



# PetraDiamonds

27 January 2020

LSE: PDL

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

## Trading Update for the Six Months ended 31 December 2019

Petra Diamonds Limited announces the following Trading Update (unaudited) for the six months ended 31 December 2019 (the "Period", "H1 FY 2020" or "H1"), ahead of the publication of the Company's Interim Results for the Period on 17 February 2020.

### SUMMARY

- Lost Time Injury Frequency Rate ("LTIFR") of 0.22 (H1 FY 2019: 0.16 and FY 2019: 0.21). Petra remains committed to achieving a zero harm working environment.
- H1 production up 3% to 2,070,240 carats (H1 FY 2019: 2,019,147 carats). Petra is currently on track to meet or exceed FY 2020 production guidance of ca. 3.8 Mcts, as some of the Project 2022 throughput benefits are starting to deliver.
- H1 revenue down 6% to US\$193.9 million from 1,743,807 carats sold (H1 FY 2019: US\$207.1 million from 1,736,357 carats sold), mainly due to lower diamond prices and the previously reported adverse product mix at Finsch and Williamson, partially offset by the sale of the exceptional blue diamond from Cullinan.
- Q2 FY 2020 saw growing stability in pricing as the calendar year closed. Post Period end, demand has continued to improve as the midstream looks to replenish inventory. Early indications are that rough pricing has improved modestly to date in Q3 FY 2020.
- All the Project 2022 workstreams (at mine and Group level) are being implemented and are progressing well. The throughput work stream (comprising 75% of the Project 2022 target) has contributed to the improved production performance and assisted in the delivery of a record level of ROM tonnes mined in H1 FY 2020.
- Net debt at 31 December 2019 of US\$596.4 million (30 September 2019: US\$592.8 million); diamond inventory of 992,425 carats valued at US\$85.2 million at Period end (30 September 2019: US\$92.4 million).
- The Company's South African Lender Group has consented to a waiver of the EBITDA related covenant ratios associated with its banking facilities for the December 2019 measurement period (measured only in March 2020).
- ZAR:USD exchange rate volatility continued during the Period (averaging R14.69/USD1) with some strengthening at the Period end, closing at ZAR13.99/USD1. Post Period end, the ZAR:USD exchange rate has weakened again to ca. ZAR14.42/USD1 as at 24 January 2020.

## H1 FY 2020 Sales, Production and Capex – Summary

	Unit	H1 FY 2020	H1 FY 2019	Variance	FY 2019
<b>Sales</b>					
Diamonds sold	Carats	1,743,807	1,736,357	0%	3,736,847
<b>Gross revenue</b>	<b>US\$M</b>	<b>193.9</b>	<b>207.1</b>	<b>-6%</b>	<b>463.6</b>
<b>Production</b>					
ROM tonnes	Mt	7.0	6.4	9%	13.3
Tailings & other <sup>1</sup> tonnes	Mt	0.5	1.0	-50%	1.6
<b>Total tonnes treated</b>	<b>Mt</b>	<b>7.5</b>	<b>7.4</b>	<b>1%</b>	<b>14.9</b>
ROM diamonds	Carats	1,995,512	1,946,717	3%	3,763,622
Tailings & other <sup>1</sup> diamonds	Carats	74,728	72,430	3%	111,324
<b>Total diamonds</b>	<b>Carats</b>	<b>2,070,240</b>	<b>2,019,147</b>	<b>3%</b>	<b>3,874,946</b>
<b>Capex</b>					
Expansion	US\$m	15.9	28.5	-44%	56.0
Sustaining	US\$m	9.7	12.1	-20%	25.4
Borrowing costs capitalised	US\$m	0.0	3.7	-100%	3.7
<b>Total</b>	<b>US\$m</b>	<b>25.6</b>	<b>44.3</b>	<b>-42%</b>	<b>85.1</b>

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

### Richard Duffy, Chief Executive of Petra Diamonds, commented:

*"I am very pleased with the progress made in implementing Project 2022 across our operations and at corporate level. The buy in to this project from all of our Petra employees and contractors has supported the strong operational performance across all sites, resulting in us achieving our highest level of ROM tonnes mined and carats recovered over the last six months, and has positioned us to meet or exceed full year guidance.*

*"It is also encouraging that rough diamond pricing has modestly improved moving into our third quarter. The health of the market will depend on continued supply discipline from the majors as well as macro-economic conditions.*

*"Lastly, I would like to welcome Thashmi Doorasamy to the Petra executive team. Thashmi will assume the new role of Group Human Resources and Public Affairs Executive, effective 1 February 2020, which now also completes our Executive Committee."*

### CONFERENCE CALLS

Petra's Chief Executive, Richard Duffy, and Finance Director, Jacques Breytenbach, will host a conference call at 9:30am GMT 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 GMT

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: 33838850#

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: 301307660#

## Second Call – 4:00pm GMT

An additional conference call to cater for North American and other international investors will be held at 4:00pm GMT 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: 85159400#

## **COMMENTARY**

### **Health and safety**

- Group LTIFR of 0.22 (H1 FY 2019: 0.16 and FY 2019: 0.21). Our primary value at Petra is “Do No Harm”, meaning safety is at the heart of everything we do. Our safety culture is backed by effective systems and processes to support our target of a zero harm working environment.

### **Production**

- Overall carat production increased 3% to 2,070,240 carats (H1 FY 2019: 2,019,147 carats), with a 3% increase in ROM production to 1,995,512 carats (H1 FY 2019: 1,946,717 carats). Through proactive management and the implementation of Project 2022, the operations continued to exceed production plans during Q2, despite disruptions relating to Eskom load shedding during December 2019 at our South African mines. Petra is currently on track to meet or exceed its FY 2020 production guidance, however the extent of further load shedding and its resultant impact on production remains a risk.
- Cullinan’s overall carat production increased by 7% to 889,787 carats (H1 FY 2019: 832,026 carats) due to ROM production increasing by 9% to 855,371 carats (H1 FY 2019: 785,444 carats). Tailings production decreased by 26% to 34,416 carats in line with the mine plan (H1 FY 2019: 46,582 carats). The higher ROM carat production was largely driven by an increased volume treated of 2,295,197 tonnes (H1 FY 2019: 1,996,624 tonnes), with the ROM grade of 37.3 cpht marginally lower than guidance of 38 – 42 cpht.

There were two notable pit scaling events during Q2. Importantly, these events were pre-empted through ongoing pit wall monitoring and our response and mitigating actions ensured minimal impact on the mine and the surrounding communities apart from dust emissions. Following these incidents, there has been thorough engagement with the Department of Mineral Resources and Energy, labour unions and the local community in order to address any residual concerns.

- Finsch’s overall carat production decreased by 4% to 913,557 carats (H1 FY 2019: 947,424 carats) due to ROM carat production decreasing by 5% to 880,707 carats (H1 FY 2019: 927,934 carats) and tailings carat production delivering 32,850 carats (H1 FY 2019: 19,490 carats). The contribution from Block 5 SLC to the ROM carat production increased by 14% to 870,567 carats (H1 FY 2019: 763,913 carats) whilst the contribution from the high grade and higher value ROM overburden dumps reduced to 9,484 carats (H1 FY 2019: 159,738 carats). The higher carat contribution from Block 5 SLC was largely driven by an increased volume treated of 1,498,811 tonnes (H1 FY 2019: 1,168,702 tonnes). The ROM grade of 57.4 cpht (H1 FY 2019: 61.7 cpht) marginally exceeded guidance of 54 – 57 cpht.
- Koffiefontein’s overall production continued its improving trend with ROM production up 76% to 44,545 carats (H1 FY 2019: 25,275 carats). ROM tonnes treated improved by 49% to 561,296 tonnes (H1 FY 2019: 377,391 tonnes).

- Williamson's ROM production increased 3% to 214,888 carats (H1 FY 2019: 208,064 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 various issues, including the overdue VAT receivables and the blocked parcel.

Post Period end, a pit slump of approximately 1.3 million tonnes occurred at Williamson on 21 January in an area on the south western sector of the pit. Most importantly, nobody was harmed in the incident and there has also been no damage to any mining equipment. After a preliminary risk assessment, all activities in the vicinity of the slumped area have been stopped and the local mine team is developing a mitigation plan, however the situation is made more challenging by the high seasonal rainfall currently being experienced.

As Williamson was running ahead of its mine plan for the full year, we do not anticipate this to have a material impact on FY 2020 production guidance. Production has already been moved to areas in the north west of the pit that can be accessed and mined safely. However, the area affected includes a pit access haulage road as well as a mining area and will therefore need to be cleared and stabilised, with new appropriate infrastructure for pit access re-established, in order to ensure that this does not materially impact future production. The Company will provide further information to the market once its mitigation plan has been evaluated.

### Diamond market and sales

- While the 2019 calendar year was very challenging for the rough diamond market, Q2 FY 2020 saw growing stability in pricing as the year closed. Post Period end, demand has continued to improve as the midstream looks to replenish inventory after robust holiday season retail sales. Early indications are that rough pricing has improved modestly in Q3 FY 2020 to date.
- Supply discipline by the major diamond producers in the second half of calendar 2019 has played an important role in moving towards more balance between supply and demand in the midstream, and will remain a key factor in terms of the health of the market in calendar 2020.

#### *Diamond Sales and Prices*

- Revenue for H1 FY 2020 was down 6% in comparison to H1 FY 2019 to US\$193.9 million (H1 FY 2019: US\$207.1 million), due to lower diamond prices mainly relating to the weaker diamond market (-10%) and compounded by a poorer product mix at Finsch and Williamson (-3%), offset by the sale of the exceptional blue diamond (+7%).
- Revenue for H1 FY 2020 includes US\$14.9 million for the sale of the exceptional 20.08 carat Type IIb blue diamond from Cullinan (H1 FY 2019: US\$nil exceptional diamond sales).
- At our first tender (September 2019), diamond prices on a like-for-like basis weakened ca. 4% in comparison to Q4 FY 2019, with pricing stabilising at the October 2019 tender and showing modest improvement at the December 2019 tender, resulting in pricing being down overall ca. 3% for the Period.
- Prices achieved during H1 FY 2020 are set out in the table below:

Mine	Actual H1 FY 2020 (US\$/ct)	Actual H1 FY 2019 (US\$/ct)	Actual FY 2019 (US\$/ct)
Cullinan	112	96	110
Finsch	79	105	99
Koffiefontein	431	447	480
Williamson	184	223	231

- Poorer product mix at Finsch is due to the depletion of the higher value overburden dumps, as well as fewer and poorer quality large diamonds recovered compared to historical averages. In order to help us to better understand and prioritise an improved product mix, all of the coarse diamond X-ray machines in the plant were upgraded to increase the probability of the recovery of high value large stones. The X-ray machines in the bulk sample plant were replaced with newer technology X-ray machines and are now being used to treat recovery tailings from the main plant to provide additional assurance around the efficiency of the recovery circuit.
- Poorer product mix at Williamson is due to the area where mining is currently taking place.

### **Project 2022 Update**

- Project 2022 is now fully operational at all of Petra's mine sites, as well as at Group level, with central teams focusing on overhead costs and strategic sourcing.
- The work to date has entailed a structured assessment of the value drivers at each site. As previously noted, the focus is on throughput improvement (75% of the target), with the balance comprising cost efficiencies, strategic sourcing and one-off initiatives.
- All ideas are evaluated and identified initiatives are systematically structured with timelines, enablers and project plans for each. Over the next quarter, we anticipate the majority of these initiatives to move into full implementation, with cash flow benefits commencing during H2 FY 2020.
- The wiring process, which includes weekly Results Action Review meetings, ensures alignment and accountability throughout the organisation to successfully deliver Project 2022 targets.
- Key notable early successes include the following:
  - record half yearly production of 7.0 million ROM tonnes treated and 2.07 million ROM carats recovered; and
  - tonnes treated and carats recovered both tracking ahead of guidance.

### **Succession Planning and Management Structures**

- In December 2019, Petra announced the appointment of Peter Hill CBE as Non-Executive Director and Chairman-designate to Petra's Board with effect from 1 January 2020 and as Non-Executive Chairman on 31 March 2020, in succession to Founder and Chairman Adonis Pouroulis.
- The appointment marked one of the most important developments in the Company's Three Year Succession Plan, which is currently in its final year and was instigated to reflect the Company's maturity from its intensive capital expansion phase to that of steady state, cash-generative operations.
- On 1 February 2020, Thashmi Doorasamy will join the Company as Group Human Resources and Public Affairs Executive, thereby completing the Executive Committee, the structure of which was informed by the Company's Organisational Design Review. Thashmi has over 21 years' experience in HR management and leadership and has an Honours Degree in Industrial Psychology.

Thashmi has extensive experience in aligning organisational culture to strategy, a key component of embedding Project 2022 in the organisation, large scale workforce management and optimisation, organisational development, leading large teams, developing leaders and building internal HR capability. She was most recently HR Executive at Taste Food and prior to that was Chief Compliance Officer for Massmart Holdings for Africa after being HR Director of Massbuild for 10 years.

## Corporate and Financial

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

	Unit	31 December 2019	30 September 2019	30 June 2019	31 December 2018
<i>Closing exchange rate used for conversion</i>		<i>R13.99:US\$1</i>	<i>R15.16:US\$1</i>	<i>R14.07:US\$1</i>	<i>R14.35:US\$1</i>
Cash at bank	US\$m	53.6	57.2	85.2	92.8
Diamond inventories <sup>1</sup>	US\$m	85.2	92.4	57.5	76.3
	Carats	992,425	1,145,274	666,201	811,718
Diamond debtors	US\$m	12.8	7.2	23.8	4.4
US\$650 million loan notes (issued April 2017)	US\$m	650.0	650.0	650.0	650.0
Bank loans and borrowings	US\$m	0.0	0.0	0.0	0.0
Net debt <sup>2</sup>	US\$m	596.4	592.8	564.8	557.2
Bank facilities undrawn and available	US\$m	107.2	98.9	106.6	104.5
Consolidated net debt <sup>3</sup>	US\$m	632.9	637.7	595.2	625.3

### 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\$49.3 million (ZAR689.5 million) as at 31 December 2019 (ca. US\$52.1 million (ZAR790.4 million) as at 30 September 2019).

- The Company's South African Lender Group has consented to a waiver of the EBITDA related covenant ratios associated with its banking facilities for the December 2019 measurement period (measured only in March 2020). These covenants can be viewed on the Company's website at: <https://www.petradiamonds.com/investors/fixed-income-investors/banking-covenants/>.
- ZAR:USD exchange rate volatility 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. Post Period end ongoing volatility is being experienced, mainly due to the uncertain geopolitical environment.
- 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.

### Notes:

1. The production and financial results in this announcement are adjusted to exclude the results of KEM JV, which has been reclassified as a discontinued operation following the proposed disposal, announced in July 2018.
2. The following definitions have been used in this announcement:
  - a. cpht: carats per hundred tonnes
  - b. Kcts: thousand carats
  - c. Kt: thousand tonnes
  - d. Mcts: million carats

- e. Mt: million tonnes
- f. 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](http://www.petradiamonds.com).

## APPENDIX – MINE BY MINE PRODUCTION TABLES

### Cullinan – South Africa

	Unit	H1 FY 2020	H1 FY 2019	Variance	FY 2019
<b>Sales</b>					
<b>Revenue</b>	<b>US\$M</b>	<b>81.7</b>	<b>66.2</b>	<b>23%</b>	<b>171.4</b>
Diamonds sold	Carats	730,847	688,536	6%	1,562,922
Average price per carat <sup>1</sup>	US\$	112	96	17%	110
<b>ROM Production</b>					
Tonnes treated	Tonnes	2,295,197	1,996,624	15%	4,119,406
Diamonds produced	Carats	855,371	785,444	9%	1,589,707
Grade	cpht	37.3	39.3	-5%	38.6
<b>Tailings Production</b>					
Tonnes treated	Tonnes	117,112	696,354	-83%	956,035
Diamonds produced	Carats	34,416	46,582	-26%	66,222
Grade	cpht	29.4	6.7	339%	6.9
<b>Total Production</b>					
Tonnes treated	Tonnes	2,412,309	2,692,978	-10%	5,075,441
<b>Diamonds produced</b>	<b>Carats</b>	<b>889,787</b>	<b>832,026</b>	<b>7%</b>	<b>1,655,929</b>
<b>Capex</b>					
Expansion Capex	US\$m	10.0	17.3	-42%	37.2
Sustaining Capex	US\$m	2.0	3.2	-38%	6.8
Borrowing Costs Capitalised	US\$m	0.0	2.3	-100%	2.3
<b>Total Capex</b>	<b>US\$m</b>	<b>12.0</b>	<b>22.8</b>	<b>-47%</b>	<b>46.3</b>

#### Notes:

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

### Finsch – South Africa

	Unit	H1 FY 2020	H1 FY 2019	Variance	FY 2019
<b>Sales</b>					
<b>Revenue</b>	<b>US\$M</b>	<b>61.7</b>	<b>87.0</b>	<b>-29%</b>	<b>170.2</b>
Diamonds sold	Carats	783,962	829,530	-5%	1,711,311
Average price per carat	US\$	79	105	-25%	99
<b>ROM Production</b>					
Tonnes treated	Tonnes	1,534,256	1,503,335	2%	3,073,479
Diamonds produced	Carats	880,707	927,934	-5%	1,724,265
Grade <sup>1</sup>	cpht	57.4	61.7	-7%	56.1
<b>Tailings Production</b>					
Tonnes treated	Tonnes	174,167	134,395	30%	223,568
Diamonds produced	Carats	32,850	19,490	69%	31,503
Grade <sup>1</sup>	cpht	18.9	14.5	30%	14.1



<b>Total Production</b>					
Tonnes treated	Tonnes	1,708,423	1,637,730	4%	3,297,047
<b>Diamonds produced</b>	<b>Carats</b>	<b>913,557</b>	<b>947,424</b>	<b>-4%</b>	<b>1,755,768</b>
<b>Capex</b>					
Expansion Capex	US\$m	4.2	8.3	-49%	13.6
Sustaining Capex	US\$m	1.4	4.1	-66%	9.1
Borrowing Costs Capitalised	US\$m	0.0	1.4	-100%	1.4
<b>Total Capex</b>	<b>US\$m</b>	<b>5.6</b>	<b>13.8</b>	<b>-59%</b>	<b>24.1</b>

**Note:**

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

**Koffiefontein – South Africa**

	Unit	H1 FY 2020	H1 FY 2019	Variance	FY 2019
<b>Sales</b>					
<b>Revenue</b>	<b>US\$m</b>	<b>14.7</b>	<b>10.5</b>	<b>40%</b>	<b>28.9</b>
Diamonds sold	Carats	34,163	23,406	46%	60,291
Average price per carat	US\$	431	447	-4%	480
<b>ROM Production</b>					
Tonnes treated	Tonnes	561,296	377,391	49%	1,000,726
Diamonds produced	Carats	44,545	25,275	76%	63,635
Grade	cpht	7.9	6.7	18%	6.4
<b>Total Production</b>					
Tonnes treated	Tonnes	561,296	377,391	49%	1,000,726
<b>Diamonds produced</b>	<b>Carats</b>	<b>44,545</b>	<b>25,275</b>	<b>76%</b>	<b>63,635</b>
<b>Capex</b>					
Expansion Capex	US\$m	1.7	3.0	-43%	5.2
Sustaining Capex	US\$m	0.6	0.2	200%	0.9
<b>Total Capex</b>	<b>US\$m</b>	<b>2.3</b>	<b>3.2</b>	<b>-28%</b>	<b>6.1</b>

**Williamson – Tanzania**

	Unit	H1 FY 2020	H1 FY 2019	Variance	FY 2019
<b>Sales</b>					
<b>Revenue</b>	<b>US\$m</b>	<b>35.9</b>	<b>43.5</b>	<b>-17%</b>	<b>93.0</b>
Diamonds sold	Carats	194,835	194,913	0%	402,329
Average price per carat	US\$	184	223	-17%	231
<b>ROM Production</b>					
Tonnes treated	Tonnes	2,654,906	2,510,451	6%	5,082,319
Diamonds produced	Carats	214,888	208,064	3%	386,016
Grade	cpht	8.1	8.3	-2%	7.6

<b>Alluvial Production</b>					
Tonnes treated	Tonnes	198,698	195,557	2%	413,151
Diamonds produced	Carats	7,463	6,357	17%	13,599
Grade	cpht	3.8	3.3	15%	3.3
<b>Total Production</b>					
Tonnes treated	Tonnes	2,853,604	2,706,008	5%	5,495,470
<b>Diamonds produced</b>	<b>Carats</b>	<b>222,351</b>	<b>214,421</b>	<b>4%</b>	<b>399,615</b>
<b>Capex</b>					
Expansion Capex	US\$m	0.0	0.0	0%	0.0
Sustaining Capex	US\$m	5.7	3.2	78%	8.6
<b>Total Capex</b>	<b>US\$m</b>	<b>5.7</b>	<b>3.2</b>	<b>78%</b>	<b>8.6</b>