



# PetraDiamonds

16 February 2021

LSE: PDL

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

## Interim results for the six months to 31 December 2020

Petra Diamonds Limited announces its interim results (unaudited) for the six months to 31 December 2020 ("the Period" or "H1 FY 2021" or "H1").

### Financial

- 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 fewer tenders during the Period. Diamond pricing on a like-for-like basis increased by a further 8% at the Company's January 2021 tender, confirming that pricing has now returned to pre-COVID-19 levels.
- Adjusted EBITDA<sup>3</sup> up 20% to US\$80.8 million (H1 FY 2020: US\$67.2 million) yielding an adjusted EBITDA margin of 45%, up from 35% in H1 FY 2020 and 22% in FY 2020; driven by the sale of the Letlapa Tala Collection and reduced mining and processing costs.
- Operational free cash flow<sup>13</sup> of US\$54.0 million before Restructuring fees (H1 FY 2020: US\$13.7 million, and FY 2020 US\$8.4 million negative before Restructuring fees), due to lower operational expenditure and reduced capital expenditure.
- Adjusted net profit after tax: US\$2.7 million (H1 FY 2020: US\$10.2 million loss).
- Unrestricted cash of US\$92.4 million (30 June 2020: US\$53.6 million), with the Company's banking facilities remaining fully drawn.
- Consolidated net debt<sup>12</sup> of US\$700.4 million (30 June 2020: US\$693.2 million) including US\$52.0 million (30 June 2020: US\$26.9 million) of accrued interest on the Company's existing US\$650 million Notes.
- ZAR:USD exchange rate volatility continued during the Period (averaging R16.27/USD1; H1 FY 2020: R14.69/USD1 and FY 2020: R15.68) and closing the Period at ZAR14.69/USD1 (30 June 2020: ZAR17.32/USD1). The continued weakness in ZAR/USD levels partially offset some of the price weakness realised through diamond sales.
- Capital restructuring and associated debt for equity swap expected to be completed in early March.

### Operations

- 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).
- Production down 16% to 1,740,862 carats (H1 FY 2020: 2,070,240 carats).
- Absolute costs remain within expectations despite inflationary pressures.
- Operational Capex down 68% to US\$8.1 million (H1 FY 2020: US\$25.6 million).

## Outlook

- 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, and this situation remains under continual review.
- The Company is closely monitoring the impact of COVID-19 on its clients' ability to attend tenders and will continue its flexible approach in planning its upcoming sales events.
- 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 tender in February / March 2021.
- Project 2022 on track to deliver throughput targets for FY 2021 of ca. US\$70 million. The very significant rainfall levels that continued from December through into January and February 2021 at Finsch and Koffiefontein are likely to negatively impact delivery of the throughput targets at those mines. COVID-19 and the ongoing care and maintenance at Williamson may similarly negatively impact on these targets. 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 announced in January that it was 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, had been nationalised. The Company has since received communication from the Government of Tanzania that this will be dealt with as part of ongoing discussions with the Government, which are expected to resume by the end of February.
- As set out in the interim update dated 9 February 2021 on the status of its work in relation to allegations of human rights abuses at the Williamson Mine in Tanzania, the Company's Tunajali Committee, comprised entirely of independent Non-Executive Directors, is undertaking a review of the output of the ongoing external investigation into these allegations 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.

### **Richard Duffy, CEO of Petra, commented:**

*"I am pleased that our capital restructuring is now almost complete as we work with the South African Lender Group and the BEE Lenders towards finalising the documentation required for implementation. We expect this to be completed early in March of this year. As mentioned in our last Trading Update, this marks a significant milestone in putting the Company on a sustainable footing going forward.*

*The continued improvement in the diamond market, with prices now back at pre-COVID19 levels, is encouraging, and the recovery of the Letlapa Tala stones and other high value stones from Cullinan supported strong EBITDA growth over the comparative reporting period in FY2020. Challenges at Finsch relating to waste ingress, as previously reported, have been exacerbated by the impact of record rainfall in January and February that is hampering mining operations. Koffiefontein has also been impacted by significantly elevated rainfall. I am confident that the Finsch, Koffiefontein and Group Technical teams will manage these challenges to limit the impact on the operations."*

## SUMMARY OF RESULTS (unaudited)

	6 months to 31 December 2020 ("H1 FY 2021")	6 months to 31 December 2019 ("H1 FY 2020")	Year ended 30 June 2020 ("FY 2020")
	US\$ million	US\$ million	US\$ million
Revenue	178.1	193.9	295.8
Adjusted mining and processing costs <sup>1</sup>	(99.2)	(123.6)	(225.3)
Other direct income	5.1	0.3	2.0
<b>Profit from mining activity<sup>2</sup></b>	<b>84.0</b>	<b>70.6</b>	<b>72.5</b>
Exploration expense	—	(0.2)	(0.5)
Corporate overhead	(3.2)	(3.2)	(7.2)
<b>Adjusted EBITDA<sup>3</sup></b>	<b>80.8</b>	<b>67.2</b>	<b>64.8</b>
Depreciation	(35.9)	(47.0)	(78.3)
Amortisation of right-of-use asset	(2.3)	—	(5.2)
Share-based expense	(0.2)	(0.4)	(0.7)
Net finance expense	(35.9)	(34.1)	(71.6)
Tax (expense) / credit (excluding taxation credit / charge on impairment charge and unrealised foreign exchange gain / (loss)) <sup>14</sup>	(3.8)	4.1	19.1
<b>Adjusted net profit / (loss) after tax<sup>4</sup></b>	<b>2.7</b>	<b>(10.2)</b>	<b>(71.9)</b>
Impairment charge – operations <sup>5</sup>	(0.2)	(1.6)	(91.9)
Impairment of BEE loans receivable – expected credit loss release / (charge) <sup>6</sup>	4.6	—	(10.9)
Profit on disposal including associated impairment, net of tax <sup>7</sup>	14.7	—	—
Net unrealised foreign exchange gain / (loss)	65.1	2.7	(81.5)
Taxation (charge) / credit on unrealised foreign exchange gain / (loss) <sup>14</sup>	(19.3)	(0.9)	22.2
Taxation credit on impairment charge	—	—	11.0
<b>Net profit / (loss) after tax</b>	<b>67.6</b>	<b>(10.0)</b>	<b>(223.0)</b>
<b>Earnings per share attributable to equity holders of the Company – US cents</b>			
Basic profit / (loss) per share – from continuing operations	<b>6.31</b>	<b>(1.01)</b>	<b>(21.96)</b>
Adjusted profit / (loss) per share – from continuing operations <sup>8</sup>	<b>0.08</b>	<b>(1.09)</b>	<b>(6.95)</b>

	Unit	As at 31 December 2020 (US\$ million)	As at 31 December 2019 (US\$ million)	As at 30 June 2020 (US\$ million)
Cash at bank – (including restricted amounts)	US\$m	106.3	53.6	67.6
Diamond debtors	US\$m	3.7	12.8	4.8
Diamond inventories	US\$m	105.0	85.2	84.1
Diamond inventories	Carats	1,385,402	992,425	1,357,584
US\$650 million loan notes <sup>9</sup>	US\$m	702.0	652.1	676.9
Bank loans and borrowings <sup>10</sup>	US\$m	61.2	—	52.1
BEE partner bank facilities <sup>11</sup>	US\$m	47.2	49.3	40.0

Consolidated Net debt <sup>12</sup>	US\$m	700.4	635.0	693.2
Bank facilities undrawn and available	US\$m	—	107.2	—

**The following exchange rates have been used for this announcement: average for H1 FY 2021 US\$1:ZAR16.27 (H1 FY 2020: US\$1: ZAR14.69, FY 2020: US\$1:ZAR15.68); closing rate as at 31 December 2020 US\$1:ZAR14.69 (31 December 2019 US\$1:ZAR13.99, 30 June 2020: US\$1:ZAR17.32).**

**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. 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.

- Adjusted mining and processing costs are mining and processing costs stated before depreciation and share-based expense.
- Profit from mining activities is revenue less adjusted mining and processing costs plus other direct income.
- Adjusted EBITDA is stated before depreciation, amortisation of right-of-use asset, share-based expense, net finance expense (excluding net unrealised foreign exchange gains and losses), tax expense (excluding taxation credit on impairment charge and unrealised foreign exchange gains/losses), profit on disposal including associated impairment, net of tax, impairment charges, expected credit release (loss) provision and net unrealised foreign exchange gains and losses.
- Adjusted net profit/(loss) after tax is net profit/(loss) after tax stated before profit on disposal including associated impairment, net of tax, impairment charge, expected credit release (loss) provision, taxation credit on impairment charge and tax expense/credit on net unrealised foreign exchange gains and losses and net unrealised foreign exchange gains and losses.
- Impairment charge of US\$0.2 million (30 June 2020: US\$91.9 million and 31 December 2019: US\$1.6 million) was due to the Group's impairment review of its operations and other receivables. Refer to note 14 for further details.
- Reversal of impairment of BEE loans receivable of US\$4.6 million (30 June 2020: US\$10.9 million impairment charge and 31 December 2019: US\$nil) is due to the Group's expected credit loss assessment of its BEE loans receivable. Refer to note 11 for further details.
- The profit on disposal including associated impairment, net of tax reflect the non-cash results of the Sekaka operation (net of tax). Refer to note 15 for further details.
- Adjusted EPS from continuing operations is stated before impairment charge, reversal of impairment charge, expected credit release (loss) provision, profit on disposal including associated impairment, net of tax, excluding taxation credit on impairment charge, net unrealised foreign exchange gains and losses, and excluding taxation (charge) credit on net unrealised foreign exchange gains and losses.
- The US\$ loan note represents the gross capital of US\$650 million (31 December 2019: US\$650 million and 30 June 2020: US\$650 million), plus US\$52.0 million accrued interest (30 June 2020: US\$26.9 million and 31 December 2019: US\$2.1 million).
- In March 2020, the Company drew down the full amount available (ZAR500 million / US\$28.9 million) under its working capital facility and in May 2020, the Company reached agreement with the South African Lender Group to draw down ZAR400 million (US\$23.1 million) under its ZAR1.0 billion revolving capital facility. The movement in the balance as at 31 December 2020 is attributable to the strengthening of the ZAR against the US Dollar.
- BEE partner bank facilities represents the BEE guarantees of US\$47.2 million (ZAR692.8 million) (30 June 2020: US\$40.0 million (ZAR693.6 million) and 31 December 2019 (off balance sheet): US\$49.3 million (ZAR689.5 million)).
- Consolidated Net Debt for covenants is bank loans and borrowings plus loan notes, less cash, less diamond debtors plus BEE partner bank facilities.
- Operational free cash flow is cash generated from operations less acquisition of property, plant and equipment.
- Tax expense / credit is the tax (expense) / credit for the Period excluding taxation credit / charge on impairment charge and unrealised foreign exchange gain / (loss) generated during the Period, such exclusion more accurately reflects resultant Adjusted net profit /(loss).

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.

## RESULTS WEBCAST

A live audio webcast will be held at 9:30am GMT on 16 February 2021 and will be available on Petra's website at [www.petradiamonds.com](http://www.petradiamonds.com) and on the following link:

<https://www.investis-live.com/petra-diamonds/60102ac89a1388100079c323/pead>

A conference call line will also be available to allow participants to listen to the webcast and ask questions by dialling one of the following numbers shortly before 9:30am GMT:

From the UK (toll free): 0800 640 6441

From South Africa: 080 017 2952

From the rest of the world: +44 (0)203 936 2999

Participant passcode: 017831

A recording of the webcast will be available from 1:00pm GMT on 16 February 2021 on the website and on the link above.

### For further information, please contact:

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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 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'. 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](http://www.petradiamonds.com).

## CEO'S REVIEW

Despite the considerable pressures of COVID-19, our operations in South Africa, and Cullinan in particular, continued to perform well in H1 FY 2021, despite emerging operational challenges at Finsch. Furthermore, the recovery of the five blue diamonds of significant colour, clarity and size, The Letlapa Tala Collection, in September 2020 and the 299 carat white diamond in January 2021 serve as a reminder that the new block cave at Cullinan still produces rare and exceptional stones.

Measures to mitigate the impact of the waste ingress at Finsch that negatively impacted on its carat production in H1 FY 2021 have been developed and are currently being implemented to address this. Very significant rainfall in December last year through to February this year at Koffiefontein and Finsch in particular, are providing challenges that we expect will negatively impact on those operations in Q3 FY2021.

Williamson remains under care and maintenance and the Company is considering a number of options, both for the business, including resuming mining subject to clarity on the status of the blocked diamond parcel, the progress on the negotiations with the Government, and obtaining local bank financing, as well as for its own stake. Petra is not in a position to provide any financial assistance to the Williamson mine to address its liquidity shortfall unless Board and lender support is obtained.

Looking at our safety performance in H1 FY 2021, our Group LTIFR was 0.50 compared to 0.22 in H1 FY 2020, although improving from 0.65 for Q1 FY 2021. The majority of the accidents recorded 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).

Our financial results for H1 FY 2021 were again impacted by the weaker diamond market, partially offset by a weaker South African Rand against the US Dollar. However, we have recently seen improved demand for rough diamonds, further to continued robust demand from the midstream thanks to positive consumer sales during the holiday retail season. The recovery in prices at our January tender to pre COVID-19 levels is very encouraging, and there are expectations that this improved demand will continue throughout Q3 FY 2021. However, the continued impact of COVID-19 in many countries poses a significant risk to the logistics and timing of sales in H2 FY 2021, and we will continue to monitor the market closely. Supply discipline by the major producers will remain a key factor in terms of maintaining supply / demand equilibrium.

The impact of lower pricing during the Period was compounded by the reduction in Group carat production resulting from the waste ingress at Finsch and the Williamson mine remaining on care and maintenance throughout H1 FY 2021.

The implementation of Project 2022 and our emphasis on cost control, as well as the proceeds from the sale of the Letlapa Tala Collection saw us deliver adjusted EBITDA of US\$80.8 million, up 20% against H1 FY 2020, and positive operational free cashflow before Restructuring fees of US\$54.0 million (H1 FY 2020: US\$13.7 million operational free cash), reflecting our reduced mining and processing costs and reduced capital expenditure during the Period. Consolidated net debt increased to US\$700.4 million (H1 FY 2019: US\$635.0 million), with total cash of US\$106.3 million (H1 FY 2020: US\$53.6 million) which includes restricted cash of US\$13.9 million (H1 FY 2020: US\$13.5 million), as the Company's banking facilities remain fully drawn.

Project 2022 remains a key focus to further stabilise our operations and ensure that continuous improvement is embedded in our operating model and culture. The key drivers of Project 2022 are to identify bottlenecks and increase throughput capacity and capacity utilisation at all of Petra's mines, while improving cost and process efficiencies. Project 2022 has been very successful in increasing throughput and throughput ideas are targeting an estimated annualised contribution of ca. US\$70 million by the end of FY 2021. This may be negatively impacted by various factors including the very significant rainfall at Finsch and Koffiefontein in December through to February 2021, COVID-19 and Williamson remaining in care and maintenance.

The process of improving cost efficiencies is tracking very well and it is expected that Project 2022's cost saving initiatives will deliver an annualised contribution of ca. US\$22 million from the end of Q3 FY 2021. The key cost savings initiatives driving this saving are reduced water cost at Finsch, ventilation efficiency improvement at Cullinan and savings on electricity. The design phase of the Organisational Design Review, which forms part of Project 2022, has been completed and will provide for more focused delivery of support by the various Group functions to the operations and alignment of operational structures across the different sites. Implementation of this Organisational Design Review is on track to be completed by the end of Q3 FY 2021 and will result in updated role descriptions providing for clearer line of site and improved accountability.

The allegations of human rights abuses relating to the security operations of the Williamson mine in Tanzania are deeply concerning to the executive management team and the Board. An interim update was provided in our announcement on 9 February 2021, which outlines prevailing circumstances on the ground, reviews recent incidents, details actions already taken and sets out next steps. Information on these allegations and the actions being taken to address these allegations are set out on page 48 of our 2020 Annual Report and copies of the Company's announcements on this topic, as well as our response letters to NGO RAID can be found on our website here: <https://www.petradiamonds.com/our-operations/our-mines/williamson/allegations-of-human-rights-abuses-at-the-williamson-mine/>.

The support of our noteholders, lenders and shareholders have allowed us to progress the envisaged Restructuring of the Group's balance sheet, which is expected to be completed in early March. This is a significant milestone and has not only put Petra on a sustainable footing going forward, but it will also allow us to focus on optimising the value of our diversified asset base.

## **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 even succumb to the virus. 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 319 employees to date have been confirmed COVID-19 positive at the South African operations as at 12 February 2021, and of these 309 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/>.

## **DIAMOND MARKET**

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. Midstream demand has remained robust as inventories of rough and polished diamonds remained low following strong sales of diamond jewellery over the holiday retail season. There are expectations that this improved demand will continue throughout Q1 CY 2021 as sales of rough diamonds have been sustained by demand ahead of Chinese New Year and Valentine's Day. 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, 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. Jewellery sales in the US were also strong, led by online retailers.

Supply discipline by the major diamond producers in 2020 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 expected to have contracted significantly in 2020 and may continue to decline.

### *Diamond Pricing*

Like-for-like diamond prices at our most recent tender held during January 2021 have recovered to pricing levels before the COVID-19 outbreak, barring the finer (smaller) goods, which only account for a small portion of overall revenues.

The 299ct Type IIa diamond from the Cullinan mine, recovered during January 2021, is expected to be sold at the Company's upcoming tender in February / March 2021.

Prices achieved during H1 FY 2021 are set out in the table below:

<b>Mine</b>	<b>Actual H1 FY 2021 (US\$/ct)</b>	<b>Actual H1 FY 2020 (US\$/ct)</b>	<b>Actual FY 2020 (US\$/ct)</b>
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 held in inventory at 30 June 2020.

## **FINANCIAL RESULTS**

### *Revenue*

H1 revenue was 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 around US\$30.5 million through a tender which closed on 15 January 2021.



### *Mining and processing costs*

The mining and processing costs for H1 FY 2021 are comprised of on-mine cash costs as well as other operational expenses. A breakdown of the total mining and processing costs for the Period is set out below.

	On-mine cash costs <sup>1</sup> US\$m	Diamond royalties US\$m	Diamond inventory and stockpile movement US\$m	Group technical, support and marketing costs <sup>2</sup> US\$m	Adjusted mining and processing costs US\$m	Depreciation <sup>3</sup> US\$m	Total mining and processing costs (IFRS) US\$m
H1 FY 2021	94.4	2.4	(5.9)	8.3	99.2	37.7	136.9
H1 FY 2020	135.1	4.8	(25.6)	9.3	123.6	46.6	170.2
FY 2020	235.0	5.9	(34.9)	19.3	225.3	82.6	307.9

#### **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 H1 FY 2021 reduced by ca. 30% compared to H1 FY 2020 and in line with expectations, due to:  
offset by:

- the effect of translating ZAR denominated costs at the South African operations at a weaker ZAR/USD average exchange rate (ca. 7.6% decrease);
- Williamson mine being on care and maintenance throughout the period (ca. 17.3% decrease);
- Other cost movements, including the impact of Project 2022 cost improvement initiatives delivered during the Period (ca. 7.8% decrease).; and
- Partially offset by inflationary increases, including the impact of electricity costs (2.6% increase) while labour increases were deferred to January 2021.

Royalties decreased to US\$2.4 million (H1 FY 2020: US\$4.8 million) due to a reduced royalty percentage following decreased profit net of capex at Finsch, as defined in the royalty legislation of South Africa.

### *Profit from mining activities*

Profit from mining activities increased 19% to US\$84.0 million (H1 FY 2020: US\$70.6 million), mainly due to the one-off sale of the Letlapa Tala Collection of blue diamonds, lower mining and processing costs offset by lower diamond pricing.

### *Corporate overhead – General and Administration*

Corporate overhead (before depreciation and share based payments) remained flat at US\$3.2 million for the Period (H1 FY 2020: US\$3.2 million).

### *Adjusted EBITDA*

Adjusted EBITDA, being profit from mining activities less exploration and corporate overhead, increased 20% to US\$80.8 million (H1 FY 2020: US\$67.2 million), representing an adjusted EBITDA margin of 45% (H1 FY 2020: 35%), driven by the one-off sale of the Letlapa Tala Collection of blue diamonds and lower mining and processing costs.

### *Depreciation*

Depreciation for the Period decreased to US\$35.9 million (H1 FY 2020: US\$47.0 million), mainly due a lower asset base as a result of prior period impairments of operational assets.

### *Impairment charge*

Impairment reviews carried out at Cullinan, Finsch, Koffiefontein and Williamson operational assets did not result in an impairment charge or reversal during the Period (H1 FY 2020: US\$nil). An impairment review of the Group's other receivables during the Period resulted in a net impairment charge US\$0.2 million comprising of the Williamson VAT receivable (H1 FY 2019: US\$1.6 million, comprising of US\$1.7 million in respect of the Williamson VAT receivable and recoupment of US\$0.1 million previously impaired in respect of the KEM JV receivable).

### *Net financial income*

Net financial income of US\$29.2 million (H1 FY 2020: US\$31.4 million expense) comprises:

- net unrealised foreign exchange gains of US\$65.1 million (H1 FY 2020: US\$2.7 million gains) representing (i) the unrealised foreign exchange gains on the foreign currency retranslation of cross border loans considered to be repayable in the foreseeable future, and (ii) unrealised losses on forward exchange contracts (refer to note 6 for further detail); and interest received on bank deposits of US\$0.4 million (H1 FY 2019: US\$0.1 million); offset by:
- interest on the Group's debt and working capital facilities of US\$27.6 million (H1 FY 2020: US\$25.4 million);
- net interest payable on the BEE partner loans and amortisation of lease liabilities in accordance with IFRS 16 of US\$2.6 million (H1 FY 2020: US\$3.2 million);
- a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US\$2.5 million (H1 FY 2020: US\$1.7 million); and
- net realised foreign exchange loss on settlement of forward exchange contracts of US\$3.6 million (H1 FY 2020: US\$3.4 million).

Cash financial expenses settled during the Period, as reflected in the Statement of Cashflows, reduced to US\$2.5 million (H1 FY 2020: US\$24.5 million) following the non-settlement of coupon payments related to the Notes since May 2020.

### *Tax credit / charge*

The tax charge of US\$23.1 million (H1 FY 2020: US\$3.2 million credit) comprising deferred tax charges of US\$19.3 million (H1 FY 2020: US\$0.9 million credit) relating to unrealised foreign exchange gains during the Period and US\$3.8 million (H1 FY 2020: US\$34.1 million credit) in respect of other capital allowances, with an income tax charge of US\$nil for the Period (H1 FY 2020: US\$nil million).

### *Profit on disposal including associated impairment, net of tax*

The profit on *disposal including associated impairment, net of tax* of US\$14.7 million relates to the Group's disposal during the Period of its interests in Sekaka, its exploration operations in Botswana, and is made up of a US\$0.3 million disposal consideration, net profit of US\$1.3 million for the Period 1 July 2020 to the 30 November 2020 disposal date and the recycling of the foreign currency translation reserve of US\$13.3 million, offset by a net asset disposal amount of US\$0.2 million. Refer to Note 15 for the detailed breakdown.

### *Group profit / loss*

The Group's net profit after tax is US\$67.6 million (H1 FY 2020: US\$10.0 million loss).

### *Earnings per share*

Basic profit per share from continuing operations of 6.31 US\$ cents was recorded (H1 FY 2020: 1.01 US\$ cents loss).

Adjusted profit per share from continuing operations (adjusted for impairment charges and net unrealised foreign exchange gains and losses) of 0.08 US\$ cents was recorded (H1 FY 2020: 1.09 US\$ cents loss (adjusted for impairment charges, taxation credit on impairment charge, net unrealised foreign exchange gains and losses)).

### *Operational free cash flow*

During the Period and considering the weaker diamond market, generation of operational free cash flow of US\$54.0 million before Restructuring fees (H1 FY 2020: US\$13.7 million) reflects the impact from the sale of the Letlapa Tala Collection and the initial results from Project 2022 to optimise production and drive cost efficiencies. This positive cash flow was offset by:

- US\$2.1 million (H1 FY 2020: US\$24.4 million) cash finance expenses net of finance income and US\$3.6 million (H1 FY 2020: US\$3.4 million) net realised foreign exchange losses;
- Restructuring fees settled during the Period of US\$15.5 million (H1 FY 2020: US\$nil; FY 2020 US\$ 3.9 million); and
- US\$5.0 million (H1 FY 2020: US\$11.3 million) advances to BEE partners, largely related to servicing of BEE bank debt in line with the Group's stated intention of reducing consolidated net debt for covenant measurement purposes (which includes BEE partner facilities), with the advances recoverable against future BEE partner distributions.

#### *Cash and Diamond Debtors*

As at 31 December 2020, Petra had cash at bank of US\$106.3 million (H1 FY 2019: US\$53.6 million). Of these cash balances, US\$92.4 million was held as unrestricted cash (H1 FY 2020: US\$40.1 million), US\$12.9 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) (H1 FY 2020: US\$12.6 million) and US\$1.0 million was held by Petra's bankers as security for other environmental rehabilitation bonds lodged with the Department of Mineral Resources and Energy in South Africa (H1 FY 2020: US\$0.9 million).

Diamond debtors at 31 December 2020 were US\$3.7 million (H1 FY 2020: US\$12.8 million).

#### *Loans and Borrowings*

The Group had loans and borrowings (measured under IFRS) at Period end of US\$810.4 million (H1 FY 2020: US\$652.1 million), comprised of US\$702.0 million Notes including US\$52.0 million accrued interest (H1 FY 2020: US\$652.1 million), bank loans and borrowings of US\$61.2 million (H1 FY 2020: US\$nil) and BEE partner bank facilities of US\$47.2 million (H1 FY 2020: US\$49.3 (off-balance sheet guarantees)); the BEE guarantees were brought onto the Groups balance sheet as at 30 June 2020, refer to 'BEE loans receivable and payable' below for further detail. The Group remains fully drawn down on its banking facilities with the South African Lender Group since the decision to shore up liquidity following the outbreak of the COVID-19 pandemic during H2 FY 2020. Bank debt facilities undrawn and available to the Group at 30 June 2020 were US\$nil (H1 FY 2020: US\$107.2 million).

Consolidated net debt at 31 December 2020 was US\$700.4 million (H1 FY 2020: US\$635.0 million).

#### *Covenant Measurements attached to banking facilities*

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 Company's EBITDA-related covenants associated with its banking facilities during the Period were as outlined below:

	12 months to 31 Dec 2020	12 months to 30 Jun 2021
Consolidated net debt to consolidated EBITDA:	≤ 3.25x	≤ <b>3.0x</b>
Consolidated EBITDA to consolidated net finance charges:	≥ 3.0x	≥ <b>3.25x</b>
Consolidated net senior debt to book equity:	≤ 0.4x	≤ <b>0.4x</b>

In addition to its existing covenant ratios, the Group is required to maintain liquidity of the aggregate of the undrawn amounts available under the RCF and WCF and consolidated cash and cash equivalents (excluding diamond debtors) which shall not fall below ZAR200 million (US\$11.6 million).

Details of the envisaged new banking facilities and the associated covenants following the completion of the Group's capital and debt restructuring are set out in note 8.

#### *Going concern considerations*

The Group closely monitors and manages its liquidity risk, and cash forecasts are regularly produced and run for different scenarios. The forecasts assume that the envisaged Restructuring will be implemented in line with the provisions of the in-principle term sheet under the Lock-up Agreement. The Group also considered risks associated with COVID-19, which were considered to focus primarily on the potential for further production disruption, deferral of tenders due to travel restrictions and adverse impacts on diamond pricing.

In light of both normal trading risks and elevated risks associated with the potential impact of the COVID-19 pandemic, the following have been key considerations in assessing the Group's ability to operate as a going concern at the date of this report:

- an unforeseen disruption to operations at its South African mines due to either COVID-19 restrictions or otherwise;
- an unforeseen deferral of a rough diamond tender due to COVID-19 restrictions, coupled with a significant price decline at an assumed subsequent private sale (in line with actual experiences during FY 2020);
- a sustained 5% decrease in forecast rough diamond prices throughout the forecast period; and
- an increase in forecast operating cost.

Under the base case, which itself is dependent upon the successful completion of the Restructuring and continued availability of the South African banking facilities in line with the Lock-up Agreement, the forecasts indicate that the Company will be able to operate within covenants set out in the in-principle agreement and maintain sufficient liquidity.

However, the proposed first lien covenants (as more fully set out in note 8) were set with limited headroom to the base case. As such, although adequate liquidity is maintained throughout the review period under each of the individual scenarios subject to continued availability of the South African Lender Group facilities, results of the stress testing indicate that in the event of deferral to the tenders outlined above or a combination of scenarios such as sustained reduced pricing and production disruption, possible covenant breaches associated with the South African banking facilities may occur at December 2021 and June 2022. Whilst reasonably available mitigating actions, which include cost savings and capital deferrals, are foreseen to address the risk of such a covenant breach, the delivery of such mitigating actions remains uncertain. In the event of a breach of covenant, the Company would be dependent on the South African Lender Group continuing to make the facilities available and under certain of the scenarios there would be insufficient liquidity to settle the outstanding South African Lender Group facilities if required. Whilst the South African Lender Group has indicated its support in recent discussions and ongoing dialogue with the South African Lender Group will be important during this period, there can be no guarantee that the facilities would continue to remain available in the event of a covenant breach.

However, the Group is reliant on the successful conclusion of the current Restructuring to continue as a going concern, which is dependent on the finalisation of the documentation required for implementation after the requisite approval by the Company's shareholders was obtained at a Special General Meeting held on 13 January 2021. Despite a successful Restructuring, the Group's forecasts remain sensitive to trading conditions and the impact of COVID-19 may further have a material impact on the Group's ability to operate within its covenants, such that continued South African Lender Group support may be required and, if unavailable, additional funding may be required.

As a result, the Board concluded that a material uncertainty exists in respect of the Company continuing as a going concern. See 'Basis of preparation including going concern' in the Financial Statements for further information.

### *BEE loans receivable and payable*

BEE loans receivable of US\$175.1 million (H1 FY 2020: US\$125.9 million) relate to advances provided to the Group's BEE Partners to enable them to discharge interest and capital commitments under the BEE Lender facilities, advances to the BEE Partners to enable trickle payment distributions to both Kago Diamonds (Pty) Ltd's ("Kago Diamonds") shareholders and to the beneficiaries of the Itumeleng Petra Diamonds Employee Trust ("IPDET") (Petra Directors and Senior Managers do not qualify as beneficiaries under the IPDET Trust Deed), financing of their interests in the Koffiefontein mine, and an amount related to the BEE guarantees provided to the BEE Lender Group – refer below for more detail.

As detailed in the section "Impairment of BEE loans receivable – expected credit loss provision", an IFRS 9 estimated credit loss assessment was conducted at the end of the Period which resulted in a partial reversal of the expected credit loss provision of US\$4.6 million (H1 FY 2020: US\$nil), following a US\$10.9 million expected credit loss provision being raised against the BEE loans receivable at 30 June 2020. Refer to note 11 for further detail.

During the Period, Petra advanced US\$2.9 million (H1 FY 2020: US\$9.3 million) to facilitate the servicing of capital and interest payments on behalf of the BEE Partners and US\$2.1 million (H1 FY 2020: US\$2.0 million) for distributions to the beneficiaries of the IPDET and shareholders of Kago Diamonds.

In May 2020, as part of the Amendment Agreement, Petra reached agreement with the South African BEE Lender Group, being Absa Bank, Rand Merchant Bank and Ninety-One (previously Investec), to reschedule the capital repayments due in May 2020 and November 2020 under the Company's BEE Partners' outstanding bank financing. In terms of the Amendment Agreement, the capital balance outstanding of US\$ 47.2 million at 31 December 2020 (30 June 2020: US\$40.0 million) will become payable on 31 July 2021, subject to the outcome of the Restructuring described above. However, should the Restructuring complete as planned, the Company's new banking facilities will enable it to refinance the BEE facilities with proceeds from the new term loan – for more detail, refer to 'The Restructuring' below.

The aforementioned Amendment Agreement and the Forbearance Agreement entered into during May 2020 did not confer the unconditional right to the Company to defer the coupon repayment and as such triggered an event of default under the BEE Lender facility. The event of default sets out that the Company under the BEE guarantee is liable for the outstanding obligation under the BEE Lender facility. As at 31 December 2020, and consistent with the approach at 30 June 2020, the Company accrued for the outstanding obligation of US\$40.0 million under current loans and borrowings (refer to note 8). The Company recognises a compensating receivable from the BEE Partners, repayable from the BEE Partners' share of future operational cashflows.

The BEE loans payable of US\$133.4 million (H1 FY 2020: US\$128.1 million) relate to the initial acquisition loan funding advanced by the Group's BEE Partners to the operations to acquire their investments in Cullinan and Finsch. The repayment of these loans by the mines to the BEE Partners will be from future free cashflows generated by the mining operations.

Refer to note 11 for further detail on BEE loans receivable and payable.

### **The Restructuring**

In March 2020, Petra launched a strategic review, in conjunction with a set of independent advisers, in order to evaluate an optimal long-term capital structure for the Group. The key focus of this review was to bring down the Company's leverage to a manageable level and it therefore involved extensive consultations with the AHG of the Company's US\$650 million 7.25% senior secured second lien notes due in May 2022, as well as with the South African Lender Group. The review also aimed to assess all strategic options available to maximise value to stakeholders and included a formal sale process, whereby interested parties could submit bids either for Petra or for any parts of the business or assets of the Group.

In October 2020, the Company announced that it had reached agreement in principle with the AHG and the South African Lender Group on a common set of commercial terms with respect to the Restructuring. Petra signed a Lock-Up Agreement on 17 November 2020 with the parties to the Restructuring, which binds each party into supporting the Restructuring on the proposed terms. The Company's shareholders subsequently approved the scheme at a Special General Meeting on 13 January 2021.

The key features of the Restructuring are as follows:

1. Partial reinstatement of the Notes debt and the contribution by holders of the existing Notes of US\$30.0 million in New Money, each to take the form of new senior secured second lien notes ("New Notes"). The New Notes will amount to approximately US\$337.0 million (including the New Money and fees paid as part of the transaction in New Notes) and will have a maturity date of five years from completion. The New Notes will be subject to an interest rate of 10.50% Payment in Kind for the first 24 months, reverting to a cash interest rate of 9.75% thereafter. Those Noteholders that contribute to the New Money will be entitled to a greater portion of the New Notes.
2. Conversion of the remainder of the Notes debt into equity, which will result in the Noteholder group holding 91% of the enlarged share capital of Petra Diamonds Limited, with the existing shareholders holding the remaining 9%. Those Noteholders that contribute to the New Money will be entitled to a greater portion of the equity.
3. The restructuring of the first lien facilities provided by the South African Lender Group, with a new term loan of ZAR1.2 billion in order to refinance the existing drawn ZAR500 million WCF and the BEE Facilities (approximately ZAR683 million), and a new RCF of ZAR560 million, constituted by the rollover of the existing RCF but upsized by ZAR160 million. Both facilities will have a maturity date of three years from completion and a first lien debt service cover ratio of 1.3x tested semi-annually on a rolling 12-month basis which, if breached, will give rise to an event of default under the new bank facilities. Both facilities will have an interest rate of JIBAR + 5.25% per annum.
4. New governance arrangements, whereby up to four of the largest Noteholders as determined by the Restructuring Lock-Up Agreement and who individually hold at least 5% of the shares in Petra at the closing of the Restructuring shall have a 'Nomination Right' to nominate a person for appointment to the Board as a non-independent Non-Executive Director, as well as the right to appoint an observer to the Board (who will not have voting rights at Board meetings). Any Board appointments must comply with the UK Listing Rules and the Corporate Governance Code
5. Certain cashflow controls will be introduced.

The full terms of the Restructuring are listed in the prospectus released on 22 December 2020 and further details are provided in note 8.

The Restructuring is expected to become effective in early March 2021. Implementation of the Restructuring will occur once the Company has agreed certain documentation with its key financial stakeholders, including:

- certain documents with the South African Lender Group to give effect to the restructuring of the first lien facilities;
- certain documents with the Noteholders to give effect to the partial reinstatement of the Notes and the New Notes; and
- certain documents with the BEE Partners in relation to the reorganisation of loans, payables, receivables and other entitlements with the Group to give effect to the Restructuring.

#### *Other Liabilities*

Other than trade and other payables of US\$47.5 million (comprising US\$18.2 million trade creditors, US\$12.6 million employee related accruals and US\$16.7 million other payables) (H1 FY 2020: US\$46.3 million), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, post retirement employee related provisions, lease liabilities and deferred tax.

#### *Capex*

Total Group Capex for the Period reduced to US\$8.6 million (H1 FY 2020: US\$26.5 million), comprising:

- US\$6.3 million expansion Capex (H1 FY 2020: US\$15.9 million); and
- US\$2.3 million sustaining Capex (H1 FY 2020: US\$10.6 million).

Capex	Unit	H1 FY 2021	H1 FY 2020
Cullinan	US\$m	5.9	12.0
Finsch	US\$m	1.3	5.6
Koffiefontein	US\$m	0.6	2.3
Williamson	US\$m	0.3	5.7
Subtotal – Capex incurred by operations	US\$m	<b>8.1</b>	<b>25.6</b>
Corporate / exploration	US\$m	0.5	0.9
Total Group Capex	US\$m	<b>8.6</b>	<b>26.5</b>

## Dividend

Distribution covenants were not met for the measurement period to 31 December 2020 and as a result no dividend is declared for H1 FY 2021.

## OPERATIONAL REVIEW

### H1 FY 2021 Sales, Production and Capex – Summary

	Unit	H1 FY 2021	H1 FY 2020	Variance	FY 2020
<b>Sales</b>					
Diamonds sold	Carats	1,712,797	1,743,807	-2%	2,895,497
<b>Gross revenue</b>	<b>US\$m</b>	<b>178.1</b>	<b>193.9</b>	<b>-8%</b>	<b>295.8</b>
<b>Production</b>					
ROM tonnes	Mt	4.2	7.0	-40%	11.5
Tailings & other <sup>1</sup> tonnes	Mt	0.2	0.5	-60%	0.8
<b>Total tonnes treated</b>	<b>Mt</b>	<b>4.4</b>	<b>7.5</b>	<b>-41%</b>	<b>12.3</b>
ROM diamonds	Carats	1,644,846	1,995,512	-18%	3,442,593
Tailings & other <sup>1</sup> diamonds	Carats	96,016	74,728	+28%	146,583
<b>Total diamonds</b>	<b>Carats</b>	<b>1,740,862</b>	<b>2,070,240</b>	<b>-16%</b>	<b>3,589,176</b>
<b>Capex</b>					
Expansion	US\$m	6.3	15.9	-60%	21.8
Sustaining	US\$m	1.8	9.7	-81%	14.8
<b>Total</b>	<b>US\$m</b>	<b>8.1</b>	<b>25.6</b>	<b>-68%</b>	<b>36.6</b>

**Note:**

1. 'Other' includes alluvial diamond mining at Williamson in FY 2020.

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 – South Africa

	Unit	H1 FY 2021	H1 FY 2020	Variance	FY 2020
<b>Sales</b>					

Diamonds sold	Carats	894,758	730,847	+22%	1,183,745
Average price per carat	US\$	120	112	+7%	98
<b>Revenue</b>	<b>US\$m</b>	<b>107.3</b>	<b>81.7</b>	<b>+31%</b>	<b>116.5</b>
<b>ROM Production</b>					
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 <sup>1</sup>	Cpht	39.1	37.3	+5%	37.3
<b>Tailings Production</b>					
Tonnes treated	Tonnes	221,385	117,112	+89%	257,549
Diamonds produced	Carats	96,016	34,416	+179%	95,918
Grade <sup>1</sup>	Cpht	43.4	29.4	+48%	37.2
<b>Total Production</b>					
Tonnes treated	Tonnes	2,560,858	2,412,309	+6%	4,230,231
<b>Diamonds produced</b>	<b>Carats</b>	<b>1,009,642</b>	<b>889,787</b>	<b>+13%</b>	<b>1,578,400</b>
<b>Costs</b>					
On-mine cash cost per total tonne treated	ZAR	239	262	-9%	270
<b>Capex</b>					
Expansion Capex	US\$m	5.2	10.0	-48%	13.0
Sustaining Capex	US\$m	0.7	2.0	-65%	3.4
<b>Total Capex</b>	<b>US\$m</b>	<b>5.9</b>	<b>12.0</b>	<b>-51%</b>	<b>16.4</b>

**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:**

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).

**Sales:**

Cullinan's revenue increased 31% to US\$107.3 million (H1 FY 2020: US\$81.7 million), due to the higher sales volumes, as well as the sale of the Letlapa Tala Collection for US\$40.4 million (H1 FY 2020: US\$14.9 million exceptional diamond sales), offset by reduced pricing as a result of COVID-19.

**Costs:**

The on-mine unit cash cost per total tonne treated reduced 9% to ZAR239 (H1 FY 2019: ZAR262), mainly due to improved production efficiencies supported by Project 2022 initiatives.

**Capex:**

Cullinan's Capex for FY 2021 is weighted to H1, with US\$5.9 million spent (H1 FY 2020: US\$12.0 million) mainly on the finalisation of the North Crusher 2 chamber, including the tip construction, development of the early access to the CC1E decline and underground workshop, and equipment for the XRL stream in the processing plant. The Company expects Cullinan's full year Capex to remain in line with guidance.



## Finsch – South Africa

	Unit	H1 FY 2021	H1 FY 2020	Variance	FY 2020
<b>Sales</b>					
Diamonds sold	Carats	768,647	783,962	-2%	1,348,181
Average price per carat	US\$	71	79	-9%	75
<b>Revenue</b>	<b>US\$m</b>	<b>54.8</b>	<b>61.7</b>	<b>-11%</b>	<b>101.1</b>
<b>ROM Production</b>					
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 <sup>1</sup>	Cpht	52.6	57.4	-8%	59.0
<b>Tailings Production</b>					
Tonnes treated	Tonnes	0	174,167	-100%	211,541
Diamonds produced	Carats	0	32,850	-100%	39,890
Grade <sup>1</sup>	Cpht	0	18.9	-100%	18.9
<b>Costs</b>					
On-mine cash cost per total tonne treated	ZAR	456	405	13%	477
<b>Total Production</b>					
Tonnes treated	Tonnes	1,323,000	1,708,423	-23%	2,930,930
<b>Diamonds produced</b>	<b>Carats</b>	<b>695,308</b>	<b>913,557</b>	<b>-24%</b>	<b>1,643,568</b>
<b>Capex</b>					
Expansion Capex	US\$m	0.8	4.2	-81%	6.1
Sustaining Capex	US\$m	0.5	1.4	-64%	2.3
<b>Total Capex</b>	<b>US\$m</b>	<b>1.3</b>	<b>5.6</b>	<b>-77%</b>	<b>8.4</b>

### 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:

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 during September 2020, subsequently 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.

**Sales:**

Sales decreased 11% to US\$54.8 million (H1 FY 2020: US\$61.7 million), mainly due to the average value per carat decreasing 9% to US\$71 (H1 FY 2020: US\$79) reflecting the impact of COVID-19 on rough diamond prices.

**Costs:**

The on-mine unit cash cost per total tonne treated increased by 13% to ZAR456 (H1 FY 2020: ZAR405) due to a 23% reduction in total tonnes treated, reflecting the high fixed-cost nature of the mine.

**Capex:**

Capex of US\$1.3 million for the Period (H1 FY 2020: US\$5.6 million) lower due to reduced development activity and CAPEX purchases and availability of contractor resources being disrupted as a result of the COVID-19 restrictions.

**Koffiefontein – South Africa**

	Unit	H1 FY 2021	H1 FY 2020	Variance	FY 2020
<b>Sales</b>					
Diamonds sold	Carats	18,944	34,163	-45%	66,326
Average price per carat	US\$	590	431	+37%	387
<b>Revenue</b>	<b>US\$m</b>	<b>11.2</b>	<b>14.7</b>	<b>-24%</b>	<b>25.7</b>
<b>ROM Production</b>					
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
<b>Total Production</b>					
Tonnes treated	Tonnes	493,661	561,296	-12%	891,705
<b>Diamonds produced</b>	<b>Carats</b>	<b>35,912</b>	<b>44,545</b>	<b>-19%</b>	<b>69,077</b>
<b>Costs</b>					
On-mine cash cost per total tonne treated	ZAR	459	419	10%	510
<b>Capex</b>					
Expansion Capex	US\$m	0.3	1.7	-82%	2.7
Sustaining Capex	US\$m	0.3	0.6	-50%	1.1
<b>Total Capex</b>	<b>US\$m</b>	<b>0.6</b>	<b>2.3</b>	<b>-74%</b>	<b>3.8</b>

**Production:**

Koffiefontein's production decreased 19% to 35,912 carats (H1 FY 2020: 44,545 carats), following operational disruptions due to COVID-19, including challenges related to the availability of spares for underground drilling machinery; the ROM stockpile was largely depleted during H1 FY 2021.

**Sales:**

Koffiefontein's revenue decreased 24% to US\$11.2 million (H1 FY 2020: US\$14.7 million), due to lower volumes sold coupled with the weaker diamond market, partially offset by increased proportion of coarser, more valuable rough diamonds supporting an increased price per carat.

**Costs:**

The unit cash cost per total tonne treated was up 10% to ZAR459 (H1 FY 2020: ZAR419), mainly due to reduced throughput during the Period.

**Capex:**

Capex decreased 74% to US\$0.6 million (H1 FY 2020: US\$2.3 million) in line with the operation approaching steady state production.

**Williamson – Tanzania**

	Unit	H1 FY 2021	H1 FY 2020	Variance	FY 2020
<b>Sales</b>					
Diamonds sold	Carats	30,339	194,835	-84%	297,245
Average price per carat	US\$	150	184	-18%	177
<b>Revenue</b>	<b>US\$m</b>	<b>4.6</b>	<b>35.9</b>	<b>-87%</b>	<b>52.5</b>
<b>ROM Production</b>					
Tonnes treated	Tonnes	0	2,654,906	-100%	3,980,438
Diamonds produced	Carats	0	214,888	-100%	287,356
Grade	Cpht	0	8.1	-100%	7.2
<b>Alluvial Production</b>					
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
<b>Total Production</b>					
Tonnes treated	Tonnes	0	2,853,604	-100%	4,283,005
<b>Diamonds produced</b>	<b>Carats</b>	<b>0</b>	<b>222,351</b>	<b>-100%</b>	<b>298,130</b>
<b>Costs</b>					
On-mine cash cost per total tonne treated	US\$	n.a.	10.2	n.a.	10.2
<b>Capex</b>					
Expansion Capex	US\$m	0.0	0.0	0%	0.0
Sustaining Capex	US\$m	0.3	5.7	-95%	8.0
<b>Total Capex</b>	<b>US\$m</b>	<b>0.3</b>	<b>5.7</b>	<b>-95%</b>	<b>8.0</b>

**Production:**

The Williamson mine in Tanzania remained on care and maintenance during H1 FY 2021.

**Sales:**

Williamson's revenue decreased 87% to US\$4.6 million (H1 FY 2020: US\$35.9 million), with sales limited to some 30kcts carried over from FY 2020, with the mine remaining on care and maintenance throughout the Period.

*Costs and Capex:*

On-mine cash care and maintenance costs amounted to some US\$5.7 million for the six month period, while some US\$0.3 million was spent on stay in business capex.

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, which continues to be recognised as an asset despite the recent press coverage around the nationalisation of the parcel.

## **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, with further risk around very significant rainfall at Finsch and Koffiefontein into Q3 FY2021, the possible impact of COVID-19 and Williamson's extended care and maintenance.

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.

## **BOARD SUCCESSION**

Dr Pat Bartlett, Non-executive Director, retired from the Board after nearly nine years' service, on 30 June 2020, and Mr Tony Lowrie, Senior Independent Director, retired from the Board in November 2020, after more than eight years' service.

Ms Varda Shine subsequently assumed the role of Senior Independent Non-Executive Director in November 2020. Varda is also a member of the Company's Audit and Risk, HSE (Health, Safety and Environment), Nomination and SED (Social, Ethics and Diversity) Committees, as well as chairing the Company's Remuneration Committee. As such she has oversight of all the Company's material risks and opportunities and will be able to apply this expertise to the benefit of shareholders and other stakeholders.

As previously indicated, Mr. Gordon Hamilton, Independent Non-executive Director, will retire from the Board and as Chair of the Audit and Risk Committee ("ARC") at the conclusion of the FY 2021 Annual General Meeting. A search process for his successor as Chair of the ARC has commenced.

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 Restructuring and a further announcement confirming the date on which he will formally assume office will be made in due course.

## **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 2020 Annual Report, which can be accessed at [www.petradiamonds.com](http://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 six 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 outpace supply, in the short term the prevailing climate of global economic uncertainty, exacerbated by the COVID-19 outbreak, 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 is associated with large and complex orebodies like Cullinan and Williamson, where the recovery of high value stones varies on a period-to-period basis. Variability is also being experienced in the product mix at Finsch, which contains a lower than expected incidence of gem-quality coarse (larger) diamonds in comparison to historical recoveries. This risk can be addressed by maximising tonnages across the footprint of the orebodies and by optimising plant processes to capture the value within the individual kimberlite's product profile. However, in the case of Cullinan, it is impossible to predict when exceptional diamonds (valued at +US\$5 million) will be recovered as they are truly rare.

Variability in overall diamond prices realised as a result of this product mix volatility may have an impact on the Group's financial performance.

### *COVID-19 pandemic*

The COVID-19 pandemic took hold in early CY 2020 and caused major disruption to all aspects of the diamond pipeline. Certain Government-imposed restrictions, including varying levels of lockdown, impacted the mining operations and Petra's ability to conduct tenders in South Africa and Belgium. Petra has put in place stringent procedures in order to prevent or mitigate the spread of the virus at our operations, some of which resulted in lost production time; the Group introduced revised shift configurations, with the support from organised labour, to offset this. Petra's suppliers to its mines, although also impacted by the COVID-19 restrictions, continued to deliver as required and no major supply chain disruption was experienced. The Company is maintaining a flexible sales approach in order to bring goods to market at the optimal time and location based on prevailing market conditions.

### *Financing and liquidity*

The Group closely monitors and manages its liquidity risk, and cash forecasts are regularly produced and run for different scenarios. The forecasts assume that the envisaged Restructuring will be implemented in line with the provisions of the Consensual Restructuring. The Group also considered risks associated with COVID-19, which were considered to focus primarily on the potential for further production disruption, deferral of tenders due to travel restrictions and adverse impacts on diamond pricing.

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 restructured debt facilities and have sufficient liquidity headroom for at least the next 12 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 cashflows, that the Group's liquidity position could deteriorate and the resulting lack of adequate available cashflows, potential breach of covenants and restricted access to its debt facilities could impact development work and impact the operations. The Group may therefore be required to have further discussions with its South African Lender Group regarding further covenant resets and/or waivers as required.

Petra is not in a position to provide any financial assistance to the Williamson mine. Williamson's liquidity position is reliant on its ability to generate cash through operations (which is not possible during care and maintenance); and/or its ability to reach agreement with the Government of Tanzania allowing it to sell the blocked diamond parcel and around potential recoupment of VAT receivables; and/or its ability to procure funding via borrowings from local financial institutions. If Williamson is unable to secure additional funding it is likely to face a liquidity shortfall. Under the terms of the in-principle agreements with the South African Lender Group any additional funding by Petra would require its approval and if not provided may result in Williamson's insolvent liquidation.

#### *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. The Group also 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. Emerging market economies could be subject to greater risks, including legal, regulatory, taxation, economic, and political risks, and are potentially subject to rapid change.

Petra is in ongoing dialogue with the Government of Tanzania and local advisers in relation to various issues, including the overdue VAT receivables and the blocked parcel. 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. The long-term viability of the Company's Williamson operations is dependent on the successful completion of the ongoing negotiations with the Government of Tanzania.

#### *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 much less so specifically 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.

In H1 FY2021 the Company announced that it had reached agreement on a new one-year wage agreement with NUM for employees in the Paterson A and B Bands at the South African operations covering FY 2021. The Company will therefore look to continue discussions in due course with NUM on a wage agreement for FY 2022. Petra remains highly focused on managing labour relations and on maintaining open and effective communication channels with its employees and the appropriate union representatives at its operations.

#### *Power supply*

South Africa's power issues have been well publicised. Eskom's approach is to consult with industry participants before implementing load shedding, with advanced notice giving customers time to react appropriately. Petra is used to managing the operations optimally to maintain production levels as much as possible throughout load shedding requests. Such measures include the bringing forward of essential maintenance work and restricting load curtailment to processing plants where possible, given the Company's operations have excess processing capacity which allows for additional throughput when full power is restored. However, the impact of load shedding on the Company will depend on the duration and level of severity of the power restriction.

#### *Illegal mining and human rights violations*

There is an ongoing risk of illegal mining taking place in areas where the Group has surface operations (as opposed to underground), namely the Williamson open pit and the tailings operations of the South African mines. Such incidents are particularly common in volatile countries where unemployment levels are high and governments have insufficient resources to address these issues.

Illegal mining is often carried out in unsafe mining conditions which could in turn cause injuries or result in fatalities. Illegal miners accessing Petra's operations present risks associated with contravening a number of regulations for which the Company is held responsible, in particular in the areas of health and safety and environmental management. In the event of non-compliance with such regulations or the occurrence of accidents or incidents causing personal injury, death or property or environmental damage at Petra's facilities or surrounding areas, there is a risk of increased operating costs, significant losses, interruptions in production, expensive litigation, imposition of penalties and sanctions or suspension or revocation of permits and licences as well as reputational damage. In addition, illegal miners may pose a risk to the safety of Group personnel as they may be armed and willing to resort to violence if challenged. This may result in confrontations between Group personnel, contractors or law enforcement personnel, resulting in claims for damages against the Group or contraventions of international protocols that apply to the Company and the businesses within the Group.

The Group has been subjected to recent allegations of human rights violations at the Williamson mine. The UK law firm Leigh Day and a UK-based NGO RAID have notified the Company and Williamson Diamonds Limited by letter concerning allegations that illegal miners suffered personal injury inflicted by the security patrol teams at the Williamson Mine, which comprise guards from Williamson Diamonds Limited's third-party security contractor and members of the Tanzanian Police. The amount of damages sought is not yet quantified and the validity of the claims is yet to be determined.

The current scale of illegal mining at Williamson is not anticipated to affect production levels in the short-to-medium term but the potential consequences associated with a major incident could adversely affect the Group's business, results of operations and financial condition.

Richard Duffy  
Chief Executive Officer  
16 February 2021

**Notes:**

1. *The following exchange rates have been used for this announcement:*
  - a. *closing rate as at 31 December 2020 US\$1:ZAR14.69 (31 December 2019 US\$1:ZAR13.99 and 30 June 2020: ZAR17.32)*
  - b. *average rate H1 FY 2021 US\$1:ZAR16.27 (H1 FY 2020 US\$1:ZAR14.69)*
2. *The following definitions have been used in this announcement:*
  - a. *ct: carat*
  - b. *cpht: carats per hundred tonnes*
  - c. *Exceptional Diamonds: stones that sell for more than US\$5 million each*
  - d. *LTIFR: lost time injury frequency rate*
  - e. *Kt: thousand tonnes*
  - f. *Mcts: million carats*
  - g. *mL: meter level*
  - h. *Mt: million tonnes*
  - i. *ROM: run-of-mine, i.e. relating to production from the primary orebody*
  - j. *SLC: sub-level cave, a variation of block caving*
3. *Diamond inventory carrying values are stated at the lower of cost of production on the weighted average basis or estimated net realisable value.*



**PETRA DIAMONDS LIMITED**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
FOR THE 6 MONTH PERIOD ENDED 31 DECEMBER 2020

US\$ million	Notes	<b>(Unaudited)</b> <b>1 July 2020-</b> <b>31 December</b> <b>2020</b>	(Unaudited) 1 July 2019- 31 December 2019	(Audited) Year ended 30 June 2020
Revenue		<b>178.1</b>	193.9	295.8
Mining and processing costs		<b>(136.9)</b>	(170.2)	(307.9)
Other direct income		<b>5.1</b>	0.3	2.0
Exploration expenditure	15	—	(0.3)	(0.6)
Corporate expenditure	5	<b>(3.9)</b>	(3.9)	(8.7)
Impairment of non-financial assets	14	<b>(0.2)</b>	(1.6)	(91.9)
Impairment of BEE loans receivable – expected credit loss release / (charge)	11	<b>4.6</b>	—	(10.9)
<b>Total operating costs</b>		<b>(131.3)</b>	(175.7)	(418.0)
<i>Profit on disposal including associated impairment, net of tax</i>	15	<b>14.7</b>	—	—
Financial income	6	<b>69.0</b>	7.1	7.9
Financial expense	6	<b>(39.8)</b>	(38.5)	(161.0)
<b>Profit / (loss) before tax</b>		<b>90.7</b>	(13.2)	(275.3)
Income tax (charge) / credit		<b>(23.1)</b>	3.2	52.3
<b>Profit / (loss) for the Period</b>		<b>67.6</b>	(10.0)	(223.0)
Attributable to:				
Equity holders of the parent company		<b>54.5</b>	(8.7)	(190.0)
Non-controlling interest		<b>13.1</b>	(1.3)	(33.0)
		<b>67.6</b>	(10.0)	(223.0)
<b>Profit / (loss) per share attributable to the equity holders of the parent during the Period:</b>				
Basic profit / (loss) per share – US cents	12	<b>6.31</b>	(1.01)	(21.96)
Diluted profit / (loss) per share – US cents	12	<b>6.31</b>	(1.01)	(21.96)

**PETRA DIAMONDS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE 6 MONTH PERIOD ENDED 31 DECEMBER 2020

US\$ million	<b>(Unaudited)</b> <b>1 July 2020- 31 December 2020</b>	(Unaudited) 1 July 2019- 31 December 2019	(Audited) Year ended 30 June 2020
Profit / (loss) for the Period	<b>67.6</b>	(10.0)	(223.0)
Exchange differences on translation of the share-based payment reserve	<b>0.2</b>	0.2	(0.2)
Exchange differences on translation of foreign operations <sup>1</sup>	<b>54.7</b>	(0.9)	(91.3)
Exchange differences on non-controlling interest <sup>1</sup>	<b>(0.1)</b>	(0.2)	(0.6)
<b>Total comprehensive income / (expense) for the Period</b>	<b>122.4</b>	(10.9)	(315.1)
Total comprehensive income and expense attributable to:			
Equity holders of the parent company	<b>109.4</b>	(9.4)	(281.5)
Non-controlling interest	<b>13.0</b>	(1.5)	(33.6)
	<b>122.4</b>	(10.9)	(315.1)

<sup>1</sup> These items will be reclassified to the consolidated income statement if specific future conditions are met.

**PETRA DIAMONDS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2020

US\$ million	Notes	(Unaudited) 31 December 2020	(Unaudited) 31 December 2019	(Audited) 30 June 2020
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7	773.3	950.3	675.8
Right-of-use assets		3.0	6.8	4.9
BEE loans and receivables	11	175.1	125.9	137.0
Other receivables		10.6	13.5	10.3
Deferred tax assets		0.1	—	23.3
<b>Total non-current assets</b>		<b>962.1</b>	<b>1,096.5</b>	<b>851.3</b>
<b>Current assets</b>				
Trade and other receivables		42.8	30.4	20.0
Inventories		126.4	110.6	103.5
Cash and cash equivalents (including restricted amounts)		106.3	53.6	67.6
<b>Total current assets</b>		<b>275.5</b>	<b>194.6</b>	<b>191.1</b>
Non-current assets classified as held for sale	15	—	0.6	0.3
<b>Total assets</b>		<b>1,237.6</b>	<b>1,291.7</b>	<b>1,042.7</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		133.4	133.4	133.4
Share premium account		790.2	790.2	790.2
Foreign currency translation reserve		(411.6)	(362.6)	(453.0)
Share-based payment reserve		1.5	6.8	1.1
Other reserves		(0.8)	(0.8)	(0.8)
Accumulated losses		(385.9)	(264.3)	(440.4)
<b>Attributable to equity holders of the parent company</b>		<b>126.8</b>	<b>302.7</b>	<b>30.5</b>
Non-controlling interest		(5.8)	12.9	(18.8)
<b>Total equity</b>		<b>121.0</b>	<b>315.6</b>	<b>11.7</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	8	—	604.8	—
Lease liabilities		1.0	2.6	1.1
BEE loans payable	11	133.4	128.1	108.6
Provisions		73.7	64.0	55.6
Deferred tax liabilities		49.3	78.5	40.5
<b>Total non-current liabilities</b>		<b>257.4</b>	<b>878.0</b>	<b>205.8</b>
<b>Current liabilities</b>				
Loans and borrowings	8	810.4	47.3	769.0
Lease liabilities		1.3	4.5	3.6
Trade and other payables		47.5	46.3	52.5
<b>Total current liabilities</b>		<b>859.2</b>	<b>98.1</b>	<b>825.1</b>
Liabilities directly associated with non-current assets classified as held for sale	15	—	—	0.1
<b>Total liabilities</b>		<b>1,116.6</b>	<b>976.1</b>	<b>1,031.0</b>
<b>Total equity and liabilities</b>		<b>1,237.6</b>	<b>1,291.7</b>	<b>1,042.7</b>

**PETRA DIAMONDS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2020

US\$ million	Notes	<b>(Unaudited)</b> <b>1 July 2020-</b> <b>31 December</b> <b>2020</b>	(Unaudited) 1 July 2019- 31 December 2019	(Audited) Year ended 30 June 2020
<b>Profit / (loss) before taxation for the Period</b>		<b>90.7</b>	(13.2)	(275.3)
Depreciation of property plant and equipment		<b>35.9</b>	47.0	78.3
Amortisation of right-of-use asset		<b>2.3</b>	—	5.2
Unrealised gain on lease liability		<b>(2.5)</b>	—	(0.8)
Impairment charge – non financial assets	14	<b>0.2</b>	—	92.3
Impairment charge/(reversal) – other receivables	14	<b>—</b>	1.7	(0.4)
Impairment of BEE loans receivable – expected credit loss (release) / charge	11	<b>(4.6)</b>	—	10.9
Profit on disposal including associated impairment, net of tax	15	<b>(14.6)</b>	—	—
Movement in provisions		<b>0.4</b>	—	(0.1)
Financial income	6	<b>(69.0)</b>	(7.1)	(7.9)
Financial expense	6	<b>39.8</b>	38.5	161.0
Profit on disposal of property, plant and equipment		<b>(0.3)</b>	—	(0.1)
Share based payment provision		<b>0.2</b>	0.4	0.7
<b>Operating profit before working capital changes</b>		<b>78.5</b>	67.3	63.8
(Increase) / decrease in trade and other receivables		<b>(25.7)</b>	3.0	11.4
Increase / (decrease) in trade and other payables		<b>1.2</b>	(6.1)	(15.5)
Increase in inventories		<b>(6.8)</b>	(23.7)	(32.7)
<b>Cash generated from operations</b>		<b>47.2</b>	40.5	27.0
Net realised losses on foreign exchange contracts		<b>(3.6)</b>	(3.4)	(8.3)
Finance expense		<b>(2.5)</b>	(24.5)	(26.2)
Income tax received / (paid)		<b>0.1</b>	(0.6)	(0.6)
<b>Net cash generated from / (utilised by) operating activities</b>		<b>41.2</b>	12.0	(8.1)
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment		<b>(8.7)</b>	(26.8)	(39.3)
Proceeds from sale of property, plant and equipment		<b>—</b>	—	0.8
Loans advanced to BEE partners		<b>(5.0)</b>	(11.3)	(14.1)
Repayments from KEM JV		<b>—</b>	0.1	0.4
Finance income		<b>0.4</b>	0.1	1.2
<b>Net cash utilised in investing activities</b>		<b>(13.3)</b>	(37.9)	(51.0)
<b>Cash flows from financing activities</b>				
Principal paid on lease liabilities		<b>(0.3)</b>	(2.8)	(5.0)
Increase in borrowings		<b>—</b>	95.9	100.9
Repayment of borrowings		<b>—</b>	(95.9)	(43.5)
<b>Net cash generated from financing activities</b>		<b>(0.3)</b>	(2.8)	52.4

<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>27.6</b>	(28.7)	(6.7)
Cash and cash equivalents at beginning of the Period	<b>53.6</b>	71.7	71.7
Effect of exchange rate fluctuations on cash held	<b>11.2</b>	(2.9)	(11.4)
<b>Cash and cash equivalents at end of the Period<sup>1</sup></b>	<b>92.4</b>	40.1	53.6

<sup>1</sup> Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US\$13.9 million (30 June 2020: US\$14.0 million and 31 December 2019: US\$13.5 million) and unrestricted cash of US\$92.4 million (30 June 2020: US\$53.6 million and 31 December 2019: US\$40.1 million).

**PETRA DIAMONDS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2020

(Unaudited)	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Accumulated losses	Attributable to the parent	Non-controlling interest	Total equity
US\$ million									
Six month Period ending 31 December 2020:									
At 1 July 2020	133.4	790.2	(453.0)	1.1	(0.8)	(440.4)	30.5	(18.8)	11.7
Profit for the Period	—	—	—	—	—	54.5	54.5	13.1	67.6
Other comprehensive income / (expense)	—	—	54.7	0.2	—	—	54.9	(0.1)	54.8
Recycling of foreign currency translation reserve on disposal of Sekaka (refer note 15)	—	—	(13.3)	—	—	—	(13.3)	—	(13.3)
Equity settled share based payments	—	—	—	0.2	—	—	0.2	—	0.2
<b>At 31 December 2020</b>	<b>133.4</b>	<b>790.2</b>	<b>(411.6)</b>	<b>1.5</b>	<b>(0.8)</b>	<b>(385.9)</b>	<b>126.8</b>	<b>(5.8)</b>	<b>121.0</b>

**PETRA DIAMONDS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2020

(Unaudited)	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Accumulated losses	Attributable to the parent	Non-controlling interest	Total equity
US\$ million									
Six month Period ending 31 December 2019:									
At 1 July 2019	133.4	790.2	(361.7)	6.2	(0.8)	(255.6)	311.7	14.4	326.1
Loss for the Period	—	—	—	—	—	(8.7)	(8.7)	(1.3)	(10.0)
Other comprehensive (expense) / income	—	—	(0.9)	0.2	—	—	(0.7)	(0.2)	(0.9)
Equity settled share based payments	—	—	—	0.4	—	—	0.4	—	0.4
At 31 December 2019	133.4	790.2	(362.6)	6.8	(0.8)	(264.3)	302.7	12.9	315.6

**PETRA DIAMONDS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2020

(Unaudited)	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Accumulated losses	Attributable to the parent	Non-controlling interest	Total equity
US\$ million									
Twelve month Period ended 20 June 2020:									
At 1 July 2019	133.4	790.2	(361.7)	6.2	(0.8)	(255.6)	311.7	14.4	326.1
Loss for the Period	—	—	—	—	—	(190.0)	(190.0)	(33.0)	(223.0)
Other comprehensive expense	—	—	(91.3)	(0.2)	—	—	(91.5)	(0.6)	(92.1)
Transfer between reserves - Williamson non-controlling interest.	—	—	—	—	—	(0.4)	(0.4)	0.4	—
Transfer between reserves for lapsed employee options	—	—	—	(5.6)	—	5.6	—	—	—
Equity settled share based payments	—	—	—	0.7	—	—	0.7	—	0.7
<b>At 30 June 2020</b>	<b>133.4</b>	<b>790.2</b>	<b>(453.0)</b>	<b>1.1</b>	<b>(0.8)</b>	<b>(440.4)</b>	<b>30.5</b>	<b>(18.8)</b>	<b>11.7</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2020

### 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 Interim Financial Statements of the Company for the six month period ended 31 December 2020 comprise the Company and its subsidiaries, joint operations and associates (together referred to as the “Group”).

### 2. ACCOUNTING POLICIES

The interim results, which are unaudited, have been prepared in accordance with the requirements of International Accounting Standard 34. This condensed interim report does not include all the notes of the type normally included in an annual financial report. This condensed report is to be read in conjunction with the Annual Report for the year ended 30 June 2020, and any public announcements made by the Group during the interim reporting period. The annual financial report for the year ended 30 June 2020 was prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (“IFRS’s”) and the accounting policies applied in this condensed interim report are consistent with the policies applied in the annual financial report for the year ended 30 June 2020 unless otherwise noted.

#### **Basis of preparation including going concern**

##### **Going concern**

*In H1 FY 2021 our operations delivered largely in line with expectations, with revenues bolstered by the sale of the Letlapa Tala Collection, and US\$-reported costs positively impacted by a weaker ZAR:USD1 rate for the 6 months to December 2020. Project 2022 continued to deliver both on throughout, as well as cost performance. However, the outbreak of the COVID-19 pandemic during the preceding period, coupled with the uncertainty which remains still presents unprecedented challenges to our operations and the industry as a whole.*

##### *Capital restructuring*

*The Restructuring, which is expected to complete in early March 2021, remains subject to finalisation of the documentation required for implementation. At the estimated time of the envisaged restructure becoming effective, the Group’s gross debt under the existing facilities is estimated to be US\$815.8 million, being US\$708.5 under the loan Notes (US\$650 million capital plus accrued interest of ca. US\$ 58.5 million to date of settlement), plus ZAR1,609 million (ca. US\$107.3 million at ZAR15/US\$1) owed under the Group’s banking facilities, including the BEE guarantees. The envisaged Restructuring will also impact the Group’s equity shareholders as it entails a debt for equity swap approved by the shareholders at a SGM on 13 January 2021.*

*In the unlikely event that the Restructuring does not complete, it is likely that the Company, or one or more of the Group members, would file for insolvency (in the relevant jurisdiction(s)). It may in these circumstances be possible to effect a restructuring through a structured insolvency process. However, this would be reliant on the Group obtaining additional funding to fund trading as a going concern for a period of time before such restructuring could be effected, the obtaining (or waiving) of certain regulatory consents, support from the South African Lender Group and agreement from the Noteholders (potentially through a second scheme of arrangement or restructuring plan pursuant to the UK Companies Act 2006).*

##### **COVID-19**

*Uncertainty exists around the ongoing impact of COVID-19 on the Group. Although the South African Government declared mining operations able to continue during previous lockdown periods, the required social distancing measures which had to be implemented initially resulted in some operational disruptions, but these measures now put the Group in good stead to curtail the impact of any further possible lockdowns in South Africa.*

*At the Group’s tender post Period end, held in January 2021, rough diamond prices on a like-for-like basis were largely in line with prices achieved immediately pre-COVID-19. Further waves of outbreak and possible further restrictions on*

international travel may negatively impact the Group's short- and medium-term liquidity profile due to the potential impact on production, ability to hold tenders and market pricing, notwithstanding the proposed Restructuring.

#### *Williamson mine, Tanzania*

As mentioned above, the Williamson mine remains on care and maintenance and the likely timing of a recommencement of production remains subject to improving market conditions and the mine's liquidity position. In addition, the Group remains in discussions with the Government of Tanzania ("GoT") around various issues including, inter alia, the sharing of economic benefit, the recoverability of VAT receivables, and the potential release of the blocked diamond parcel. Due to the Group's current financial position, Petra is not in a position to provide any financial assistance to the Williamson mine. Williamson's liquidity position is reliant on its ability to generate cash through operations (which is not possible during care and maintenance); and/or its ability to reach agreement with the GoT allowing it to sell the blocked diamond parcel and around potential recoupment of VAT receivables; and/or its ability to procure funding via borrowings from local financial institutions. Notwithstanding receiving approval from the GoT to proceed with arranging a US\$25 million working capital facility from a local Tanzanian bank, while pledging its own assets as security, the mine has not yet been able to secure such funding. Discussions with a local bank for a possible reduced facility of some US\$ 2 million is currently ongoing. Should an agreement with the local bank not be reached within the next month, Williamson is likely to face a liquidity shortfall. Under the terms of the in-principle agreements with the South African Lender Group any additional funding by Petra would require its approval and if not provided may result in Williamson's insolvent liquidation.

#### *Forecast liquidity and covenants*

The Board has reviewed the Group's forecasts and sensitivities for a period of at least 18 months from Period end, including both forecast liquidity and covenants. The forecasts assume that the envisaged Restructuring will be implemented in line with the provisions of the in-principle term sheet. In doing so, careful consideration was given to potential risks to the forecasts under the review period. The Board carefully considered risks associated with COVID-19 which were considered to focus primarily on the potential for further production disruption, deferral of tenders due to travel restrictions and adverse impacts on diamond pricing.

In light of both normal trading risks and elevated risks associated with the potential impact of the COVID-19 pandemic, 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:

- an unforeseen disruption to operations at its South African mines due to either COVID-19 restrictions or otherwise;
- an unforeseen deferral of a rough diamond tender, due to COVID-19 restrictions, coupled with a significant price decline at an assumed subsequent private sale (in line with a similar process followed in FY 2020);
- a sustained 5% decrease in forecast rough diamond prices throughout the forecast period; and
- an increase in forecast operating cost.

Under the base case, which itself is dependent upon the successful completion of the proposed Restructuring and continued availability of the South African banking facilities in line with the Lock-up Agreement above, the forecasts indicate that the Company will be able to operate within the covenants set out in the in-principle agreement and maintain sufficient liquidity.

However, the proposed first lien covenants were set with limited headroom to base case. As such, although adequate liquidity is maintained throughout the review period under each of the individual scenarios, subject to continued availability of the South African Lender Group facilities, results of the stress testing indicate that in the event of deferral to the tenders outlined above or a combination of scenarios such as sustained reduced pricing and production disruption, possible covenant breaches associated with the South African banking facilities may occur at December 2021 and June 2022. Whilst reasonably available mitigating actions, which include cost savings and capital deferrals, are foreseen to address the risk of such a covenant breach, the delivery of such mitigating actions remains uncertain. In the event of a breach of covenant, the Company would be dependent on the South African Lender Group continuing to make the facilities available and under certain of the scenarios there would be insufficient liquidity to settle the outstanding South African Lender Group facilities if required. Whilst the South African Lender Group has indicated its

support in recent discussions and ongoing dialogue with the South African Lender Group will be important during this period, there can be no guarantee that the facilities would continue to remain available in the event of a covenant breach.

#### **Conclusion**

The Board is of the view that the longer-term fundamentals of the diamond market remain sound and that the Group will continue to benefit from Project 2022 (which includes increased production and reduced spend) throughout the review period and beyond.

Based on its assessment of the forecasts, principal risks and uncertainties and mitigating actions considered available to the Group in the event of downside scenarios, assuming a successful Restructuring the Board confirms that it is satisfied that the Group will be able to continue to operate and meet its liabilities as they fall due over the review period. However, the Group is reliant on the successful conclusion of the Restructuring to continue as a going concern. Additionally, as set out above, in the event of a successful Restructuring, the Group's forecasts remain sensitive to trading conditions and the ongoing COVID-19 pandemic may have a further material impact on the Group's ability to operate within its covenants such that continued South African Lender Group support may be required and, if unavailable, additional funding may be required, specifically for the December 2021 and June 2022 periods.

These factors indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Financial Statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

#### **New standards and interpretations applied**

The IASB has issued new standards, amendments and interpretations to existing standards with an effective date on or after 1 July 2020 which are not considered to have a material impact on the Group during the Period under review.

#### **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 2021 or later periods. The only standard which is anticipated to be significant or relevant to the Group is:

##### *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

Amendments to IAS 1, which are intended to clarify the requirements that an entity applies in determining whether a liability is classified as current or non-current. The amendments are intended to be narrow scope in nature and are meant to clarify the requirements in IAS 1 rather than modify the underlying principles. The amendments include clarifications relating to:

- how events after the end of the reporting period affect liability classification;
- what the rights of an entity must be in order to classify a liability as non-current;
- how an entity assesses compliance with conditions of a liability (e.g. bank covenants); and
- how conversion features in liabilities affect their classification.

The amendments were originally effective for periods beginning on or after 1 January 2022 which was deferred to 1 January 2023 by the IASB in July 2020.

#### **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 or reversals of previous impairments. 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 indicated no further impairment charges to be recognised, with an asset base of US\$773.3 million. This follows US\$85.5 million recognised at 30 June 2020 on a carrying value of property, plant and equipment of US\$844.0 million at the time of recognition. For further details of the inputs, assumptions and sensitivities in the impairment model, refer to note 14.

#### **Recoverability of diamond parcel in Tanzania**

The Group holds diamond inventory valued at lower of cost and net realisable value of US\$10.6 million (30 June 2020: US\$9.2 million and 31 December 2019: US\$12.3 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, 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.

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. The Company has since received communication from the Government of Tanzania that this will be dealt with as part of ongoing discussions with the Government, which are expected to resume by the end of February.

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 VAT receivables of US\$10.6 million (30 June 2020: US\$10.3 million and 31 December 2019: US\$13.5 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\$13.0 million (30 June 2020: US\$13.0 million and 31 December

2019: US\$13.8 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\$27.4 million (30 June 2020: US\$26.9 million and 31 December 2019: US\$24.2 million) of VAT is receivable which relates to VAT under the legislation, effective from July 2017 to 30 June 2020. Under that legislation, costs incurred in the production and sale of raw minerals were not eligible for VAT and judgement was required in determining whether rough diamonds qualified as raw minerals. The assessment of the carrying value of the VAT receivable under the VAT legislation effective in this period required significant judgement considering 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. In addition to judgement regarding the eligibility for VAT, judgement was required over the timing of future payments. Management has considered the amendment to the VAT legislation for the period July 2017 to July 2020 and considers that input VAT can continue to be recovered in relation to the export of rough diamonds; however, note that the legislation is unclear and the Tanzania Revenue Authority disputes the recoverability of such VAT. It is noted that in June 2020, the VAT legislation was, again, amended to remove any reference to raw minerals with effect from 1 July 2020. Whilst this amendment to the legislation is to be applied prospectively, management considers that this further helps support its view that the VAT receivables in this period are valid and recoverable. 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\$29.8 million (30 June 2020: US\$29.6 million and 31 December 2019: US\$24.5 million), which required estimates as to the timing of future receipts and determination of a risk adjusted discount rate. A discount rate of 16.25% 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\$0.4 million and a one year delay would increase the provision by US\$0.7 million.

#### **BEE receivables – expected credit loss provision**

The Group has applied the expected credit loss impairment model to its BEE loans receivable. In determining the extent to which expected credit losses may apply, the Group assessed the probability of agreeing an offset of the gross receivable and payable balances and the future free cashflows to be generated by the mining operations, based on the current LOM plans. In assessing the future cashflows, the Group considered the diamond price outlook and the probability of reaching an offset agreement. Based on the assessment, the analysis generated an expected credit loss reversal totalling US\$4.6 million (30 June 2020: US\$10.9 million expected credit loss provision and 31 December 2019: US\$nil), comprising of US\$4.6 million provision reversal in respect of Cullinan and Finsch (30 June 2020: US\$10.9 million provision comprising US\$6.1 million in respect of Cullinan and Finsch and US\$4.8 million in respect of Koffiefontein; and 31 December 2019: US\$nil).

#### **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.

### **Leases**

Management has made certain assumptions and applied judgement around certain service contracts with medium term renewal terms. In assessing the applicable term of the service contracts, the Group has concluded that it is unlikely that such contracts will be renewed and thus they are only included in the lease calculation up to the date of lease termination.

### **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 2020 Annual Report and will be discussed in further detail in the FY 2021 Annual Report:

- 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 Period under review (30 June 2020: US\$nil and 31 December 2019: 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		Consolidated
	Cullinan	Finsch	Koffiefontein	Williamson	Exploration <sup>4</sup>	Corporate and treasury	Beneficiation <sup>3</sup>	Inter-segment	
US\$ million	1 July 2020 - 31 December 2020	1 July 2020 - 31 December 2020	1 July 2020 - 31 December 2020	1 July 2020 - 31 December 2020	1 July 2020 - 31 December 2020	1 July 2020 - 31 December 2020	1 July 2020 - 31 December 2020	1 July 2020 - 31 December 2020	1 July 2020 - 31 December 2020
(6 month period ended 31 December 2020)									
Revenue	107.3	54.8	11.2	4.6	—	—	0.2	—	178.1
Segment result <sup>1</sup>	44.4	1.9	2.6	(6.3)	—	(3.9)	(0.4)	(1.0)	37.3
Impairment charge – other receivables	—	—	—	(0.2)	—	—	—	—	(0.2)
Impairment of BEE loans receivable – expected credit loss release / (charge)	—	—	—	—	—	4.6	—	—	4.6
Other direct income	0.3	1.1	0.1	3.6	—	—	—	—	5.1
Operating profit / (loss) <sup>2</sup>	44.7	3.0	2.7	(2.9)	—	0.7	(0.4)	(1.0)	46.8
Profit on disposal including associated impairment, net of tax									14.7
Financial income									69.0
Financial expense									(39.8)
Income tax credit									(23.1)
Non-controlling interest									(13.1)
Profit attributable to equity holders of the parent company									54.5
Segment assets	560.2	332.1	168.3	89.0	—	3,390.6	4.6	(3,307.2)	1,237.6
Segment liabilities	574.8	185.4	170.0	295.1	—	2,424.9	5.5	(2,539.1)	1,116.6
Capital expenditure	5.9	1.3	0.6	0.3	—	0.5	—	—	8.6

<sup>1</sup> Total depreciation of US\$35.9 million included in the segmental result comprises depreciation incurred at Cullinan US\$24.0 million, Finsch US\$11.4 million, Koffiefontein US\$0.1 million, Williamson US\$0.1 million and Corporate and treasury US\$0.3 million.

<sup>2</sup> Operating profit is equivalent to revenue of US\$178.1 million less total costs of US\$131.3 million as disclosed in the Consolidated Income Statement.

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

<sup>4</sup> The operating results in respect of Botswana have been reflected in note 15.

#### 4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities			Tanzania - Mining activities	Botswana	United Kingdom	South Africa		Consolidated
	Cullinan	Finsch	Koffiefontein	Williamson	Exploration <sup>4</sup>	Corporate and treasury	Beneficiation <sup>3</sup>	Inter-segment	
US\$ million	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019
(6 month period ended 31 December 2019)	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019
Revenue	81.7	61.7	14.7	35.9	—	—	0.1	(0.2)	193.9
Segment result <sup>1</sup>	21.8	3.1	(0.5)	1.8	(0.3)	(3.9)	—	(2.5)	19.5
Impairment charge – other receivables	—	—	—	(1.7)	—	0.1	—	—	(1.6)
Other direct income	—	0.2	—	0.1	—	—	—	—	0.3
Operating profit / (loss) <sup>2</sup>	21.8	3.3	(0.5)	0.2	(0.3)	(3.8)	—	(2.5)	18.2
Financial income									7.1
Financial expense									(38.5)
Income tax credit									3.2
Non-controlling interest									1.3
Loss attributable to equity holders of the parent company									(8.7)
Segment assets	602.2	401.4	177.1	189.6	—	3,130.1	13.0	(3,221.7)	1,291.7
Segment liabilities	603.2	194.0	314.1	306.0	—	2,155.2	13.9	(2,610.3)	976.1
Capital expenditure	12.0	5.6	2.3	5.7	—	0.9	—	—	26.5

<sup>1</sup> Total depreciation of US\$47.0 million included in the segmental result comprises depreciation incurred at Cullinan US\$23.2 million, Finsch US\$15.0 million, Koffiefontein US\$1.6 million, Williamson US\$6.8 million, Exploration US\$0.1 million and Corporate and treasury US\$0.3 million.

<sup>2</sup> Operating loss is equivalent to revenue of US\$193.9 million less total costs of US\$175.7 million as disclosed in the Consolidated Income Statement.

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

<sup>4</sup> Assets of US\$0.6 million and liabilities of US\$nil in respect of the exploration assets in Botswana were classified as non-current assets held for sale (refer to note 15 in respect of disposal).



#### 4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities			Tanzania - Mining activities	Botswana	United Kingdom	South Africa		Consolidated
	Cullinan	Finsch	Koffiefontein	Williamson	Exploration <sup>4</sup>	Corporate and treasury	Beneficiation <sup>3</sup>	Inter-segment	
US\$ million	2020	2020	2020	2020	2020	2020	2020	2020	2020
(12 month period ended 30 June 2020)	2020	2020	2020	2020	2020	2020	2020	2020	2020
Revenue	116.5	101.1	25.7	52.5	—	—	—	—	295.8
Segment result <sup>1</sup>	21.6	(5.1)	(6.2)	(19.3)	(0.6)	(8.7)	(0.7)	(2.4)	(21.4)
Impairment charge – operations	(11.6)	(27.6)	(11.7)	(34.6)	—	—	—	—	(85.5)
Impairment charge – other receivables	—	—	—	(6.8)	—	0.4	—	—	(6.4)
Impairment of BEE loans receivable – expected credit loss provision	—	—	—	—	—	(10.9)	—	—	(10.9)
Other direct income	—	0.7	0.3	1.0	—	—	—	—	2.0
Operating loss <sup>2</sup>	10.0	(32.0)	(17.6)	(59.7)	(0.6)	(19.2)	(0.7)	(2.4)	(122.2)
Financial income									7.9
Financial expense									(161.0)
Income tax credit									52.3
Non-controlling interest									33.0
Loss attributable to equity holders of the parent company									(190.0)
Segment assets	494.0	303.5	135.9	94.5	—	2,876.6	4.1	(2,865.9)	1,042.7
Segment liabilities	566.7	176.6	266.2	297.8	—	2,018.9	4.8	(2,300.0)	1,031.0
Capital expenditure	16.4	8.4	3.8	8.0	—	1.0	—	(1.2)	36.4

<sup>1</sup> Total depreciation of US\$78.3 million included in the segmental result comprises depreciation incurred at Finsch of US\$25.8 million, Cullinan of US\$40.4 million, Koffiefontein of US\$2.5 million, Williamson of US\$9.0 million, Exploration of US\$0.1 million and Corporate administration of US\$0.5 million.

<sup>2</sup> Operating loss is equivalent to revenue of US\$295.8 million less total costs of US\$418.0 million as disclosed in the Consolidated Income Statement.

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

<sup>4</sup> Assets of US\$0.3 million and liabilities of US\$nil in respect of the exploration assets in Botswana were classified as non-current assets held for sale (refer to note 15 in respect of disposal).

US\$ million	1 July 2020 - 31 December 2020	1 July 2019 - 31 December 2019	1 July 2019 - 30 June 2020
<b>5. CORPORATE EXPENDITURE</b>			
Corporate expenditure includes:			
Depreciation of property, plant and equipment	0.3	0.3	0.5
Amortisation of right-of-use asset	0.1	—	0.3
London Stock Exchange and other regulatory expenses	0.6	0.8	1.4
Share-based expense - Directors	0.2	0.4	0.7
Other staff costs	1.0	1.1	2.0
<b>Total staff costs</b>	<b>1.2</b>	<b>1.5</b>	<b>2.7</b>

## 6. FINANCING INCOME / (EXPENSE)

US\$ million	1 July 2020 - 31 December 2020	1 July 2019 - 31 December 2019	1 July 2019 - 30 June 2020
Net unrealised foreign exchange gains	65.1	2.7	—
Interest received on BEE loans and other receivables	2.7	3.9	6.7
Interest received bank deposits	0.4	0.1	1.2
Realised foreign exchange gains on the settlement of foreign loans and forward exchange contracts	0.8	0.4	—
Financial income	69.0	7.1	7.9
Gross interest on senior secured second lien notes, bank loans and overdrafts	(27.6)	(25.4)	(52.4)
Interest on bank loans and overdrafts capitalised	—	—	—
Net interest expense on bank loans and overdrafts	(27.6)	(25.4)	(52.4)
Other debt finance costs, including BEE loan interest, facility fees and IFRS 16 charges	(5.3)	(7.6)	(13.9)
Unwinding of present value adjustment for rehabilitation costs	(2.5)	(1.7)	(4.9)
Net unrealised foreign exchange losses <sup>1</sup>	—	—	(81.5)
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts	(4.4)	(3.8)	(8.3)
Financial expense	(39.8)	(38.5)	(161.0)
<b>Net financial income / (expense)</b>	<b>29.2</b>	<b>(31.4)</b>	<b>(153.1)</b>

<sup>1</sup> .The Group predominantly enters into hedge contracts where the risk being hedged is the volatility in the South African Rand, Pound Sterling and US Dollar exchange rates affecting the proceeds in South African Rand of the Group's US Dollar denominated diamond tenders. The fair value of the Group's hedges as at the end of the Period 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. A significant strengthening of the South African Rand against the US Dollar from ZAR17.32 (30 June 2020) to ZAR14.69 (31 December 2020) resulted in an unrealised gain of US\$65.1 million (30 June 2020: US\$81.5 million loss and 31 December 2019: US\$2.7 million gain) comprising foreign exchange contracts held at Period end of US\$13.0 million (30 June 2020: US\$12.8 million loss and 31 December 2019: US\$0.7 million loss) and inter-group foreign denominated loans of US\$52.1 million (30 June 2020: US\$68.7 million loss and 31 December 2019: US\$3.4 million gain); and a net realised foreign exchange loss of US\$3.6 million (30 June 2020: US\$8.3 million loss and 31 December 2019: US\$3.4 million loss) in respect of foreign exchange contracts closed during the Period is included in the net finance and expense amount.

## 7. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment for the Period is an increase of US\$97.5 million (30 June 2020: US\$292.0 million and 31 December 2019: US\$17.5 million). This is primarily as a result of:

- the movement in the US\$/ZAR foreign exchange rate resulting in a foreign exchange increase on Rand based assets of US\$118.7 million (30 June 2020: US\$163.8 million decrease and 31 December 2019: US\$3.0 million increase);
  - an increase in property, plant and equipment from capital expenditure of US\$8.6 million (30 June 2020: US\$36.4 million and 31 December 2019: US\$26.5 million),
  - an increase in the rehabilitation asset of US\$6.2 million (30 June 2020: US\$0.1 and 31 December 2019: US\$nil); and
- offset by:
- depreciation of US\$35.9 million (30 June 2020: US\$78.3 million and 31 December 2019: US\$47.0 million);
  - the impairment of the Cullinan, Finsch, Koffiefontein and Williamson assets of US\$nil (30 June 2020: US\$85.5 million and 31 December 2019: US\$nil); and
  - assets of US\$0.1 million (30 June 2020: US\$0.7 million and 31 December 2019: US\$nil) disposed of during the Period.

## 8. LOANS AND BORROWINGS

US\$ million	31 December 2020	31 December 2019	30 June 2020
<b>Non-current liabilities</b>			
Loans and borrowings – Senior secured second lien notes	—	604.8	—
	—	604.8	—
<b>Current liabilities</b>			
Loans and borrowings – BEE Partner debt facilities	47.2	—	40.0
Loans and borrowings – senior secured lender debt facilities	61.2	—	52.1
Loans and borrowings – senior secured second lien notes	702.0	47.3	676.9
	810.4	47.3	769.0
<b>Total loans and borrowings - bank facilities</b>	<b>810.4</b>	<b>652.1</b>	<b>769.0</b>

### a) 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.

On 1 May 2020, the Company deferred the coupon repayment due on the Notes to preserve liquidity within the Group which led to an event of default under the Notes. On 29 May 2020, the Group entered into a Forbearance Agreement with an ad-hoc group of Noteholders. Pursuant to the Forbearance Agreement, as a result of the event of default due to the non-payment of the coupon, the AHG agreed to forbear from the exercise of certain rights and remedies that they have under the Notes indenture, including agreeing not to accelerate the Notes obligations as a result of the missed interest payment. Under the terms of the indenture, the failure by the Group to pay the coupon on the Notes created an event of default. The extension of the Forbearance Agreement is at the discretion of the AHG and thus the Company does not have the unconditional right to defer the coupon repayment beyond a period

of 12 months. Accordingly as at 30 June 2020 and 31 December 2020, the Company recorded the outstanding obligation of the capital and interest in the Consolidated Statement of Financial Position under current loans and borrowings.

Further details about the 2022 Notes (including security) are included in the Group's FY 2020 Annual Report.

#### b) 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.

Due to the deferment of the Notes coupon on 1 May 2020, explained in (a) above, an event of default occurred under the terms of the debt facilities held with the South African Lender Group. On 29 May 2020, the Company entered into an Amendment Agreement with the South African Lender Group amending the terms of the RCF and WCF. The extension of the Amendment Agreement is at the discretion of the South African Lender Group and thus the Company does not have the unconditional right to defer the coupon repayment beyond a period of 12 months and shall remain in default until the default is remedied. Accordingly as at 30 June 2020 and 31 December 2020, the Company recorded the outstanding obligation of US\$52.1 million and US\$61.2 million respectively in the Consolidated Statement of Financial Position under current loans and borrowings. For further detail regarding the terms agreed with the South African Lender Group post Period-end refer to note 16.

The amendments to the RCF and WCF were:

- resetting the maturity date of the RCF to 31 July 2021 (previously 20 October 2021);
- increasing the margin on the WCF provided by Absa and RMB by 100 bps to match the South African prime lending rate; and
- the margin on the RCF increasing to 9% above SA JIBAR (5% above SA JIBAR).

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

Senior Lender Debt Facilities	31 December 2020 Facility amount	31 December 2019 Facility amount	30 June 2020 Facility amount
<b>ZAR Debt Facilities:</b>			
ZAR Lenders RCF	<b>ZAR400 million</b>	ZAR1,000 million	ZAR400 million
ZAR Lenders WCF	<b>ZAR500 million</b>	ZAR500 million	ZAR500 million
Absa/RMB – FX Hedging facilities	<b>ZAR300 million</b>	ZAR300 million	ZAR300 million

The terms and conditions of the Group facilities are detailed in the Group's FY 2020 Annual Report.

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

As at date of this report, both the RCF and WCF were fully drawn.

#### Covenant ratios

There have been no changes to the covenant ratios during the Period under review.

	12 months to 31 Dec 2020	12 months to 30 Jun 2021
Consolidated Net Debt to Consolidated EBITDA:	≤ 3.25x	≤ 3.0x
Consolidated EBITDA to Consolidated Net Finance Charges:	≥ 3.0x	≥ 3.25x
Consolidated Net Senior Debt to Book Equity:	< 0.4x	< 0.4x

As part of the Amendment agreement entered into with the South African Lender Group, the Company is required, in addition to its existing covenant ratios (as above), to maintain certain liquidity requirements. The liquidity requirements mean the aggregate of the undrawn amounts available under the RCF and WCF and consolidated cash and cash equivalents (excluding diamond debtors) shall not fall below ZAR200 million (US\$13.6 million).

Refer to the Financial Review for further commentary with regards to covenants.

### **c) BEE Partner debt facilities**

On 29 May 2020, the BEE Lenders agreed to amend the BEE Lender facility capital repayment profile of the outstanding balance. The balance, which was to be settled in three instalments, November 2020, May 2021 and November 2021, will now have a final single bullet repayment date of 31 July 2021. The BEE Lender facility bears interest at SA JIBAR plus 9.0%. The fees incurred for the amendment includes a 50 bps fee to the BEE Lenders referenced against the current principal amount outstanding under the BEE Facilities. The outstanding obligation has been disclosed under current loans and borrowings as a result of the event of default and the facility becomes immediately repayable for reasons described in note 8. For events subsequent to Period end affecting the BEE Lender facility refer to note 16.

### **Commercial terms agreed in principle with the AHG and South African Lender Group**

Further to the disclosure above, on 20 October 2020, the Company announced it had reached agreement in principle on a common set of commercial terms with respect to a long-term solution for the recapitalisation of the Group ("the Restructuring") with each of the AHG and the South African Lender Group. The key features of the proposed Restructuring are as follows:

- partial reinstatement of the Notes debt and the contribution by holders of the existing Notes of US\$30.0 million in new money, each to take the form of new senior secured second lien notes ("New Notes"). It is expected that the New Notes will amount to approximately US\$337.0 million (including the new money and fees paid as part of the transaction in New Notes);
- conversion of the remainder of the Notes debt into equity, which will result in the Noteholder group holding 91% of the enlarged share capital of PDL;
- restructuring of the first lien facilities provided by the South African Lender Group; and
- new governance arrangements and cashflow controls.

#### **1. Reinstatement of Notes debt and New Money**

All Noteholders shall have a right to subscribe for a portion of US\$30.0 million of new money to be provided by Noteholders to Petra Diamonds US\$ Treasury plc ("the New Money"), pro rata to their holdings of the Notes. The New Money will be structured to incentivise participation by Noteholders, including through the treatment of their existing Notes debt (as further described below), and backstopped by certain of the Noteholders.

A portion of the existing Notes debt will be reinstated alongside the New Money notes, each to be reinstated in the form of New Notes. The New Notes will be allocated as follows:

- (a) US\$30.0 million (reflecting the New Money) allocated only to those Noteholders that contribute New Money, pro rata to their New Money contribution;
- (b) US\$150.0 million allocated only to those Noteholders that contribute New Money, pro rata to each holder's contribution to the New Money (reflecting a ratio of 5.0:1);
- (c) US\$145.0 million allocated to all Noteholders, pro rata to their holdings of existing Notes at the close of the Restructuring; and
- (d) a further amount of New Notes as consideration to certain Noteholders, including the AHG, for their support and efforts expended in connection with the Restructuring. It is expected that the quantum of New Notes issued for this purpose will be approximately US\$12.0 million.

Material terms of the New Notes:

- (a) Interest rate (payable every six months) of 10.50%. Payment in kind for the first 24 months and 9.75% cash pay thereafter.

- (b) Maturity date: five years from date of completion.
- (c) Non-call protection: two-year non-call protection (customary make-whole), and coupon step-down profile thereafter at 104.88, 102.44, then par.
- (d) Covenants: customary for financing of this type, including: (i) a change of control provision requiring a change of control offer at 101%; and (ii) a minimum liquidity covenant.
- (e) Guarantors, security and ranking: second-ranking guarantees and security to be provided on substantially the same terms as under the existing Notes, with certain amendments to be agreed in line with corporate restructuring steps. Enhancements to security package to be agreed, including, but not limited to, security over intra-group offtake receivables and inventory at all relevant points in supply chain until inventory is sold to third parties (but only to extent of not constraining operations or incurring material additional duties or fees). Any enhancements shall also be included in the first lien security package.
- (f) Inter-creditor arrangements: to reflect second-ranking guarantees and security and certain additional inter-creditor arrangements including payment stops (including limitations on paying cash interest) and enforcement limitations, subject to the requirements and covenants of the first lien debt (including compliance with a first lien debt service cover ratio (see Section 3 below for further details), amount drawn under the new Revolving Credit Facility ("RCF") of no more than ZAR400.0 million at the time of and for two weeks following the interest payment and a minimum unrestricted cash covenant of US\$20.0 million).

The above arrangements with respect to the Notes shall be effected through an English law scheme of arrangement under part 26 of the Companies Act 2006.

The holders of the New Notes will be granted certain rights, and some ongoing financial oversight, over the business of the Group, including with respect to governance and cashflow controls.

## **2. Equity**

The remainder of the existing Notes debt will be exchanged for equity in the Company ("the Debt for Equity"), pursuant to which new Ordinary Shares in Petra Diamonds Limited ("PDL") will be issued to the Noteholders in consideration for the assignment of existing Notes debt. The Debt for Equity will result in the Noteholder group holding 91% of the enlarged share capital of PDL in the following proportions:

- (a) 56.0% of the enlarged share capital to be issued to all Noteholders, pro rata to their holdings of existing Notes at the close of the Restructuring (and to the extent any Noteholder does not take up their entitlement, such entitlement will be allocated to the remaining Noteholders who have not opted out of their equity entitlement, on a pro rata basis); and
- (b) 35.0% of the enlarged share capital to be issued to those Noteholders that elect to contribute towards the New Money only, pro rata to their contribution of New Money (and to the extent any such Noteholders do not take up their entitlement, such entitlement will be allocated to the remaining Noteholders (that are participating in the New Money and who have not opted-out of their equity entitlement) on a pro rata basis).

As a consequence of the Debt for Equity, at least 9% of the enlarged PDL share capital will remain with the existing PDL shareholders (subject to dilution as a result of standard management equity incentive arrangements). The Debt for Equity as currently constituted was approved by the existing shareholders of the Company at an EGM of the Company held on 13 January 2021.

## **3. Arrangements with the South African Lender Group**

The various existing arrangements with the South African Lender Group, including the ZAR500.0 million WCF, the ZAR400.0 million RCF, the financing arrangements in respect of the Group's BEE Partners ("the BEE Facilities") and the Group's general banking facilities will (subject to credit committee approval) be restructured as part of the Restructuring.

The new bank facilities will comprise the following, on a first lien basis and on substantially the same terms (or better for the Group) as under the existing documentation:

- (a) Term loan
  - (i) Available in a principal amount of ZAR1.2 billion (ca. US\$69 million), borrowed by existing obligors in the Group (to be agreed) in order to refinance the existing drawn ZAR500 million (ca. US\$29 million) WCF and the BEE Facilities (approximately ZAR683 million (ca. US\$39 million)).

- (ii) Final maturity date: three years from date of completion.
  - (iii) Scheduled amortisation of 9% of principal per quarter (starting in June 2021) with a final 10% of principal repayment at maturity.
  - (iv) 1.3x debt service cover ratio tested semi-annually on a rolling 12-month basis, which if breached will give rise to an event of default under the new bank facilities.
  - (v) Interest rate of JIBAR + 5.25% per annum (with an upfront fee of 1% of the term loan amount to be capitalised).
- (b) RCF
- (i) Available in a principal amount of ZAR560.0 million (ca. US\$32 million) constituted by a rollover of the existing RCF but upsized by ZAR160 million (ca. US\$9 million).
  - (ii) Final maturity date: three years from completion.
  - (iii) Scheduled reduction in the committed amount under the RCF of 9% of the total initial commitments per quarter (starting in June 2021) with a final 10% reduction at maturity.
  - (iv) 1.3x debt service cover ratio tested semi-annually on a rolling 12-month basis, which if breached will give rise to an event of default under the new bank facilities.
  - (v) Interest rate of JIBAR + 5.25% per annum (with an upfront fee of 1% of the RCF amount to be capitalised and a commitment fee based on undrawn balances).

Derivative, guarantee, foreign exchange and intra-day exposure lines up to an agreed amount consistent with current requirements and on substantially the same terms as the Group's existing arrangements. The existing arrangements will be rolled over to provide hedging against foreign exchange risk on the same terms as the Group's existing arrangements.

For further detail on the Restructuring post Period end refer to note 16.

## 9. COMMITMENTS

As at 31 December 2020, the Company had committed to future capital expenditure totalling US\$8.2 million (30 June 2020: US\$4.4 million and 31 December 2019: US\$5.9 million), mainly comprising Cullinan US\$5.7 million (30 June 2020: US\$2.0 million 31 December 2019: US\$2.5 million), Finsch US\$1.8 million (30 June 2020: US\$1.4 million 31 December 2019: US\$2.3 million), Koffiefontein US\$0.7 million (30 June 2020: US\$0.3 million 31 December 2019: US\$0.4 million) and Williamson US\$nil (30 June 2020: US\$0.7 million and 31 December 2019: US\$0.7 million).

## 10. RELATED PARTY TRANSACTIONS

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

Mine	Partner and respective interest as at 31 December 2020 (%)	Partner and respective interest as at 31 December 2019 (%)	Partner and respective interest as at 30 June 2020 (%)
Cullinan	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)
Finsch	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)
Koffiefontein	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)

The IPDET holds 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 %
Cullinan	78.4

Finsch	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	31 December 2020	31 December 2019	30 June 2020
<b>Non-current receivable</b>			
Kago Diamonds <sup>1</sup>	92.9	64.4	72.1
	92.9	64.4	72.1
<b>Non-current payable</b>			
Kago Diamonds	71.9	69.0	58.5
	71.9	69.0	58.5
<b>Current trade and other receivables</b>			
KEM JV <sup>2</sup>	9.4	8.5	8.0
Impairment provision <sup>2</sup>	(8.1)	(7.3)	(6.9)
	1.3	1.2	1.1
	1 July 2020 - 31 December 2020	1 July 2019 - 31 December 2019	1 July 2019 - 30 June 2020
<b>Finance income</b>			
Kago Diamonds	2.1	2.8	5.1
	2.1	2.8	5.1
<b>Finance expense</b>			
Kago Diamonds	2.6	3.6	6.4
	2.6	3.6	6.4

<sup>1</sup> The movement in the Kago Diamonds receivable of US\$20.8 million is mainly attributable to amounts advanced to Kago Diamonds during the Period totalling US\$2.8 million (30 June 2020: US\$7.7 million and 31 December 2019: US\$6.3 million), a foreign exchange increase of US\$15.5 million (30 June 2020: US\$7.7 million decrease and 31 December 2019: US\$6.3 million decrease) and offset by the reversal of prior period expected credit loss provision of US\$2.5 million (30 June 2020: US\$5.4 million impairment and 31 December 2019: US\$nil).

<sup>2</sup> Included in current trade and other receivables are amounts advanced to KEM JV in respect of a working capital facility and equipment finance facility of US\$nil (30 June 2020: US\$nil and 31 December 2019: US\$8.5 million) and the balance of the KEM JV purchase consideration of US\$1.1 million (30 June 2020: US\$1.1 million and 31 December 2019: US\$3.1 million). During FY H1 2021 the Group received payments of US\$nil (FY 2020 US\$0.4 million) from the KEM JV as part settlement of the outstanding purchase consideration. 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\$8.1 million (30 June 2020: US\$6.9 million and 31 December 2019: US\$7.3 million). The increase in the expected credit loss is attributable to the movement in the foreign exchange rates during the Period.

Kago Diamonds is one of the BEE partners which obtained bank financing from ABSA, RMB and Ninety-One (the "BEE Lenders") to acquire its interests in Cullinan and Finsch. The Group has provided a guarantee to the BEE Lenders for repayment of loans advanced to the Group's BEE Partners (refer to note 8 for further detail).

#### Rental income receivable

The Group received US\$0.1 million (30 June 2020: US\$0.1 million and 31 December 2019: US\$0.1 million) from Alufer Mining Ltd. The Group has US\$0.3 million (30 June 2020: US\$0.3 million and 31 December 2019: US\$0.3 million) receivable from Pella



Resources Ltd and US\$nil (30 June 2020: US\$0.1 million and 31 December 2019: US\$nil) receivable from Alufer Mining Ltd, both companies of which Mr Pouroulis is a director. Mr Pryor is a director of Alufer Mining Ltd.

## 11. BEE LOANS RECEIVABLE AND PAYABLE

US\$ million	31 December 2020	31 December 2019	30 June 2020
<b>Non-current assets</b>			
Loans and other receivables	175.1	125.9	137.0
<b>Non-current liabilities</b>			
Trade and other payables	133.4	128.1	108.6

### BEE Loans Receivable

The non-current BEE loans receivable represents those amounts receivable from the Group's BEE Partners (Kago Diamonds and the IPDET) in respect of, advances historically provided to the Group's BEE Partners to enable them to discharge interest and capital commitments under the BEE Lender facilities, advances to the BEE Partners to enable trickle payment distributions to both Kago Diamonds shareholders and to the beneficiaries of the IPDET (Petra Directors and Senior Managers do not qualify as beneficiaries under the IPDET Trust Deed), and financing of their interests in the Koffiefontein mine. In addition, US\$47.2 million (30 June 2020: US\$40.0 million and 31 December 2019: US\$nil) has been recorded as part of the gross receivable (before expected credit loss provisions) in respect of amounts to be reimbursed to the Group in respect of the guarantee under the BEE Lender facilities. Judgment was required in determining the extent to which reimbursement is applicable based on the terms of the agreements, South African legislation and discussions with the BEE partners.

As a result of historical delays in the Cullinan plant ramp-up and the Finsch SLC ramp-up, the Group has historically and through the Period 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). These BEE receivables, including interest raised, will be recoverable from the BEE Partners' share of future cashflows from the underlying mining operations less any offset agreements reached between the parties which are proposed to create a reduced net receivable.

As part of the in principle agreement reached during the Period as part of the Restructuring, Petra will assume the BEE Lender facility obligations under the terms outlined in note 8.

The Group has applied the expected credit loss impairment model to its financial assets and the BEE loans receivable. In determining the extent to which expected credit losses may apply, the Group assessed the probability of agreeing an offset of the gross receivable and payable balances and the future free cashflows to be generated by the mining operations, based on the current LOM plans. In assessing the future cashflows, the Group considered a probability weighted range of diamond price outlooks. Based on the assessment, the analysis generated a reversal of the expected credit loss provision during the Period totalling US\$4.6 million (30 June 2020: US\$10.9 million impairment and 31 December 2019: US\$nil), comprising of US\$4.6 million (30 June 2020: US\$6.1 million and 31 December 2019: US\$nil) in respect of Cullinan and Finsch and US\$nil (30 June 2020: US\$4.8 million and 31 December 2019: US\$nil) in respect of Koffiefontein. The main factor contributing to the reversal of the expected credit loss provision during the Period is the assumption relating to the probability of the BEE receivables being offset against the BEE payables. Management considered the current status of the Restructuring and was of the opinion that probability of successful completion have improved when compared to 30 June 2020 given the various approvals received by the Scheme creditors, current shareholders at the SGM and the approval received from Financial Surveillance Department of the South African Reserve Bank.

US\$ million	1 July 2020 - 31 December 2020	1 July 2019 - 31 December 2019	1 July 2019 - 30 June 2020
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As at 1 July	<b>137.0</b>	109.6	109.6
Foreign exchange movement on opening balance	<b>25.8</b>	2.1	(22.5)
Discretionary advance – capital and interest commitment (BEE Lender facility)	<b>2.9</b>	9.3	12.2
Discretionary advance – distributions to beneficiaries	<b>2.1</b>	2.0	1.9
Interest receivable	<b>2.7</b>	2.9	6.7
Group guarantee provided to BEE Lenders – default event under Notes (refer below)	—	—	40.0
Reversal / (impairment) of BEE loans receivable – expected credit loss provision	<b>4.6</b>	—	(10.9)
<b>As at 30 June</b>	<b>175.1</b>	125.9	137.0

### BEE loans payable

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

US\$ million	1 July 2020 - 31 December 2020	1 July 2019 - 31 December 2019	1 July 2019 - 30 June 2020
As at 1 July	<b>108.6</b>	120.5	120.5
Foreign exchange movement on opening balance	<b>20.0</b>	1.0	(23.8)
Interest payable	<b>4.8</b>	6.6	11.9
<b>As at 30 June</b>	<b>133.4</b>	128.1	108.6

### 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 Cullinan and Finsch. As part of historical refinancing arrangements the Group provided a guarantee to the BEE Lenders over the repayment of loans advanced to the Group’s BEE Partners. The BEE Partners were expected to settle their loan obligations with the BEE Lenders from their share of future operational cashflows from the South African operations, either through repayment of the amounts owing to the BEE Partners by Petra or through recoverable advances provided by Petra from Group treasury. During FY2019, judgement has been applied by management in assessing the risk of the BEE Partners defaulting under their obligations to the BEE Lenders. Management had considered the Group’s future cashflow forecasts and its ability to meet, at its discretion, planned forecast BEE Partner distributions. Accordingly management was of the opinion that the risk of default by the BEE Partners to the BEE Lenders was remote.

As disclosed in Note 1.1, in May 2020, the Company deferred the coupon repayment due on the Notes to preserve liquidity and entered into a Forbearance Agreement in respect of the Notes with the AHG and an Amendment Agreement in respect of its banking facilities with the South African Lender Group, including the South African BEE Lender Group. Under the terms of the BEE guarantee, the failure by the Group to pay the coupon on the Notes created an event of default under the BEE Lender facility. The revised terms under the banking facilities Amendment Agreement reset the capital repayment profile to 31 July 2021; however; if the Forbearance Agreement is not extended by the AHG and the South African Lender Group then the BEE Lender facility becomes immediately payable. The Company does not have the unconditional right to defer the coupon repayment beyond a period of 12 months and thus is unable to control the extension of the Forbearance Agreement. Accordingly as at 31 December 2020, the Company recorded the outstanding obligation of US\$47.2 million (30 June 2020: US\$40.0 million and 31 December 2019: US\$nil)

under current loans and borrowings and recognised an equivalent receivable due from the BEE Partners to the Company as detailed above.

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 8 for further detail).

## 12. EARNINGS PER SHARE

	<b>Total</b>	Total	
	<b>1 July 2020 - 31</b>	1 July 2019 - 31	Total
	<b>December 2020</b>	December 2019	30 June 2019
	<b>US\$</b>	US\$	US\$
Numerator			
Profit / (loss) for the Period	<b>54,571,655</b>	(8,719,448)	(190,021,687)
Denominator			
	<b>Shares</b>	Shares	Shares
Weighted average number of ordinary shares used in basic EPS			
Brought forward	<b>865,431,343</b>	865,336,485	865,336,485
Effect of shares issued during the Period	<b>—</b>	31,619	63,152
Carried forward	<b>865,431,343</b>	865,368,104	865,399,637
	<b>Shares</b>	Shares	Shares
Dilutive effect of potential ordinary shares	<b>—</b>	—	—
Weighted average number of ordinary shares in issue used in diluted EPS			
	<b>865,431,343</b>	865,368,104	865,399,637
	<b>US cents</b>	US cents	US cents
Basic profit / (loss) per share – US cents	<b>6.31</b>	(1.01)	(21.96)
Diluted profit / (loss) per share – US cents	<b>6.31</b>	(1.01)	(21.96)

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 2020: nil and 31 December 2019: nil).

## 13. 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.

	<b>Total</b>	Total	Total
	<b>1 July 2020 - 31 December 2020</b>	1 July 2019 - 31 December 2019	30 June 2020
	<b>US\$</b>	US\$	US\$
Numerator			
Profit / (loss) for the Period	<b>54,571,655</b>	(8,719,448)	(190,021,687)
Net unrealised foreign exchange loss / (gain)	<b>(49,936,067)</b>	(2,724,502)	64,036,456
Present value discount – Williamson VAT receivable*	<b>211,488</b>	1,330,696	6,816,715
Profit on disposal including associated impairment	<b>(14,696,171)</b>	—	—
Impairment charge - operations*	—	—	74,524,791
Impairment/(reversal) charge – other receivables	—	—	(382,713)
(Reversal) / impairment charge of BEE loans receivable – expected credit loss provision	<b>(4,585,295)</b>	—	10,887,714
Taxation charge / (credit) on unrealised foreign exchange (gain) / loss	<b>15,165,971</b>	<b>673,166</b>	(17,396,618)
Taxation credit on impairment charge*	—	—	(8,595,566)
<b>Adjusted profit / (loss) for the Period attributable to parent</b>	<b>731,581</b>	(9,440,088)	(60,130,908)
*Portion attributable to equity shareholders of the Company			
Denominator			
	<b>Shares</b>	Shares	Shares
Weighted average number of ordinary shares used in basic EPS			
As at 1 July	<b>865,431,343</b>	865,336,485	865,336,485

Effect of shares issued during the Period	—	31,619	63,152
Carried forward	<b>865,431,343</b>	865,368,104	865,399,637
	<b>Shares</b>	Shares	Shares
Dilutive effect of potential ordinary shares	—	—	—
Weighted average number of ordinary shares in issue used in diluted EPS	<b>865,431,343</b>	865,368,104	865,399,637
	<b>US cents</b>	US cents	US cents
Adjusted basic profit / (loss) per share – US cents	<b>0.08</b>	(1.09)	(6.95)
Adjusted diluted profit / (loss) per share – US cents	<b>0.08</b>	(1.09)	(6.95)

## 14. IMPAIRMENT CHARGE

The continued downturn in the global rough diamond market, impact of the COVID-19 pandemic and variability in product mix have severely impacted rough diamond prices achieved by Petra, 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.

The operations of Cullinan, Finsch, Koffiefontein and Williamson are held at recoverable value as a result of FY2020 impairments. During the Period under review, the Group reviewed the carrying value of its investments, loan receivables and operational assets for indicators of impairment. Following the assessment, no further impairment of property, plant and equipment was considered appropriate for Cullinan, Finsch, Koffiefontein and Williamson, nor was any impairment reversal considered appropriate in the current Period. The Group recognised a consolidated income statement charge of US\$0.2 million comprising management's estimate of the recoverability of the Tanzania VAT receivable.

Impairment (US\$ million)	Asset class	Carrying value pre impairment	Impairment	Carrying value post impairment
<b>Impairment – non-financial receivables:</b>				
Other – non-current	Tanzania VAT receivable (refer to note 2)	10.8	(0.2)	10.6
<b>Total</b>		<b>10.8</b>	<b>(0.2)</b>	<b>10.6</b>

### 31 December 2019

During the 6 month period ending 31 December 2019, the Group reviewed the carrying value of its investments, loan receivables and operational assets for indicators of impairment. Following the assessment, no impairment of property, plant and equipment was considered appropriate for Cullinan, Finsch, Koffiefontein and Williamson. The Group recognised a net consolidated income statement charge of US\$1.6 million comprising of US\$1.7 million, being management's estimate of the recoverability of the Tanzania VAT receivable, and recoupment of US\$0.1 million previously impaired in respect of the KEM JV receivable.

Details of the impairment assessment are shown below:

Impairment (US\$ million)	Asset class	Carrying value pre impairment	Impairment	Carrying value post impairment
<b>Impairment – non-financial receivables:</b>				
Other	Tanzania VAT receivable (refer note 2)	15.2	(1.7)	13.5
Other	KEM JV recoupment of receivable	(0.1)	0.1	—
<b>Total</b>		<b>15.1</b>	<b>(1.6)</b>	<b>13.5</b>

### 30 June 2020

During FY 2020, 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\$85.5 million being management's estimate of recoverable value of the Cullinan, Finsch, Koffiefontein and Williamson assets.

<b>Impairment (US\$ million)</b>	<b>Asset class</b>	<b>Carrying value pre impairment</b>	<b>Impairment</b>	<b>Carrying value post impairment</b>
<b>Impairment operations:</b>				
Cullinan	Property, plant & equipment	250.1	(27.6)	222.5
Finsch	Property, plant & equipment	475.2	(11.6)	463.6
Koffiefontein	Property, plant & equipment	17.4	(11.7)	5.7
Williamson	Property, plant & equipment	101.3	(34.6)	66.7
<b>Sub-total</b>		<b>844.0</b>	<b>(85.5)</b>	<b>758.5</b>
<b>Impairment – non-financial receivables:</b>				
Other – reversal current	Other receivables	—	0.4	0.4
Other – non-current	Tanzania VAT receivable (refer to note 2)	17.1	(6.8)	10.3
<b>Sub-total</b>		<b>17.1</b>	<b>(6.4)</b>	<b>10.7</b>
<b>Total</b>		<b>861.1</b>	<b>(91.9)</b>	<b>769.2</b>



## 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 for 31 December 2020 and 30 June 2020:

Key assumptions	Explanation
LOM and recoverable value of reserves and resources	<p>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.</p> <p>The LOM for the operations are as follows:  Cullinan: FY 2029 (FY 2020: FY 2029)  Finsch: FY 2030 (FY 2020: FY 2030)  Koffiefontein: FY 2023 (FY 2020: FY 2023)  Williamson: FY 2030 (FY 2020: FY 2030)</p> <p>Resources remaining after the current LOM plans have not been included in impairment testing for the operations.</p>
LOM reserves and resources	<p>Finsch: LOM plan over the next ten years; total resource processed 31.6 Mt (FY 2020: LOM plan over the next 10 years; total resource processed 33.0 Mt).</p> <p>Cullinan: LOM plan over the next nine years; total resource processed 35.7 Mt (FY 2020: LOM plan over the next 9 years; total resource processed 37.8 Mt).</p> <p>Koffiefontein: LOM plan over the next three years; total resource processed 2.4 Mt (FY 2020: LOM plan over the next 3 years; total resource processed 2.9 Mt).</p> <p>Williamson: LOM plan over the next nine years; total resource processed 49.3 Mt (FY 2020: LOM plan over the next 9 years; total resource processed 49.3 Mt).</p>
LOM – capital expenditure	<p>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.</p>
Residual Value	<p>Cullinan: Management included a residual value of property, plant and equipment to be used beyond the current LOM given the significant resource base estimated to be available at the end of the current LOM.</p> <p>No residual values were included in the impairment assessments of the other mining operations.</p>
Diamond prices	<p>The diamond prices used in the impairment test have been set with reference to recently achieved pricing and market trends, and long-term diamond price escalators are informed by industry views of long-term market supply/demand fundamentals. Given the current market uncertainty, the assessment of short-term diamond prices and the rate and extent of pricing recovery, together with the longer-term pricing escalators, represented a critical judgement.</p> <p>The 31 December 2020 impairment testing models starting price assumptions remain unchanged when compared to the 30 June 2020 impairment models. Diamond prices have been assumed to increase from FY2022 and FY2023 returning to pricing levels achieved before the impact of COVID-19, representing an increase of 25%-30% from pricing achieved at the lowest point during FY2020.. The long-term models incorporate normalised diamond price escalation of 1.8% above a long-term US inflation rate of 2.5% per annum from FY 2024 to FY 2030. Estimates for the contribution of Exceptional Diamonds sold for more than US\$5.0 million each are determined with reference to historical trends.</p> <p>30 June 2020 impairment testing models incorporated diamond prices impacted by the COVID-19 pandemic with expected diamond prices returning to pre-COVID-19 adjusted long-term average by FY 2024. The long-term models incorporate normalised diamond price escalation of 1.8% above a long-term US inflation rate of 2.5% per annum from FY 2024 to FY 2030. Estimates for the contribution of Exceptional Diamonds sold for more than US\$5.0 million each are determined with reference to historical trends.</p>
Discount rate	<p>A ZAR discount rate ranging from 11.60% to 16.00% (30 June 2020: 11.60 to 16.00%) was used for the South African operations and a USD discount rate of 13.5% (30 June 2020: 13.5%) for Williamson. Discount rates calculated based on a nominal weighted average cost of capital including the effect of factors such as market risk and country risk as at the Period end. USD and ZAR discount rates are applied based on respective functional currency of the cash generating unit.</p>
Cost inflation rate	<p>Long-term inflation rates of 3.5%–7.5% (30 June 2020: 6.0%–9.8%) above the long-term US\$ inflation rate were used for Opex and Capex escalators.</p>
Exchange rates	<p>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</p>

	operations commenced at ZAR15.00 (30 June 2020: ZAR16.00) reflecting the current volatility experienced during H1 FY2021, ZAR16.00 (30 June 2020: ZAR16.00) during FY2022 before further devaluing at 3.5% (30 June 2020: 3.5% from FY2023) per annum thereafter. Given the volatility in the USD/ZAR exchange rate and the current levels of economic uncertainty the determination of the exchange rate assumptions required significant judgement.
Valuation basis	Discounted present value of future cash flows.
Williamson	During the Period, Williamson remained on care and maintenance. For impairment testing at Williamson, management have not changed the assumptions when compared to FY 2020.  During FY2020, Williamson was placed on care and maintenance. For impairment testing at Williamson, management assumed that operations would recommence from 1 July 2021 at normal monthly costs. However if the recommencement of operations was delayed by six months, the impact would be an impairment of US\$7.7 million.

## Sensitivity analysis

The impact of applying reasonable downside sensitivities on the key inputs based on management's assumptions at 31 December 2020 is noted below:

(US\$ million)	Impairment charge			
	Cullinan	Finsch	Koffiefontein	Williamson
Base case				
Increase in discount rate by 2%	-36.1	-1.9	-0.5	-4.9
Reduction in pricing by 5% over Life of Mine	-47.5	-21.0	-3.1	-16.9
Reduction in short-term production by 10%	-34.1	-1.3	-7.8	-0.7
Increase in Opex by 5%	-22.7	0	-1.8	-26.1
Strengthening of the ZAR from US\$/ZAR16.00 to US\$/ZAR15.00	-61.3	-31.0	-2.8	n/a

## 15. DISPOSAL OF OPERATIONS

### Botswana (exploration)

On 20 July 2020 the Company announced that it had entered into an agreement to dispose of its exploration assets in Botswana via the sale of 100% of its holding in Sekaka Diamonds Exploration (Pty) Limited (previously known as Petra Diamonds Botswana (Pty) Limited) ("Sekaka Diamonds") to Botswana Diamonds PLC for a total consideration of US\$300,000 and a 5% royalty on future diamond revenues should any of the prospects within the exploration licences be brought into production.

The assets of Sekaka Diamonds include the Company's three existing Prospecting Licenses in Botswana, which includes the KX36 project, a 3.5 hectare kimberlite that was a new discovery by Petra in 2010, as well as a bulk sampling plant. These assets have been classified as 'Assets held for sale' since 30 June 2018 following a decision by the Board to dispose of its Botswana exploration assets; the disposal of Sekaka was not a result of the recent sales process, as announced on 26 June 2020, undertaken by the Group with respect to the debt Restructuring.

The purchase price of US\$300,000 will be payable in two equal instalments of US\$150,000 each, on or before 31 August 2021 and 31 August 2022 respectively. Petra is also entitled to a 5% royalty on the sale of diamonds commercially produced from any kimberlite which falls within the licence areas covered in the sale. Botswana Diamonds has the option to buy-out the royalty for a cash payment of US\$2.0 million.

The acquisition completed during November 2020.

### Effect of the transaction

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

i) Net assets of Sekaka Diamonds:

US\$ million	As at 30 November 2020
Mining property, plant and equipment	0.2
Trade and other receivables	—
<b>Non-current assets held for sale</b>	<b>0.2</b>
Trade and other payables	—
<b>Non-current liabilities associated with non-current assets held for sale</b>	<b>—</b>
<b>Net assets disposed</b>	<b>0.2</b>

ii) Post tax loss on disposal of Sekaka Diamonds at:

US\$ million	Period ended 30 November 2020
Fair value consideration receivable on disposal	0.3 <sup>1</sup>
Less: net assets disposed of	(0.2)
Add: foreign currency translation recycled on disposal	13.3
Profit on disposal	13.4
Add: net profit for the Period <sup>2</sup>	1.3
Profit on disposal including associated impairment, net of tax	14.7

<sup>1</sup> The Company has attributed US\$nil fair value to the 5% royalty given the uncertainty and time taken to convert an exploration project to a commercially viable mine.

<sup>2</sup> The Company incurred US\$0.1 million in cash costs during the Period.

## 16. EVENTS AFTER THE REPORTING PERIOD

### The Restructuring

On 8 January 2021, the Company obtained approval for the Proposed Scheme of Arrangement of Petra Diamonds US\$ Treasury Plc ("the Scheme") by the requisite majority of Scheme Creditors at the Scheme Meeting (being a majority in number, representing at least 75 per cent. in value of the Scheme Creditors present and voting).

On 12 January 2021, the Company obtained approval that the Scheme in connection with the Notes was sanctioned by the High Court of Justice of England and Wales at the Scheme Sanction Hearing which took place before Bacon J at 10.30 a.m. (London time).

On 13 January 2021, a Special General Meeting was held whereby ordinary shareholders of the Company voted to:

- approve the reduction to the authorised share capital of the Company by reducing the nominal value of all Ordinary Shares from 10 pence to 0.001 pence
- approve the increase to the authorised share capital of the Company by the creation of 8,500,000,000 Ordinary Shares
- authorise the Directors to allot Ordinary Shares up to an aggregate nominal amount of £88,447, being 8,844,700,000 Ordinary Shares (the "New Ordinary Shares") and

- approve the issue of the New Ordinary Shares pursuant to the Debt for Equity Conversion, including at a discount to the Closing Price as at 18 December 2020

At the meeting the ordinary shareholders voted in favour of the resolutions and as a result, 8,844,657,929 Ordinary Shares are expected to be allotted to Noteholders, on or around the Proposed Restructuring Effective Date, under the authority granted. The Proposed Restructuring Effective Date will occur once the Company has agreed certain documentation with its key financial stakeholders.

Applications will therefore be made in due course to the Financial Conduct Authority for 8,844,657,929 Ordinary Shares to be admitted to listing on the premium listing segment of the Official List of the FCA and to London Stock Exchange plc for 8,844,657,929 Ordinary Shares to be admitted to trading on the London Stock Exchange plc's main market for listed securities.

On 14 January 2021, the Company obtained approval from the United States Bankruptcy Court approving the US Chapter 15 Bankruptcy application.

On 29 January 2021 the Company received approval from the Financial Surveillance Department of the South African Reserve Bank to implement the Restructuring.

## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- a) the Condensed Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- b) the Interim Management Report includes a fair review of the information required by FCA's Disclosure and Transparency Rules (DTR 4.2.7 R and 4.2.8 R).

By order of the Board

**Richard Duffy**  
Chief Executive Officer  
16 February 2021

## **INDEPENDENT REVIEW REPORT TO PETRA DIAMONDS LIMITED**

### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2020 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, the condensed consolidated statement of cashflows and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Material uncertainty related to Going Concern**

We draw your attention to note 2 in the condensed financial statements in the half-yearly financial report, which indicates that at the date of this report the group is reliant on the successful conclusion of the proposed capital Restructuring to continue as a going concern.

Additionally, as set out in note 2, in the event of a successful capital Restructuring, the group's forecasts remain sensitive to both trading conditions and the potential impact of COVID-19, which may have a material impact on the group's ability to operate within its covenants such that continued South African Lender Group support may be required for the proposed lending facilities to remain available and, if unavailable, additional funding may be required.

As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

## **Use of our report**

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP  
Chartered Accountants  
London, United Kingdom  
16 February 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).