



PetraDiamonds

19 January 2021

LSE: PDL

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

Trading Update for the Six Months ended 31 December 2020

Petra Diamonds Limited announces the following Trading Update (unaudited) for the six months ended 31 December 2020 (the "Period", "H1 FY 2021" or "H1"), ahead of the publication of the Company's Interim Results for the Period on 16 February 2021.

SUMMARY

- Lost Time Injury Frequency Rate ("LTIFR") of 0.50 (H1 FY 2020: 0.22 and FY 2020: 0.29) improved from 0.65 during Q1 FY 2021 due to the behaviour-based intervention campaign in place to address this LTI trend and reinforce safe workplace practices. The total number of injuries during the Period, which includes LTIs, reduced to 19 (H1 FY 2020: 24).
- H1 production down 16% to 1,740,862 carats (H1 FY 2020: 2,070,240 carats), mainly as a result of the Williamson mine in Tanzania remaining on care and maintenance. Increased production at Cullinan was offset by decreased production at Finsch due to waste ingress in a number of the upper levels of the Block 5 Sub Level Cave, negatively impacting the recovered grade, and corrective measures to address the waste ingress restricting the volume of ROM tonnes being mined.
- H1 revenue down 8% to US\$178.1 million from 1,712,797 carats sold (H1 FY 2020: US\$193.9 million from 1,743,807 carats sold) with the US\$40.4 million proceeds from the Letlapa Tala Collection of blue diamonds offset by weaker prices following the COVID-19 outbreak and the deferral of sales to January 2021 of some 382 kcts yielding US\$30.5 million at the Company's first tender of 2021, which closed on 15 January 2021. Diamond pricing on a like-for-like basis increased by a further 8% at this tender, confirming that pricing has now returned to pre-COVID-19 levels.
- The Cullinan mine produced a 299 carat Type IIa white gem-quality diamond in January 2021; this stone is expected to be sold during the Company's next tender in February 2021. This is the third largest high quality white diamond recovered at the mine since Petra acquired its stake in 2008, after the 507 carat Cullinan Heritage and the 424 carat Legacy of the Cullinan Diamond Mine. A photo of the 299 carat diamond can be viewed at <https://www.petradiamonds.com/media/image-library/diamonds/>.
- Diamond inventory of 1,385,402 carats valued at US\$103.6 million at Period end (30 September 2020: US\$90.2 million).
- Consolidated net debt at 31 December 2020 of US\$695.5 million (30 September 2020: US\$687.8 million).
- Unrestricted cash of US\$92.3 million (30 September 2020: US\$49.3 million), with the Company's banking facilities remaining fully drawn.
- ZAR/USD exchange rate volatility continued during the Period, averaging R16.27/USD1 and closing the Period at ZAR14.69/USD1. The continued weakness in ZAR/USD levels partially offset some of the price weakness realised through diamond sales.

Capital Restructuring

- A number of milestones have now been passed with regards to the successful implementation of the Company's proposed capital restructuring and associated debt for equity swap, including the approval of the Scheme by 100% of votes cast at the Scheme Meeting on 8 January 2021 and the approval of the associated allotment of new shares by 95% of votes cast by shareholders at the Company's Special General Meeting on 13 January 2021, paving the way for the restructuring to complete during January / February 2021, provided the requisite regulatory approval is obtained. In December 2020 the Company announced the prospective appointment of Mr. Matthew Glowasky to the Board as a Non-Executive Director nominee appointed by Monarch Master Funding 2 (Luxembourg) S.à r.l., a holder of the Company's US\$650 million 7.25% senior secured second lien notes due in May 2022 that is participating in the debt for equity swap. Mr. Glowasky's prospective appointment to the Board is subject to the successful implementation of the consensual capital restructuring and a further announcement confirming the date on which he will formally assume office will be made in due course.

Outlook

- The diamond market has continued to show improved demand for rough diamonds, as evidenced by the recent strong sales from the majors De Beers and ALROSA, further to continued robust demand from the midstream, following positive consumer sales during the holiday retail season. There are expectations that this improved demand will continue throughout Q1 CY 2021. However, the current resurgence of COVID-19 in many countries poses a significant risk to the logistics and timing of sales in H2 FY 2021.
- Due to the ongoing uncertainty around the impact of COVID-19, production guidance for FY 2021 remains suspended. Furthermore, the Williamson mine remains on care and maintenance, as has been the case since April 2020; this situation remains under continual review.
- Project 2022 throughput targets have been impacted by reduced grade at Finsch as a result of the increased waste ingress and reduced volumes to manage the dilution, as mentioned above, and Williamson remaining on care and maintenance for longer than initially planned. Although Cullinan remains on track to deliver on its throughput stretch target for FY 2021, the impact of reduced throughput at Finsch and Williamson is expected to lower the annualised contribution of the throughput initiatives from some US\$101 million by the end of FY 2021, as previously disclosed, to around US\$70 million. Any longer term impact of increased waste ingress at Finsch will be clarified as part of the current life of mine ("LOM") planning process. Petra continues to expect the Project 2022 cost saving initiatives to deliver an annualised contribution of ca. US\$22 million from the end of Q3 FY 2021.
- The Company is aware of media reports suggesting that the parcel of 71,654 carats of diamonds from the Williamson mine in Tanzania, which was blocked for export in September 2017, has been nationalised. To date the Company has not received any communication from the Government of Tanzania about this matter and Williamson Diamonds Limited, the owner and operator of the Williamson mine, has written to the Minister of Minerals requesting an update on the status of the Parcel.
- The Company's Tunajali Committee, comprised entirely of independent Non-Executive Directors, will undertake a review of the output of the external investigation into the alleged breaches of human rights at the Williamson mine and will make recommendations to address any findings. The Company intends to make a further announcement on these issues by the end of March 2021.

H1 FY 2021 Sales, Production and Capex – Summary

	Unit	H1 FY 2021	H1 FY 2020	Variance	FY 2020
Sales					
Diamonds sold	Carats	1,712,797	1,743,807	-2%	2,895,497
Gross revenue	US\$M	178.1	193.9	-8%	295.8
Production					
ROM tonnes	Mt	4.2	7.0	-40%	11.5
Tailings & other ¹ tonnes	Mt	0.2	0.5	-60%	0.8
Total tonnes treated	Mt	4.4	7.5	-41%	12.3
ROM diamonds	Carats	1,644,846	1,995,512	-18%	3,442,593
Tailings & other ¹ diamonds	Carats	96,016	74,728	+28%	146,583
Total diamonds	Carats	1,740,862	2,070,240	-16%	3,589,176
Capex					
Expansion	US\$m	6.3	15.9	-60%	21.8
Sustaining	US\$m	2.3	9.7	-76%	14.6
Borrowing costs capitalised	US\$m	0.0	0.0	-	-
Total	US\$m	8.6	25.6	-66%	36.4

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

Richard Duffy, Chief Executive of Petra Diamonds, commented:

"We are living through a time of great uncertainty as a result of COVID-19, which has put considerable pressure on the business and all of our employees. I am grateful for the continued fortitude and resilience of our entire Petra team in the face of this challenge and extend our sincerest condolences to the families and friends of the four employees who have tragically lost their lives to COVID-19.

I am delighted that we have now secured the support of our noteholders, lenders and shareholders for the proposed restructuring of the Group's balance sheet, which will formally complete in the coming weeks following the receipt of the requisite regulatory approval. This marks a significant milestone in putting the Company on a sustainable footing going forward. The improvement in the market, with prices from our January sale now back at pre-COVID levels, is very encouraging and will provide some support as we look to optimise the value of our asset base.

Our operations in South Africa, and Cullinan in particular, continue to perform well despite emerging operational challenges at Finsch, resulting from waste ingress, that has negatively impacted on its carat production. Mitigation plans have been developed and are currently being implemented to address this. Williamson remains under care and maintenance and we are considering various options to resume mining operations."

COMMENTARY

Health and safety

- Group LTIFR of 0.50 (H1 FY 2020: 0.22 and FY 2020: 0.29), improving from 0.65 for Q1 FY 2021. The majority of the accidents in H1 FY 2021 continued to be behavioural in nature. Considerable focus is being placed on reinforcing safe behaviour and continuous improvement in striving for a zero harm working environment. The total number of injuries during the Period, which includes LTIs, reduced to 19 (H1 FY 2020: 24).
- The COVID-19 pandemic poses a significant risk to the health and safety of the Group's workforce. Whilst the majority of those who contract the virus may be asymptomatic or may only experience mild symptoms, a number of people (especially those with comorbidities) may become seriously ill or the virus may prove fatal. Whilst Petra has implemented systems

and strategies aiming to prevent and/or contain the spread of the virus at its operations, the widespread prevalence and highly infectious nature of the virus has meant that 290 employees to date have been confirmed COVID-19 positive at the South African operations as at 15 January 2021, and of these 240 have fully recovered. Although the majority of those affected are only experiencing mild symptoms, the Company has tragically lost four colleagues as a result of COVID-19.

- More information about the Company's response to the pandemic can be accessed here: <https://www.petradiamonds.com/sustainability/health-and-safety/our-response-to-covid-19/>.
- There have been no cases of COVID-19 confirmed at the Williamson mine in Tanzania to date.

Production

- Overall carat production decreased 16% to 1,740,862 carats (H1 FY 2020: 2,070,240 carats), with Cullinan's outperformance offsetting lower production at Finsch, lower production from Koffiefontein and no contribution from Williamson (H1 FY 2020: 222,351 carats), which remains on care and maintenance.
- Cullinan's overall carat production increased by 13% to 1,009,642 carats (H1 FY 2020: 889,787 carats) due to ROM production increasing by 7% to 913,626 carats (H1 FY 2020: 855,371 carats) in line with Project 2022 throughput targets. Tailings production increased by 179% to 96,016 carats in line with the mine plan (H1 FY 2020: 34,416 carats). The higher ROM carat production was largely driven by an increased volume treated of 2,339,473 tonnes (H1 FY 2020: 2,295,197 tonnes) at a ROM grade of 39.1 cpht (H1 FY 2020: 37.3 cpht).
- Finsch's overall carat production decreased by 24% to 695,308 carats (H1 FY 2020: 913,557 carats) due to ROM carat production decreasing by 21% to 695,308 carats (H1 FY 2020: 880,707 carats) further to a 14% decrease in the volume treated of 1,323,000 tonnes (H1 FY 2020: 1,534,256 tonnes) and an 8% decrease in the ROM grade to 52.6 cpht (H1 FY 2020: 57.4 cpht). ROM volumes mined in H1 were impacted by the expiry of the temporary continuous operations arrangement, which was reinstated during October 2020 and will remain in place until June 2021.

As announced on 22 December 2020, the Finsch mine has experienced higher than expected levels of waste ingress in a number of the upper levels of the Block 5 Sub Level Cave, which has served to negatively impact the recovered grade. The Company has been going through a detailed exercise to better understand this issue and has put a plan in place to mitigate the impact. In the short term, this will include a revision to the draw strategy to limit planned draw tonnage for the next four months, a build-up of inventory rings to allow for increased blasting from March 2021, and a change to the drill and blast designs to optimise ore extraction. In the longer term, the Company will also investigate ore mixing programmes to better assist with the prediction of waste ingress. A combination of the reduced ore tonnage extraction (further to the dilution caused by the waste material ingress) and a lower grade is expected to lead to Finsch's production for FY 2021 being ca. 15% lower in carat volumes than the Company's internal plan.

During H1 FY 2021, the areas surrounding the Finsch mine experienced above average rainfall. Due to the excessive amount of rainfall and an influx of water into the pit, pit wall failures were experienced on the northern side of the pit. These failures have not impacted production to date, but they may have a future impact on the stability of the decline from surface which also serves as the second escape route from the underground operations. Measures to mitigate the impact on the second escape route are being put in place and include the re-commissioning of a temporary hoisting facility from surface down to the 70 level.

- Koffiefontein's production decreased 19% to 35,912 carats (H1 FY 2020: 44,545 carats), with treatment from underground ore mined during the Period supplemented by some 76,000 tonnes of ROM material stockpiled during Q4 FY 2020 further to the COVID-19 lockdowns; the ROM stockpile was largely depleted during H1 FY 2021.
- The Williamson mine in Tanzania remained on care and maintenance during H1 FY 2021.

Project 2022 Update

- Project 2022 throughput ideas continue to remain the largest contributor towards the operational cash flow benefits and Cullinan is on track to deliver on its throughput stretch target for FY 2021, having met the H1 recovered carats stretch target of 1 million carats. However, the higher than expected levels of waste ingress at Finsch is having a detrimental impact on throughput benefits due to both lower grade and volume. The extended state of care and maintenance at Williamson is also inhibiting throughput ideas, with operations being suspended. The expected impact of the reduced throughput at Finsch and Williamson indicates a reduction in the annualised contribution of the throughput initiatives from some US\$101 million by the end of FY 2021, as previously disclosed, to around US\$70 million.
- The targeted contribution from cost efficiencies remains at an annualised US\$22 million from the end of Q3 FY 2021.
- The Organisational Design (“OD”) project progressed to implementation, with the adoption of a top-down phased approach starting with Group functions through to the roles at operations. Alignment of the organisational structures to support the operating model and a total review of role titles and role profiles are nearing completion. The grading committee is at an advanced stage with the grading of Group function roles and aims to have the subsequent layers completed by June 2021. There is also progress to align incentive and production bonus schemes to support and reward delivery of our Project 2022 targets across the Group.

Diamond market and sales

- The diamond market has continued to show improved demand for rough diamonds, as evidenced by the recent strong sales from the majors De Beers and ALROSA, further to continued robust demand from the midstream, following positive consumer sales during the holiday retail season. There are expectations that this improved demand will continue throughout Q1 CY 2021. However, the current resurgence of COVID-19 in many countries poses a significant risk to the logistics and timing of sales in H2 FY 2021.
- In the retail market, whilst western markets were subdued, leading jewellers experienced strong sales in China over the holiday period, as the economic recovery on the mainland led to a resurgence of consumer demand for diamonds and other luxury goods.
- Supply discipline by the major diamond producers in 2020 has played an important role in moving towards more balance between supply and demand in the midstream and remains a key factor in terms of the health of the market in 2021.
- Due to the impact of COVID-19 and the closure of the Argyle mine in Australia in 2020 (which accounted for ca. 13 Mcts in 2019), rough diamond production is forecast to have contracted significantly in 2020 and may struggle to recover to pre-crisis levels.

Diamond Sales and Prices

- H1 revenue was down 2% to US\$178.1 million from 1,712,797 carats sold (H1 FY 2020: US\$193.9 million from 1,743,807 carats sold), with the US\$40.4 million proceeds from the Letlapa Tala Collection of blue diamonds offset by weaker prices following the COVID-19 outbreak and the deferral of sales to January 2021 of some 382 kcts yielding around US\$30.5 million through a tender which closed on 15 January 2021.
- Like-for-like diamond prices at this tender increased by a further 8% and have therefore largely recovered to pricing levels before the COVID-19 outbreak, barring the finer (smaller) goods, which only account for a small portion of overall revenues.
- Prices achieved during H1 FY 2021 are set out in the table below:

Mine	Actual	Actual	Actual
	H1 FY 2021 (US\$/ct)	H1 FY 2020 (US\$/ct)	FY 2020 (US\$/ct)
Cullinan	120	112	98
Finsch	71	79	75
Koffiefontein	590	431	387
Williamson	150	184	177

- Pricing achieved in H1 was impacted by the carry-over of certain, mostly lower-value parcels from FY 2020, which were subsequently sold during July 2020. The realised prices reflect the weaker market conditions offset by the sale of the Letlapa Tala collection during the Period, positively impacting Cullinan's unit price, while Koffiefontein's price also benefited from a higher proportion of coarse material (larger diamonds) in the product mix.
- Despite the Williamson mine being on care and maintenance, it was possible to include ca. 30,000 carats for sale in Q1 due to these diamonds being withheld for sale in Q4 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	31 December 2020	30 September 2020	30 June 2020	31 December 2019
<i>Closing exchange rate used for conversion</i>		<i>R14.69:US\$1</i>	<i>R16.73:US\$1</i>	<i>R17.32:US\$1</i>	<i>R13.99:US\$1</i>
Cash at bank	US\$m	106.3	63.4	67.6	53.6
Diamond inventories ¹	US\$m	103.6	90.2	84.1	85.2
	Carats	1,385,402	1,394,825	1,357,584	992,425
Diamond debtors	US\$m	3.7	19.1	4.8	12.8
US\$650 million loan notes (including deferred coupon payments)	US\$m	697.1	673.6	673.6	650.0
Bank loans and borrowings	US\$m	61.2	53.8	52.0	0.0
Bank facilities undrawn and available	US\$m	0.0	0.0	0.0	107.2
Consolidated net debt ^{2,3}	US\$m	695.5	687.8	693.2	632.9

Notes:

1. Recorded at the lower of cost and net realisable value.
2. Consolidated Net Debt is bank loans and borrowings plus loan notes, less cash, less diamond debtors and includes the Black Economic Empowerment guarantees of ca. US\$47.2 million (ZAR692.8 million) as at 31 December 2020 (ca. US\$42.9 million (ZAR717.2 million) as at 30 September 2020 and ca. US\$40.0 million (ZAR693.6 million) as at 30 June 2020).
3. In terms of the Amendment Agreement entered into on 29 May 2020, Petra and the South African lender group have agreed that covenant measurements will not be undertaken for the period ending 31 December 2020.

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information will be considered to be in the public domain. The person responsible for arranging for the release of this announcement on behalf of the Company is Jacques Breytenbach, Finance Director.

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. *CY: calendar year*
 - c. *Kcts: thousand carats*
 - d. *Kt: thousand tonnes*
 - e. *Mcts: million carats*
 - f. *Mt: million tonnes*
 - g. *FY: financial year*
 - h. *Q: quarter of the financial year*
 - i. *ROM: run-of-mine (i.e. production from the primary orebody)*
 - j. *SLC: sub level cave*

~ Ends ~

For further information, please contact:

Petra Diamonds, London
Cathy Malins
Des Kilalea
Marianna Bowes

Telephone: +44 20 7494 8203

investorrelations@petradiamonds.com

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 mine in Tanzania (Williamson).

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. 243 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, currently subject to restructuring, 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

Cullinan – South Africa

	Unit	H1 FY 2021	H1 FY 2020	Variance	FY 2020
Sales					
Revenue	US\$M	107.3	81.7	+31%	116.5
Diamonds sold	Carats	894,758	730,847	+22%	1,183,745
Average price per carat ¹	US\$	120	112	+7%	98
ROM Production					
Tonnes treated	Tonnes	2,339,473	2,295,197	+2%	3,972,682
Diamonds produced	Carats	913,626	855,371	+7%	1,482,482
Grade	cpht	39.1	37.3	+5%	37.3
Tailings Production					
Tonnes treated	Tonnes	221,385	117,112	+89%	257,549
Diamonds produced	Carats	96,016	34,416	+179%	95,918
Grade	Cpht	43.4	29.4	+48%	37.2
Total Production					
Tonnes treated	Tonnes	2,560,858	2,412,309	+6%	4,230,231
Diamonds produced	Carats	1,009,642	889,787	+13%	1,578,400
Capex					
Expansion Capex	US\$m	5.2	10.0	-48%	13.0
Sustaining Capex	US\$m	0.7	2.0	-65%	3.4
Borrowing Costs Capitalised	US\$m	0.0	0.0	-	0.0
Total Capex	US\$m	5.9	12.0	-51%	16.4

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 2021	H1 FY 2020	Variance	FY 2020
Sales					
Revenue	US\$M	54.8	61.7	-11%	101.1
Diamonds sold	Carats	768,647	783,962	-2%	1,348,181
Average price per carat	US\$	71	79	-9%	75
ROM Production					
Tonnes treated	Tonnes	1,323,000	1,534,256	-14%	2,719,389
Diamonds produced	Carats	695,308	880,707	-21%	1,603,678
Grade ¹	cpht	52.6	57.4	-8%	59.0
Tailings Production					
Tonnes treated	Tonnes	0	174,167	-100%	211,541
Diamonds produced	Carats	0	32,850	-100%	39,890
Grade ¹	cpht	0	18.9	-100%	18.9

Total Production					
Tonnes treated	Tonnes	1,323,000	1,708,423	-23%	2,930,930
Diamonds produced	Carats	695,308	913,557	-24%	1,643,568
Capex					
Expansion Capex	US\$m	0.8	4.2	-81%	6.1
Sustaining Capex	US\$m	0.5	1.4	-64%	2.3
Borrowing Costs Capitalised	US\$m	0.0	0.0	-	0.0
Total Capex	US\$m	1.3	5.6	-77%	8.4

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 2021	H1 FY 2020	Variance	FY 2020
Sales					
Revenue	US\$m	11.2	14.7	-24%	25.7
Diamonds sold	Carats	18,944	34,163	-45%	66,326
Average price per carat	US\$	590	431	+37%	387
ROM Production					
Tonnes treated	Tonnes	493,661	561,296	-12%	891,705
Diamonds produced	Carats	35,912	44,545	-19%	69,077
Grade	cpht	7.3	7.9	-8%	7.7
Total Production					
Tonnes treated	Tonnes	493,661	561,296	-12%	891,705
Diamonds produced	Carats	35,912	44,545	-19%	69,077
Capex					
Expansion Capex	US\$m	0.3	1.7	-82%	2.7
Sustaining Capex	US\$m	0.3	0.6	-50%	1.1
Total Capex	US\$m	0.6	2.3	-74%	3.8

Williamson – Tanzania

	Unit	H1 FY 2021	H1 FY 2020	Variance	FY 2020
Sales					
Revenue	US\$m	4.6	35.9	-87%	52.5
Diamonds sold	Carats	30,339	194,835	-84%	297,245
Average price per carat	US\$	150	184	-18%	177
ROM Production					
Tonnes treated	Tonnes	0	2,654,906	-100%	3,980,438
Diamonds produced	Carats	0	222,351	-100%	287,356
Grade	cpht	0	8.1	-100%	7.2

Alluvial Production					
Tonnes treated	Tonnes	0	198,698	-100%	302,567
Diamonds produced	Carats	0	7,463	-100%	10,774
Grade	cpht	0	3.8	-100%	3.6
Total Production					
Tonnes treated	Tonnes	0	2,853,604	-100%	4,283,005
Diamonds produced	Carats	0	222,351	-100%	298,130
Capex					
Expansion Capex	US\$m	0.0	0.0	0%	0.0
Sustaining Capex	US\$m	0.3	5.7	-95%	8.0
Total Capex	US\$m	0.3	5.7	-95%	8.0