1. The ROM / tailings grade split is theoretical and based on the resource grades as ore from both sources is processed through the same plant.

Cullinan – South Africa

	Unit	Q1 FY 2020	Q1 FY 2019	Variance	FY 2019
Sales					
Revenue	US\$M	22.2	22.0	1%	171.4
Diamonds sold	Carats	250,504	217,727	15%	1,562,922
Average price per carat ¹	US\$	89	101	-12%	110
ROM Production					
Tonnes treated	Tonnes	1,206,433	1,031,446	17%	4,119,406
Diamonds produced	Carats	457,104	417,249	10%	1,589,707
Grade	cpht	37.9	40.5	-6%	38.6
Tailings Production					
Tonnes treated	Tonnes	66,855	354,077	-81%	956,035
Diamonds produced	Carats	5,815	23,418	-75%	66,222
Grade	cpht	8.7	6.6	32%	6.9
Total Production					
Tonnes treated	Tonnes	1,273,288	1,385,523	-8%	5,075,441
Diamonds produced	Carats	462,919	440,667	5%	1,655,929

Notes:

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

Koffiefontein – South Africa

	Unit	Q1 FY 2020	Q1 FY 2019	Variance	FY 2019
Sales					
Revenue	US\$M	5.3	6.0	-12%	28.9
Diamonds sold	Carats	12,666	11,942	6%	60,291
Average price per carat	US\$	415	505	-18%	480
ROM Production					
Tonnes treated	Tonnes	314,302	232,589	35%	1,000,726
Diamonds produced	Carats	20,420	18,238	12%	63,635
Grade	cpht	6.5	7.8	-17%	6.4
Total Production					
Tonnes treated	Tonnes	314,302	232,589	35%	1,000,726
Diamonds produced	Carats	20,420	18,238	12%	63,635

Williamson – Tanzania

	Unit	Q1 FY 2020	Q1 FY 2019	Variance	FY 2019
Sales					
Revenue	US\$M	12.0	18.5	-35%	93.0
Diamonds sold	Carats	68,206	78,028	-13%	402,329
Average price per carat	US\$	176	237	-26%	231
ROM Production					
Tonnes treated	Tonnes	1,312,286	1,321,905	-1%	5,082,319
Diamonds produced	Carats	113,166	100,278	13%	386,016
Grade	cpht	8.6	7.6	13%	7.6
Alluvial Production					
Tonnes treated	Tonnes	106,038	82,313	29%	413,151
Diamonds produced	Carats	3,807	3,137	21%	13,599
Grade	cpht	3.6	3.8	-5%	3.3
Total Production					
Tonnes treated	Tonnes	1,418,324	1,404,218	1%	5,495,470
Diamonds produced	Carats	116,973	103,414	13%	399,615