



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

Preliminary Results Announcement for the Year ended 30 June 2021 (unaudited)

Petra Diamonds Limited announces its preliminary results (unaudited) for the year ended 30 June 2021 ("the Year" or "FY 2021").

Richard Duffy, Chief Executive, commented on the results:

"FY 2021 was a watershed year for Petra. Besides the challenges of the COVID-19 pandemic, we completed a capital restructuring which, together with the sale of a number of exceptional blue and white diamonds from the Cullinan mine, served to reduce consolidated net debt by around two thirds to US\$228.2 million. We now have a more stable capital structure, considerably reduced debt obligations and greater liquidity.

"The strong recovery in the diamond market towards the end of the financial year, that has continued into the current quarter, further bolstered our improved financial position. Record production at Cullinan, driven by Project 2022 throughput initiatives, as well as the highest annual contribution to revenue from exceptional diamond sales, resulted in a 65% improvement in revenue to US\$402.3 million and contributed to operational free cashflow of US\$120.1 million for FY 2021. These record recoveries have continued post Year end with the sale of the magnificent 39.34 carat blue diamond for US\$40 million, being the most valuable single diamond ever sold by Petra. The US\$1 million per carat realised for this stone is likely the highest per carat price for a rough diamond ever achieved.

"Although Group production for the Year was negatively impacted by production challenges at both Finsch and Koffiefontein, we are confident that the post Year end re-engineering projects currently underway will lead to improved production and margins at both operations during FY 2022.

"We enter FY 2022 with some momentum from a considerably strengthened balance sheet, ongoing optimisation of our asset base and a positive outlook for the diamond market."

Key Financial Results¹

- FY 2021 revenue up 65% to US\$402.3 million (FY 2020: US\$243.3 million), including US\$62.0 million contribution from Exceptional Stones (FY 2020: US\$14.9 million).
- Adjusted EBITDA up 101% to US\$135.4 million (FY 2020: US\$67.3 million); adjusted EBITDA margin of 34% (FY 2020: 28%).
- Operational free cashflow¹³ of US\$120.1 million (FY 2020: operational cash outflow of US\$12.3 million).
- Adjusted loss before tax decreased 88% to US\$8.9 million (FY2020: US\$74.0 million).
- Adjusted net loss after tax of US\$16.1 million (FY 2020: US\$54.7 million).
- Non-cash impairment charge of US\$17.7 million (FY 2020: US\$50.5 million)
- Loss on discontinued operations of US\$52.1 million (FY 2020: US\$58.0 million).
- Net profit after tax of US\$196.6 million (FY 2020: net loss after tax: US\$223.0 million), including a gain of US\$213.3 million on the extinguishment of the Notes following the successful debt Restructuring.
- Consolidated net debt reduced to US\$228.2 million at 30 June 2021 from US\$693.2 million at 30 June 2020.

- Basic earnings per share from continuing operations: 6.67 US\$ cents per share (FY 2020: loss of 15.26 US\$ cents per share).
- The Board has decided to review its strategic options at Williamson and the asset has therefore been classified as an asset held for sale for financial reporting purposes.

Operational and ESG Results

- Lost Time Injury Frequency Rate (“LTIFR”) increased to 0.44 (FY 2020: 0.29). Total injuries, including LTIs, in FY 2021 decreased to 42 (FY 2020: 45).
- Production down 2% to 3.24 Mcts (FY 2020: 3.29 Mcts), with record production of 1.94 Mcts at Cullinan offset by lower production at Finsch and Koffiefontein.
- Absolute on-mine cash costs increased 3% to US\$197.6 million (FY 2020: US\$191.2 million), driven by inflation and a marginally stronger South African Rand.
- The Company’s total carbon footprint decreased 16% in FY 2021, assisted by lower production levels as well as the positive impact of the Company’s energy efficiency initiatives.
- Petra’s commitment to environmental reporting affirmed with the attainment of an A- score for its climate change submission to CDP, placing the Company in the leadership category.
- Continued focus on diversity saw the percentage of women in the Company increase from 19% to 20% in FY 2021 and the percentage of women on the Board increased from 22% to 25%, with a further increase post Year end to 34%.

Post Year End Updates

- The Company announced the sale of an exceptional 39.34ct blue diamond, recovered during April 2021, for US\$40.18 million, as well as a 342.92 carat Type IIa white diamond and an 18.30 carat Type IIb blue diamond that were sold for a total of US\$13.5 million; the Company has retained a 50% interest in the profit uplift of the polished proceeds of both diamonds, after costs.
- Successful labour negotiations concluded in September 2021, with the agreement of a new three-year wage agreement with NUM covering FY 2022 to FY 2024, which should allow for further workforce stability over this timeframe.
- Re-engineering projects initiated in July 2021 at Finsch and Koffiefontein to comprehensively review and improve the mines’ cost bases and enhance operating efficiencies and margins.
- Although the number of COVID cases have increased as a result of a third wave of infections in South Africa, there has been a limited impact on our production rate. Petra is carrying out vaccination drives at each of the South African mines in order to help protect our workforce.
- Discussions with the Government of Tanzania to reach agreement on various issues at the Williamson mine are ongoing, with an objective of these being concluded during FY 2022.

Outlook

- FY 2022 production guidance of 3.3 to 3.6 Mcts (South African operations: 3.1 to 3.4 Mcts and Williamson: 0.22 to 0.27 Mcts).
- FY 2022 capex guidance of US\$78 million to US\$92 million (South African operations: US\$70 million to US\$82 million and Williamson: US\$8 million to US\$10 million).
- Positive outlook for the market, with the severe supply contraction of CY 2020 expected to continue in CY 2021, while consumer demand is expected to remain robust in the second half of CY 2021, with retailers anticipating continued strong consumer demand moving into the key festive retail period, underpinned by shortages in the polished market.

¹Unless stated otherwise, the financial results in this announcement are adjusted to exclude the assets and liabilities of Williamson, which has been reclassified as an asset held for sale as at 30 June 2021, and the operating results of Williamson have been reclassified as a discontinued operation for FY 2020 and FY 2021. An appendix for production results has been included on page 25 to show operational results prior to its reclassification, for reference only.

SUMMARY OF RESULTS (unaudited)

	Restated ⁸	
	Year ended 30 June 2021 ("FY 2021")	Year ended 30 June 2020 ("FY 2020")
	US\$ million	US\$ million
Revenue	402.3	243.3
Adjusted mining and processing costs ¹	(261.2)	(169.3)
Other direct income	1.7	1.0
Profit from mining activity²	142.8	75.0
Exploration expense	—	(0.5)
Adjusted corporate overhead ¹⁶	(7.4)	(7.2)
Adjusted EBITDA³	135.4	67.3
Depreciation & Amortisation	(76.8)	(69.8)
Share-based expense	(0.5)	(0.7)
Net finance expense	(67.0)	(70.8)
Adjusted loss before tax	(8.9)	(74.0)
Tax (expense) / credit (excluding taxation credit / charge on impairment charge and unrealised foreign exchange gain / (loss)) ¹⁴	(7.2)	19.3
Adjusted net loss after tax⁴	(16.1)	(54.7)
Impairment charge – operations and other receivables ⁵	(17.7)	(50.5)
Impairment of BEE loans receivable – expected credit loss release / (charge) ⁶	5.8	(10.9)
Gain on extinguishment of Notes net of unamortised costs	213.3	—
Profit on disposal of subsidiary ⁷	14.7	—
Costs and fees relating to investigation and settlement of human rights abuse claims	(12.7)	—
Net unrealised foreign exchange gain / (loss)	77.1	(82.1)
Taxation (charge) / credit on unrealised foreign exchange gain / (loss) ¹⁴	(19.9)	22.2
Taxation credit on impairment charge	4.2	11.0
Profit / (loss) from continuing operations	248.7	(165.0)
Loss on discontinued operations, net of tax ⁷	(52.1)	(58.0)
Net profit / (loss) after tax	196.6	(223.0)
Earnings per share attributable to equity holders of the Company – US cents		
Basic profit / (loss) per share – from continuing and discontinued operations	5.22	(21.96)
Basic profit / (loss) per share – from continuing operations	6.67	(15.26)
Adjusted loss per share – from continuing operations ⁸	(0.46)	(5.04)

Cash at bank – (including restricted amounts)	US\$m	163.8	67.6*
Diamond debtors	US\$m	38.3	4.8*
Diamond inventories	US\$m / Cts	45.1 560,699	84.1* 1,357,584*
US\$336.7m loan notes (issued March 2021) ¹⁵	US\$m	327.3	—
US\$650 million loan notes ⁹	US\$m	—	676.9
Bank loans and borrowings ¹⁰	US\$m	103.0	52.1
BEE partner bank facilities ¹¹	US\$m	—	40.0
Consolidated Net debt ¹²	US\$m	228.2	693.2
Bank facilities undrawn and available ¹⁰	US\$m	7.7	—

*Including Williamson

The following exchange rates have been used for this announcement: average for FY 2021 US\$1:ZAR15.41 (FY 2020: US\$1:ZAR15.68); closing rate as at 30 June 2021 US\$1:ZAR14.27 (30 June 2020: US\$1:ZAR17.32).

Results Webcasts – 9:30am and 4:00pm BST today

Petra's Chief Executive Richard Duffy and Finance Director Jacques Breytenbach will host a results webcast at 9:30am BST on 14 September 2021. Participants can join the webcast by registering at: <https://www.petradiamonds.com/go/prelim14sep2021-09h30>.

A recording of the webcast will be available later that day on Petra's website at: <https://www.petradiamonds.com/investors/results-reports/> and on the link above.

There will be a second webcast on 14 September 2021 for international investors at 4:00pm BST. Participants can join the webcast by registering at: <https://www.petradiamonds.com/go/prelim14sep2021-16h00>

Investor Meet Company Webcast – 2:00pm BST today

Petra will also be hosting an investor presentation predominantly aimed at retail investors with Investor Meet Company at 2:00pm BST on 14 September 2021. Participants can join the webcast by registering at: <https://www.investormeetcompany.com/petra-diamonds-limited/register-investor>

Notes to Summary of Results Table:

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, US\$ loan note and consolidated net debt for covenant measurement purposes. As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies. The Board believes that such alternative measures are useful as they exclude one-off items such as the impairment charges and non-cash items to provide a clearer understanding of the underlying trading performance of the Group.

1. Adjusted mining and processing costs are mining and processing costs stated before depreciation and share-based expense.
2. Profit from mining activities is revenue less adjusted mining and processing costs plus other direct income.
3. Adjusted EBITDA is stated before depreciation, amortisation of right-of-use asset, costs and fees relating to investigation and settlement of human rights abuse claims, share-based expense, net finance expense, tax expense, loss on discontinued operations, net of tax, impairment charges, expected credit loss release/ (charge), gain on extinguishment of Notes net of unamortised costs, profit on disposal of subsidiary and net unrealised foreign exchange gains and losses
4. Adjusted net profit/(loss) after tax is net profit/(loss) after tax stated before impairment charge, expected credit release (loss) provision, gain on extinguishment of Notes net of unamortised costs, profit on disposal net unrealised foreign exchange gains and losses, and excluding taxation (charge) credit on net unrealised foreign exchange gains and losses and excluding taxation credit on impairment charge.
5. Impairment charge of US\$17.7 million (30 June 2020: US\$50.5 million) was due to the Group's impairment review of its operations and other receivables. Refer to note 16 for further details.
6. Reversal of impairment of BEE loans receivable of US\$5.8 million (30 June 2020: US\$10.9 million impairment charge) is due to the Group's expected credit loss assessment of its BEE loans receivable. Refer to note 13 for further details.
7. The profit on disposal of subsidiary of US\$14.7 million includes the reclassification of foreign currency translation reserve, net of tax of Sekaka Diamonds (Pty) Ltd.

The loss on discontinued operations reflect the results of the Williamson operation (net of tax), including impairment, of US\$52.1 million (FY 2020 results have been amended for comparability) as per the requirements of IFRS 5; refer to Note 17.

8. Adjusted EPS from continuing operations is stated before impairment charge, expected credit release (loss) provision, gain on extinguishment of Notes net of unamortised costs, profit on disposal of subsidiary, costs and fees relating to investigation and settlement of human rights abuse claims, net unrealised foreign exchange gains and losses, and excluding taxation (charge) credit on net unrealised foreign exchange gains and losses and excluding taxation credit on impairment charge.
9. The US\$650 million loan note represents the gross capital of US\$nil (30 June 2020: US\$650 million), including US\$nil accrued interest (30 June 2020: US\$26.9 million). These loan notes were settled in full following the debt restructuring completed during March 2021. Refer to detailed Debt Restructuring Note 8.
10. Bank loans and borrowings represent amounts drawn under the Group's refinanced South African bank facilities as part of the Restructuring and comprise the ZAR1.068 billion term loan (US\$74.8 million), net of unamortised transaction

costs capitalised of US\$1.7 million, and ZAR402.1 million (US\$28.2 million) drawn (including accrued interest) under the ZAR509.6 million (US\$35.7 million) revolving credit facility. Under the revolving credit facility, ZAR109.6 million (US\$7.7 million) remains undrawn and available.

11. BEE partner bank facilities represent the BEE guarantees of US\$nil (ZARnil) (30 June 2020: US\$40.0 million (ZAR693.6 million)). During FY 2021 and as part of the debt restructuring, the BEE partner bank facilities (which comprised the BEE guarantees) were settled by the Group through proceeds of the term loan under the Group's South African bank facilities. Refer to note 10 above for further detail.
12. Consolidated Net Debt is bank loans and borrowings plus loan notes, less cash, less diamond debtors and includes the Black Economic Empowerment guarantees of ZARnil (US\$nil) as at 30 June 2021 (ca. US\$40.0 million (ZAR693.6 million) as at 30 June 2020).
13. Operational free cashflow is defined as cash generated from operations less acquisition of property, plant and equipment.
14. Tax expense / credit is the tax (expense) / credit for the Year excluding taxation credit / charge on impairment charge and unrealised foreign exchange gain / (loss) generated during the Year; such exclusion more accurately reflects resultant Adjusted net profit / (loss).
15. The US\$336.7 million loan notes have a carrying value of US\$ 327.3 million which represents gross capital of US\$336.7 million (30 June 2020: US\$nil), plus US\$11.1 million accrued interest (30 June 2020: US\$nil) net of unamortised transaction costs capitalised of US\$20.5 million. Refer to note 10 for further detail.
16. Adjusted corporate overheads is corporate overheads net of depreciation, amortisation of right-of-use assets, share based payment expense and costs and fees relating to investigation and settlement of human rights abuse claims.

For further information, please contact:

Petra Diamonds, London

Cathy Malins
Des Kilalea
Marianna Bowes

Telephone: +44 20 7494 8203

investorrelations@petradiamonds.com

About Petra Diamonds Limited

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

Petra's strategy is to focus on value rather than volume production by optimising recoveries from its high-quality asset base in order to maximise their efficiency and profitability. The Group has a significant resource base of ca. 230 million carats, which supports the potential for long-life operations.

Petra strives to conduct 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\$336.7 million notes due in 2026 are listed on the Irish Stock Exchange and admitted to trading on the Global Exchange Market. For more information, visit www.petradiamonds.com.

CEO'S REVIEW

A resilient business and market

While FY 2021 continued to present a number of challenges, both internal and external, real progress was made in terms of stabilising our balance sheet, further to the completion of the recapitalisation of the Group (the "Restructuring"), and continuing to optimise production at all our assets, particularly the Cullinan mine, set against the backdrop of an improving diamond market.

Our most important performance indicator is safety: while the number of injuries experienced during the Year reduced 7% from 45 to 42, it was disappointing that the number of lost-time injuries increased from 19 to 25, which led the Group LTIFR to increase from 0.29 in FY 2020 to 0.44 in FY 2021. An evaluation of the incidents has determined that the majority of these were of low severity and behavioural related, and our approach is therefore to use initiatives to drive a change in people's mindsets and to foster greater awareness towards achieving an accident-free workplace.

The impact of COVID-19 on individuals and the economy has increased the levels of stress and impacted on the emotional wellbeing of all our employees. We believe this has contributed to the deterioration in safety performance. This is borne out by an increase in accidents and fatalities across the South African mining sector as a whole since the outbreak of the COVID-19 pandemic, as measured by the Minerals Council South Africa. Addressing this issue therefore requires a holistic approach, including training, mentorship, communication and wellbeing initiatives.

The COVID-19 pandemic remains an ongoing business challenge. In South Africa, we are currently experiencing a third wave of infections and the disruption to operations is mainly around the necessary quarantine of confirmed or suspected cases amongst our workforce. However, we have the systems and processes in place to manage this without materially impacting production. Our focus now is on assisting the Government with its vaccination drive and we have vaccination stations and campaigns to encourage their uptake available at, or near to, each of our operations. While the vast majority of those who contract the virus only have mild to moderate symptoms, we have very sadly lost 14 employees to the disease as at the date of these results. Our heartfelt condolences go to the loved ones and colleagues of the deceased.

In terms of production, output for the Year decreased 2% to 3,240,312 carats (FY 2020: 3,291,046 carats), notwithstanding record annual production from Cullinan of 1.94 Mcts. As previously announced, production at Finsch was impacted by unexpected levels of waste ingress during Q2 FY 2021, with subsequent mitigating measures reducing throughput during the second half of the Year. In addition, production at both Finsch and Koffiefontein was impacted by the high level of rainfall during the third quarter. Cullinan's record 4.61 Mt ROM production (FY 2020: 3.97 Mt) was partially offset by these factors, resulting in the Group's ROM tonnages for the Year increasing by 3% to 7.7 Mt (FY 2020: 7.5 Mt).

Cullinan performed very well for the Year, benefitting from the Project 2022 business improvement throughput initiatives. ROM tonnes increased 16% to 4.61 Mt (FY 2020: 3.97 Mt), and spare capacity in the plant was utilised with a 73% increase in tailings tonnes to 0.45 Mt (FY 2020: 0.26 Mt), leading to an overall record tonnes treated at the operation under Petra stewardship of 5.06 Mt (FY 2020: 4.23 Mt).

The mine also affirmed its place as a producer of world-class diamonds, with the recovery of a number of spectacular stones, namely:

- September 2020: The Letlapa Tala collection of five high quality blue diamonds totalling 85.6ct were recovered all in the space of one week's production at the mine. The collection was sold as a suite of stones to a partnership between De Beers and Diacore for US\$40.36 million in November 2020.
- January 2021: A 299ct high quality white diamond was recovered and subsequently sold to Stargems DMCC for US\$12.18 million in March 2021.
- February 2021: A 11.82ct high quality blue diamond was recovered and subsequently sold for US\$9.53 million in April 2021.
- April 2021: An exceptional 39.34ct blue diamond was recovered and sold post Year end to a partnership between De Beers and Diacore for US\$40.18 million in July 2021, representing a remarkable US\$1.0 million per carat. This was the most valuable diamond sold in Petra's

history and is believed to be the most valuable rough stone per carat ever sold (though since not all rough diamond sales are publicly disclosed, this cannot be established with certainty).

The sale of the Letlapa Tala collection, the 299ct white diamond and the 11.82ct blue diamond contributed US\$62.0 million in 'exceptional diamond sales' to revenue for the Year (FY 2020: US\$14.9 million), being the highest contribution in Petra's history. Post Year end, Petra has also recovered and sold two further special diamonds from the Cullinan mine, being a 342.92ct white stone and an 18.30ct blue stone, into a partnership with Stargems (Pty) Ltd. Petra received an upfront payment of US\$10.0 million for the white stone and US\$3.5 million for the blue stone, as well as retaining a 50% interest in the profit uplift of the polished proceeds of both diamonds, after costs.

The higher revenue for the Year led to Adjusted EBITDA being up 101% to US\$135.4 million (FY 2020: US\$67.3 million) and Operational free cashflow of US\$120.1 million (FY 2020: operational cash outflow of US\$12.3 million). However, overall profitability for the Year was impacted by Depreciation of US\$75.9 million (FY 2020: US\$69.3 million) and Net finance expenses of US\$67.0 million (FY 2020: US\$70.8 million) and the Company therefore recorded an Adjusted loss after tax of US\$16.1 million (FY 2020: US\$54.7 million).

Outlook for FY 2022

Looking ahead to FY 2022, we are guiding production to increase to between 3.3 and 3.6 Mcts, with the South African operations estimated to contribute 3.1 to 3.4 Mcts and Williamson estimated to contribute 0.22 to 0.27 Mcts.

At Williamson, preparations to resume production in H1 FY 2022 continue with the redeployment of employees and contractors, while receiving relevant refresher and safety training, and the recommissioning of plant and equipment. The Board has decided to review its strategic options at Williamson and the asset has therefore been classified as an asset held for sale for financial reporting purposes.

Recapitalisation of the business

In March 2021, Petra completed the recapitalisation of the Group, thanks to the continued support of its bondholders, shareholders and its South African Lender Group. The completion of the Restructuring, along with the aforementioned sale of Exceptional Stones during the Year, helped the Group's Consolidated net debt, excluding Williamson, reduce by nearly two thirds to US\$228.2 million at 30 June 2021, from US\$700.3 million at 31 December 2020. The key features of the Restructuring are set out on page 16 of this announcement.

The Restructuring has provided Petra with a more stable and sustainable capital structure, significantly reduced financial burdens and greater liquidity, leaving us in a stronger position to focus on optimising the value of our diversified asset base and to deliver growth for all our stakeholders.

ESG performance

The Company remained highly active across all the different areas of ESG, which are integrated into our strategy and how we manage the business.

In terms of environmental performance, our team continued to focus on the efficient use of water and energy during the Year, as well as responsible waste management across the operations. Our total carbon footprint reduced 16% to 405,807 tCO₂-e (FY 2020: 483,431 tCO₂-e), mainly due to the lower production with Williamson being on care and maintenance, and associated reduction in energy consumption for the Year, positively impacted by our focus on energy efficiency. Our carbon emitted per carat decreased 7% to 0.125 tCO₂-e/ct (FY 2020: 0.134 tCO₂-e/ct) due to the combined effect of the overall decrease in carats produced and associated lower energy use for the Year.

Significant progress was made in terms of the Group's environmental strategy in FY 2021 with the Board approval of the Group's Climate Change Adaptation Strategy, which will assist Petra in staying on top of rapidly changing legislation and in meeting stakeholder expectations. The Company also improved its CDP climate change reporting to the A- category, placing Petra in the leadership category and demonstrating our strong commitment to this area.

Petra continued to focus on the development of a suitably diverse workforce. The overall gender diversity of the Group increased to 20% in FY 2021 (FY 2020: 19%), which remains above that of the industry average in South Africa, which ranges from 12%–17% depending on the commodity. We were also pleased to improve gender diversity at the higher levels of the business, with an increase in female representation at Board, senior management and management level, and our employee development programmes once again focused on the advancement of women and historically disadvantaged South Africans (“HDSAs”).

Our community programmes remained very active and the Petra Hardship Fund continued to supply aid to address some of the most urgent needs of our local communities in South Africa. We also completed a number of community projects during the Year, including the refurbishment of water pump stations and the completion of electrification of households and informal dwellings in Kgatelopele, near the Finsch mine. A major drive for improved stakeholder relations also saw the number of engagements recorded by the Company increase to 658, with the majority of the increase relating to training sessions for small, medium and micro enterprises, in order to drive enterprise development in our local communities.

More detail on our ESG performance for the Year will be reported in our 2021 Annual and Sustainability Reports, which are due to be published on 12 October 2021.

Addressing the human rights allegations at Williamson

In May 2021, Petra announced the findings of the its independent Board Sub-Committee in relation to alleged breaches of human rights at the Williamson mine in Tanzania raised by the UK law firm, Leigh Day and the independent NGO, Rights and Accountability In Development (“RAID”). The mine is operated by Williamson Diamonds Limited (“WDL”), which is 25% owned by the Government of Tanzania and 75% owned by Petra. Petra acquired its majority interest in WDL in 2009.

Based on the conclusions of the independent Board Sub-Committee, the Company acknowledged that past incidents have taken place that regrettably resulted in the loss of life, injury and the mistreatment of illegal diggers, within the WDL Special Mining Licence area (“SML”). The incidents in question involved WDL’s third-party security provider Zenith Security as well as the Tanzanian Police Force (“TPF”). During the investigation, no evidence emerged that WDL personnel were directly involved in these actions.

The Company took immediate precautionary measures to address the concerns raised, ahead of the findings of the investigation and in order to mitigate the risks of future incidents, including the appointment of a new third party security contractor, the training of all security personnel and internal management at WDL on human rights and their obligations in terms of the UN’s Voluntary Principles on Security and Human Rights and the launch of a Community Grievance Mechanism.

Further to the findings of the independent Board Sub-Committee, additional measures were put in place to address issues identified, including the revision of reporting structures to enable the more timely, accurate and transparent reporting of all incursions and incidents, the overhaul of stakeholder engagement at the mine, as well as ongoing work Group-wide, and the establishment of an independent Tier 2 Operational Grievance Mechanism, which aims to investigate and resolve complaints following the application of local legal requirements, including the provision of free and independent advice from local lawyers.

Having already established the Operational Grievance Mechanism for complaints and grievances related to operational impacts, the Company has continued with the process of the design and implementation of a non-judicial, Independent Grievance Mechanism (“IGM”) to address allegations of severe human rights impacts. A series of engagements with Government Ministries and Agencies, Civil Society and NGOs were conducted in Dodoma and Dar es Salaam, seeking feedback and support on the proposed design of the IGM. The company has specialist external support from Synergy Global Consulting (“Synergy”) in the development of this process. Synergy is a specialist international consultancy with over twenty years’ experience working with companies, governments and community-based organisations.

Further detail on all the measures taken by Petra and WDL to address the findings are set out in the Company's announcement of 12 May 2021 'Findings of the Independent Board Sub Committee' which is available to view along with all other related announcements here: <https://www.petradiamonds.com/our-operations/our-mines/williamson/allegations-of-human-rights-abuses-at-the-williamson-mine/>.

Petra also announced on 12 May 2021 that it had reached a settlement, on a no admission of liability basis, in relation to claims brought in London by Leigh Day, on behalf of the anonymous claimants, in relation to alleged breaches of human rights, associated with third-party security operations, within the SML.

The agreed total settlement figure announced in May 2021 was £4.3 million (US\$6.1 million), which includes the sum to be distributed to the claimants by Leigh Day, a contribution to the claimants' legal expenses and significant funds, which Petra has committed to invest in programmes dedicated to providing long-term sustainable support to the communities living around the mine. The Company has also incurred and provided for additional total costs of US\$6.6 million related to this matter in its FY 2021 accounts, the majority of which relate to legal, consultant, investigation and expert fees.

During the period from 1 July to the end of August 2021, there were a total of 89 incidents of illegal incursions onto the Williamson mine lease area, resulting in two security officials (one belonging to the third party security provider and one belonging to the TPF) suffering minor injuries, and in four arrests being made. We believe the contracted security teams and the TPF acted in accordance with the Voluntary Principles on Security and Human Rights. WDL is continuing to engage extensively with local stakeholders, including with surrounding village leaders and community forums, as well as with local and regional Government and police officials, to get their support in order to reduce these incursions.

As previously noted, the Board has decided to review its strategic options at Williamson. However, this does not impact the Company's commitment to the community programmes, IGM and other actions and initiatives detailed in its 12 May 2021 announcement referenced above.

A resilient diamond market

COVID-19 continued to have a significant impact on the diamond market in FY 2021, with related regulations and other measures to control the spread of the virus continuing to impose restrictions, particularly around the movement of people and international travel.

Petra maintained its flexible sales approach during the Year in order to maximise client attendance at its sales. This meant that we continued to hold rough diamond tenders for the South African goods in Antwerp (having fulfilled our regulatory obligation to offer a portion of goods for sale to the State Diamond Trader and local beneficiation groups in South Africa), rather than in Johannesburg, where travel restrictions have severely limited participation by international diamond buyers. We will continue to review this approach and reinstate sales in South Africa when conditions are right.

Despite the ongoing challenges around COVID-19, overall the market has remained remarkably resilient, which we attribute to a number of factors:

- control discipline by the majors (De Beers and ALROSA), both via production cuts and restriction of supply to the midstream during periods of lower demand;
- the significant contraction of production supply in 2021, including the winding down of the Argyle mine, has served to lower inventories in the pipeline generally and restore a better balance between supply and demand;
- capacity returned to the midstream manufacturing segment in India; and
- strong consumer demand was experienced in the key retail markets, notably the US and China, leading to shortages in certain polished goods; commentators note that for some there is increased consumer disposable income due to lack of spend on competing product categories, such as holidays and experiences, and that natural diamonds remain highly desirable as a way to forge deeper human connections and to celebrate our most important life events.

In 2020, the global diamond market experienced one of the most severe contractions in supply on record, falling 22% by volume to 107.1 Mcts (2019: 138.2 Mcts). Material reductions in supply came from Australia (due to the closure of the Argyle mine), Russia, Botswana, Canada, the Democratic Republic of Congo and Namibia, due to a combination of production being slowed due to COVID-19, pending exhaustion of resources, mine closures, operations transitioning from open pit to underground and falling alluvial output. Increased volume of output was recorded in South Africa and Zimbabwe.

For CY 2021, various sources forecast that rough supply will increase as mines come back into production, though the increase will be ameliorated by the closure of Argyle which still contributed 11 Mcts to global output in 2020. Bain & Co's "Optimistic" scenario projects that mines which continue to operate will reach pre-pandemic production levels by 2021-2022 and that global inventories will gradually sell out in a year. Longer term, there are forecast to be few material additions to production over the next decade, with rough diamond supply forecast to remain "almost flat" at 2021 levels over the next 10 years, according to Bain & Co, with few new projects coming on line.

In terms of demand, Petra's participation in the Natural Diamond Council ("NDC") remains an important strategy in terms of helping to positively impact the long-term fundamentals for our market. The NDC aims to ensure that natural diamonds inspire and excite today's consumer and it has secured rising Hollywood actor Ana de Armas as its global market ambassador. A new global marketing campaign starring Ms de Armas launched in September 2021 to support the market in advance of the key festive retail season and can be viewed at <https://www.youtube.com/watch?v=ZAXKavG2vOE>.

Petra Sales and Prices

FY 2021 revenue increased 65% to US\$402.3 million (FY 2020: US\$243.3 million) driven by sales from Exceptional Stones contributing US\$62.0 million during the Year (FY 2020: US\$14.9 million); the highest annual contribution to revenues from the sale of Exceptional Stones. On a like for like basis, realised diamond prices in Q4 FY 2021 increased ca. 5.7% from those achieved in Q3 FY 2021.

Despite lower production for the Year, the amount of diamonds sold increased 51% to 3,930,136 carats (FY 2020: 2,598,252 carats) due to the improvement in market conditions and the easing of certain COVID-19 related restrictions which allowed for a higher volume of sales to take place, including the release of inventory held over from the prior year.

The Company recovered a number of Exceptional Stones from the Cullinan mine in FY 2021 and to date in FY 2022, as set out already on pages 6 to 7 of this announcement. These prices are included in the averages reported for Cullinan in the table below.

Prices on a like-for-like basis increased ca. 9% compared to prices achieved in FY 2020 and closed the Year at levels above the prices achieved before the COVID-19 pandemic outbreak.

Diamond prices achieved per operation

	FY 2021 US\$/ct	FY 2020² US\$/ct
Cullinan	111 ¹	98 ¹
Finsch	77	75
Koffiefontein	419	387

Notes:

1. Prices include Exceptional Stones. Prices excluding Exceptional Stones US\$83/ct (FY 2020: US\$86/ct).
2. Prices achieved in FY 2020 and FY 2021 do not reflect true run-of-mine averages as the Company had to withhold certain mostly lower value goods for sale in Q4 FY 2020 due to the depressed pricing environment; these goods were sold shortly after Year end, which negatively impacted unit prices in FY 2021, further exacerbated by the sale of other low value stock during June 2021.

FINANCIAL REVIEW

Revenue

FY 2021 revenue increased 65% to US\$402.3million (FY 2020: US\$243.3 million) driven by sales from Exceptional Stones contributing US\$62.0 million during the Year (FY 2020: US\$14.9 million); the highest annual contribution to revenue from the sale of Exceptional Stones in Petra's history. Diamonds sold for the Year increased 51% to 3,930,136 carats (FY 2020: 2,598,252 carats), excluding Williamson, while rough diamond prices realised by Petra increased ca. 9% in FY 2021 on a like for like basis.

Mining and processing costs

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

	On-mine cash costs ¹ US\$m	Diamond royalties US\$m	Diamond inventory and stockpile movement US\$m	Group technical, support and marketing costs ² US\$m	Adjusted mining and processing costs US\$m	Depreciation ³ US\$m	Total mining and processing costs (IFRS) US\$m
FY 2021	197.6	2.9	39.1	21.7	261.2	76.0	337.2
FY 2020	191.2	2.6	(42.6)	18.1	169.3	68.9	238.2

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. Includes amortisation of right-of-use assets under IFRS 16 of US\$0.6 million (FY 2020: US\$0.2 million) and excludes exploration and corporate/administration.

Absolute on-mine cash costs in FY 2021 increased 3.3%, compared to FY 2020, due to:

- the effect of translating ZAR denominated costs at the South African operations at a stronger ZAR/USD exchange rate (1.7% increase);
- inflationary increases, including the impact of electricity and labour costs (6.0% increase);

offset by:

- the variable cost impact of changing production volumes across the South African operations (0.8% decrease); and
- net savings, including Project 2022 initiatives (3.6% decrease).

Diamond inventory and stockpile movements reflect the release of inventories during FY 2021 resulting in a charge of US\$39.1 million, compared to a credit of US\$42.6 million in FY 2020 due to increased levels of stockholding driven by an inability to hold tenders due to COVID-19.

Profit from mining activities

Profit from mining activities increased 90% to US\$142.8 million (FY 2020: US\$75.0 million), mainly due to increased volumes sold, improved diamond pricing and the contributions from Exceptional Stones.

Adjusted corporate overhead – general and administration

Corporate overhead (before costs and fees relating to investigation and settlement of human rights claims, depreciation and share-based payments) increased marginally to US\$7.4 million for the Year (FY 2020: US\$7.2 million), mainly attributable to the ZAR strengthening against the USD in addition to cost curtailment measures introduced during the Year.

During the Year, the Group received payments from the South African government under the temporary employee relief scheme ("TERS") of US\$3.5 million (FY 2020: US\$nil). Of the US\$3.5 million TERS payment received, US\$0.3 million was attributable to corporate overheads expenditure and US\$3.2 million was attributable to Mining and processing costs.

Adjusted EBITDA

Adjusted EBITDA, being profit from mining activities less exploration and corporate overhead, increased 101% to US\$135.4 million (FY 2020: US\$67.3 million), representing an adjusted EBITDA margin of 34% (FY 2020: 28%), reflecting better overall pricing, including proceeds from Exceptional Stones.

Depreciation

Depreciation for the Year increased to US\$75.9 million (FY 2020: US\$69.3 million), mainly due to the strengthening of the ZAR against the USD and increased throughput at Cullinan, partially offset by reduced production at Finsch and Koffiefontein.

Impairment charge

As a result of the impairment reviews carried out at Cullinan, Finsch and Koffiefontein, and the Group's other receivables during the Year, the Board recognised an overall impairment charge of US\$17.7 million (FY 2020: US\$50.5 million). Further details are provided in note 16.

Asset level impairments at Finsch and Koffiefontein amount to US\$17.3 million (FY 2020: US\$50.9 million at Cullinan, Finsch and Koffiefontein) (representing some 2.4% of the Group's carrying value of property, plant and equipment of US\$711.8 million (FY 2020: US\$742.7 million) pre-impairment). There were no reversals of prior year impairments for Cullinan.

Impairment of BEE loans receivable – 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 future free cashflows to be generated by the mining operations, based on the current LOM plans and the conclusion during the Year of an offset agreement with the BEE partners. Based on the assessment, the Group's free cashflows generated indicated a net credit loss reversal totalling US\$5.8 million (30 June 2020: US\$10.9 million expected credit loss provision), comprising of US\$6.1 million provision reversal in respect of Cullinan and Finsch and an additional US\$0.3 million expected credit loss provision in respect of Koffiefontein (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) (refer to note 13 for further detail).

Net financial income / expense

Net financial income of US\$223.4 million (FY 2020: US\$152.9 million expense) comprises:

- net gain on extinguishment of the Notes of US\$213.3 million (FY2020: US\$nil) comprising a gain of US\$221.0 million attributable to the debt for equity conversion and a loss of US\$7.7 million on the substantial modification of the Notes;
- net unrealised foreign exchange gains of US\$77.1 million (FY 2020: US\$82.1 million losses), driven by significant volatility in the Rand closing the Year at US\$1:ZAR14.27 compared to US\$1:ZAR17.32 at 30 June 2020, and 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\$0.7 million (FY 2020: US\$1.2 million);

offset by:

- the acceleration of unamortised finance costs attributable to the Notes of US\$2.7 million (FY2020: US\$nil);
- interest expense on the Group's debt and working capital facilities of US\$51.5 million (FY 2020: US\$52.4 million);
- net interest payable on the BEE Partner loans and amortisation of lease liabilities in accordance with IFRS 16 of US\$3.1 million (FY 2020: US\$6.7 million);
- a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US\$4.3 million (FY 2020: US\$4.6 million); and
- net realised foreign exchange losses on settlement of forward exchange contracts of US\$6.1 million (FY 2020: US\$8.3 million).

Tax credit/charge

The tax charge of US\$23.0 million (FY 2020: US\$52.5 million credit; reflecting principally the utilisation of certain capital allowances and the impact of the deferred taxation on the impairment charge,

predominantly at Cullinan and Finsch, which reduced existing deferred tax liabilities) comprises deferred tax charges of US\$19.9 million relating to utilisation of tax losses as a result of unrealised foreign exchange gains at Cullinan during the Year and US\$2.7 million in respect of other capital allowances, with an income tax charge of US\$0.3 for the Year (FY 2020: US\$0.6 million).

The Group's current Year effective tax rate of 8.9% (FY 2020: 24.1%) is lower than the South African tax rate of 28% (the Group's primary tax paying jurisdiction) due to the recognition of the gain on extinguishment of the Notes for which no tax consequences are recognised. During the Year, there was a reversal of deductible temporary differences relating to the current Year impairments of property, plant and equipment, reversal of prior year tax losses recognised at Finsch and Cullinan and other reversing deductible temporary differences. There were no taxation adjustments arising from items of other comprehensive income and expense.

Profit on disposal Sekaka Diamonds (Pty) Ltd ("Sekaka")

The profit on disposal of subsidiary of US\$14.7 million relates to the Group's disposal during the Year of its exploration operations in Botswana via the disposal of interests in Sekaka, 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 17 for the detailed breakdown.

Loss on discontinued operations – Williamson

The Board has decided to review its strategic options at Williamson and the asset has therefore been classified as an asset held for sale. As a result of the strategic review, the loss on discontinued operations of US\$52.1 million relates to the Board's decision to reclassify Williamson mine as a discontinued operation in line with the criteria under IFRS 5 in meeting the definition of a disposal group and a discontinued operation for financial reporting purposes.

In terms of the IFRS requirements to measure the assets of a disposal group at the lower of carrying amount and fair value less costs to sell, the determination of the fair value is complex and subject to considerable judgment. Based on management's best estimate of the fair value at the reporting date, the following amounts have been recognised as a result of that reclassification:

- an impairment charge of US\$21.4 million in respect of property, plant and equipment;
- a US\$11.2 million charge attributable to Williamson's net loss for the Year. For comparative purposes, the prior period results for Williamson have been restated, which show a net loss of US\$58.0 million (inclusive of an impairment charge of property, plant and equipment and certain receivables of US\$34.6 million and US\$6.8 million respectively); and
- a US\$19.5 million provision for unsettled and disputed tax claims arising from the ordinary course of business.

Refer to note 17 for further detail.

Group loss/profit

The Group's net profit after tax is US\$196.6 million (FY 2020 net loss: US\$223.0 million).

Earnings per share

Basic profit per share from continuing operations of 6.67 US\$ cents was recorded (FY 2020: 15.26 US\$ cents loss per share).

Adjusted loss per share from continuing operations (adjusted for impairment charge, expected credit release (loss) provision, gain on extinguishment of Notes net of unamortised costs, profit on disposal of subsidiary, costs and fees relating to investigation and settlement of human rights claims, net unrealised foreign exchange gains and losses, and excluding taxation (charge) credit on net unrealised foreign exchange gains and losses and excluding taxation credit on impairment charge) of 0.46 US\$ cents was recorded (FY 2020: 5.04 US\$ cents loss (adjusted for impairment charges, taxation credit on impairment charge, net unrealised foreign exchange gains and losses)).

Operational free cashflow

During the Year, operational free cashflow of US\$120.1 million (FY 2020: US\$12.3 million outflow) reflects the impact of stronger diamond prices, the contribution of Exceptional Stones and lower mining

and processing costs derived from the optimisation of production and cost efficiencies from Project 2022. This positive cashflow was offset by:

- US\$12.1 million (FY 2020: US\$33.3 million) cash finance expenses net of finance income and realised foreign exchange gains/(losses);
- US\$7.0 million (FY 2020: US\$14.1 million) advances to BEE Partners, largely related to servicing of BEE bank debt prior to the Restructure, with the advances recoverable against future BEE Partner distributions; and
- Restructuring fees settled during the Year of US\$29.9 million (FY 2020: US\$3.8 million net advances paid to advisors).

Cash and diamond debtors

As at 30 June 2021 the Company had cash at bank of US\$163.8 million (30 June 2020: US\$67.6 million). Of these cash balances, US\$147.7 million was held as unrestricted cash (30 June 2020: US\$53.6 million), US\$15.3 million was held by Petra's reinsurers as security deposits on the Group's cell captive insurance structure (with regards to the Group's environmental guarantees) (30 June 2020: US\$13.3 million) and US\$0.8 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 (30 June 2020: US\$0.7 million).

Diamond debtors at 30 June 2021 were US\$38.3 million (30 June 2020: US\$4.8 million), with the June 2021 tender closing at Year-end, and debtors settling shortly thereafter. Both Diamond Debtors and Diamond Inventory for FY 2020 were significantly impacted by the inability to host tenders during Q4 FY 2020 following the initial COVID-19 outbreak.

Diamond inventory

Diamond inventory at 30 June 2021 decreased to US\$45.1 million (30 June 2020: US\$84.1m) reflecting the release of inventory during the Year.

Loans and borrowings

The Group had loans and borrowings (measured under IFRS) at Year end of US\$430.3 million (30 June 2020: US\$769.0 million), comprised of the US\$327.3 million Notes (includes US\$11.3 million accrued interest and unamortised transaction costs of US\$20.7 million) (30 June 2020: US\$676.9 million), bank loans and borrowings of US\$103.0 million (includes interest of US\$0.1 million and unamortised transaction costs of US\$1.7 million) (30 June 2020: US\$52.1 million) following the Restructuring completed in March 2021, the Company's guarantees related to the BEE Partner debt facilities were US\$nil (30 June 2020: US\$40.0 million); refer to 'The Restructuring' section on page 16 for further detail. Bank debt facilities undrawn and available to the Group at 30 June 2021 were US\$7.7 million (30 June 2020: US\$nil).

Consolidated net debt at 30 June 2021 was US\$228.2 million (30 June 2020: US\$693.2 million).

Covenant measurements attached to banking facilities

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

- to maintain a 1.3x debt service cover ratio tested semi-annually on a rolling 12-month basis; and
- to maintain liquidity requirements, being the aggregate of the undrawn amounts available under the RCF and consolidated cash and cash equivalents (excluding diamond debtors) not falling below ZAR200 million (US\$14.0 million).

Going concern considerations

During FY 2020 the going concern consideration was dependent on the successful completion of the Restructuring. In March 2021, the Restructuring was successfully completed which resulted in solid progress towards stabilising the balance sheet and cash reserves.

The Group closely monitors and manages its liquidity risk, and cash forecasts are regularly produced and run for different scenarios. 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, the forecasts indicate that the Company will be able to operate within covenants set out in the financing agreements and maintain sufficient liquidity.

However, as detailed above, the first lien covenants were set with limited headroom to the Company's base case. As such, results of the Company's stress testing indicate that in the event of a combination of all tested scenarios, possible covenant breaches associated with the South African banking facilities may occur at June 2022, while a breach is also projected in December 2022 on an individual stress test basis. At the time of possible covenant breaches under these scenarios, projected cash balances exceed outstanding debt under these facilities, which would allow the Group to fully pay down the drawn facilities prior to the breach occurring while maintaining adequate liquidity. The forecasts indicate that under the stress-tested scenarios, the Group is not reliant on the facilities.

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

BEE loans receivable

BEE loans receivable of US\$46.6 million (FY 2020: US\$137.0 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), and financing of their interests in the Koffiefontein mine. As part of the Restructuring, an offset agreement was entered into between the Company and its BEE Partners allowing for the offsetting of the BEE loan receivable against the BEE loan payable, thus resulting in a net BEE loan receivable due from the BEE Partners. The repayment of these loans by the mines to the BEE Partners will be from future free cashflows generated by the mining operations.

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 Year which resulted in a partial net reversal of the expected credit loss provision of US\$5.8 million, following a US\$10.9 million expected credit loss provision being raised against the BEE loans receivable at 30 June 2020. Refer to note 13 for further detail.

During the Year, Petra advanced US\$4.7 million (FY 2020: US\$12.2 million) to facilitate the servicing of capital and interest payments on behalf of the BEE Partners and US\$2.3 million (FY 2020: US\$1.9 million) for distributions to the beneficiaries of the IPDET and shareholders of Kago Diamonds.

Refer to note 13 further detail on BEE loans receivable.

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 ad hoc group ("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. On 10 March 2021 the Company announced that it had completed the implementation of the Restructuring.

The key features of the Restructuring were 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 of US\$336.7 million (including the New Money and fees paid as part of the transaction in New Notes) have a maturity date of five years from completion. The New Notes are 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 contributed to the New Money were entitled to a greater portion of the New Notes.
2. Conversion of the remainder of the Notes debt into equity, which resulted 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 contributed to the New Money were 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 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 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.

Other liabilities

Other than trade and other payables of US\$49.1 million (comprising US\$16.8 million trade creditors, US\$5.8 million employee-related accruals and US\$26.5 million other payables) (FY 2020: US\$52.5 million), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, post-retirement employee-related provisions, provisions for costs and fees relating to investigation and settlement of human rights claims, lease liabilities and deferred tax.

During the Year, the Group's rehabilitation provision increased from US\$45.3 million to US\$57.9 million, mainly attributable to Cullinan's estimated period to decommissioning reducing from 45 years to 25 years, reflecting updated scoping studies for future development outside of its current approved LOM, resulting in an increase of US\$5.8 million in the provision as expected timing of the rehabilitation costs are brought forward and the effect of foreign exchange movements of US\$9.0 million.

Capex

Total Group Capex for the Year reduced to US\$23.5 million (FY 2020: US\$28.4 million), comprising:

- US\$16.9 million expansion Capex (FY 2020: US\$21.8 million);
- US\$5.6 million sustaining Capex (FY 2020: US\$6.8 million); and
- corporate/exploration Capex of US\$1.0 million (FY 2020: (US\$0.2 million) net recoupment).

Capex	Unit	FY 2021	FY 2020
Cullinan	US\$m	16.8	16.4
Finsch	US\$m	4.0	8.4
Koffiefontein	US\$m	1.7	3.8
Subtotal – Capex incurred by operations	US\$m	22.5	28.6
Corporate/exploration ¹	US\$m	1.0	(0.2)
Total Group Capex	US\$m	23.5	28.4

Note:

1. Petra operates an internal projects / construction division and, although this division's spend is reported in the Group's total Capex, it is policy not to account for it on a specific mine's Capex until the work completed is invoiced to the relevant operation.

Dividend

Distribution covenants were not met for the measurement period to 30 June 2021 and as a result no dividend is declared for FY 2021 (30 June 2020: US\$nil).

OPERATIONAL REVIEW

Combined Operations (Excluding Williamson)¹

	Unit	FY 2021	FY 2020	Variance
Sales				
Diamonds sold	Carats	3,930,136	2,598,252	51%
Revenue	US\$M	402.3	243.3	65%
Production				
ROM diamonds	Carats	3,057,860	3,155,237	-3%
Tailings diamonds	Carats	182,452	135,809	+34%
Total diamonds	Carats	3,240,312	3,291,046	-2%
Tonnages				
ROM tonnes	Mt	7.7	7.5	+3%
Tailings & other ¹ tonnes	Mt	0.4	0.5	-20%
Total tonnes	Mt	8.1	8.0	+1%
On mine cash costs	US\$M	197.6	191.2	3%
Capex				
Expansion	US\$M	16.9	21.8	-23%
Sustaining	US\$M	6.6	6.6	0%
Total	US\$M	23.5	28.4	-17%

1. Williamson results are shown separately below.

FY 2021 production decreased 2% to 3,240,312 carats (FY 2020: 3,291,046 carats), notwithstanding record annual production from Cullinan, of 1.94 Mcts. As previously announced, production at Finsch was impacted by unexpected levels of waste ingress during Q2 FY 2021, with subsequent mitigating measures reducing throughput during the second half of the Year. In addition, production at both

Finsch and Koffiefontein was impacted by the high level of rainfall during the third quarter. Despite these factors, the Group's ROM tonnages for the Year increased by 3% to 7.7 Mt (FY 2020: 7.5 Mt).

Cullinan – South Africa

	Unit	FY 2021	FY 2020	Variance
Sales				
Revenue	US\$M	250.6	116.5	+115%
Diamonds sold	Carats	2,261,058	1,183,745	+91%
Average price per carat	US\$	111	98	+13%
ROM Production				
Tonnes treated	Tonnes	4,614,802	3,972,682	+16%
Diamonds produced	Carats	1,761,490	1,482,482	+19%
Grade ¹	Cpht	38.2	37.3	+2%
Tailings Production				
Tonnes treated	Tonnes	445,538	257,549	+73%
Diamonds produced	Carats	182,452	95,918	+90%
Grade ¹	Cpht	41.0	37.2	+10%
Total Production				
Tonnes treated	Tonnes	5,060,339	4,230,231	+20%
Diamonds produced	Carats	1,943,942	1,578,400	+23%
Costs				
On-mine cash cost per tonne treated	ZAR	260	270	-4%
Capex				
Expansion Capex	US\$M	14.5	13.0	+12%
Sustaining Capex	US\$M	2.3	3.4	-32%
Total Capex	US\$M	16.8	16.4	+2%

Notes:

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

Cullinan achieved record production in FY 2021 of 1,943,942 carats (FY 2020: 1,578,400 carats), with underground throughput of 4.6 Mt and an average ROM grade of 38.2 cpht (FY 2020: 37.3 cpht). A total of 0.4 Mt of recovery tailings were treated with an average grade of 41.0 cpht.

Cullinan's revenue increased by 32% to US\$250.6 million for the Year (FY 2020: US\$116.5 million), due to a combination of a 91% increase in diamonds sold and a 13% increase in the average price per carat for the Period.

The full range of diamonds was recovered at the Cullinan mine in FY 2021, including a number of exceptional stones, as set out on pages 6 to 7 of this announcement.

Costs

The on-mine unit cash cost per total tonne treated decreased to ZAR260/t (FY 2020: ZAR270/t), mainly due to increased tonnages offset by inflationary increases.

Capex

FY 2021 Capex of US\$16.8 million was mainly spent on underground development in the CC1E SLC area, as well as continued construction of the North Crusher 2 servicing the C-Cut Phase 1 production area.

FY 2022 Capex for Cullinan is guided at ca. US\$48 – 54 million, primarily relating to underground development of the CC1E Phase 2 production areas and certain feasibility studies to be conducted related to shaft infrastructure, as well as fines residue deposit facilities and Stay in Business Capex.

Finsch – South Africa

	Unit	FY 2021	FY 2020	Variance
Sales				
Revenue	US\$M	123.5	101.1	+22%
Diamonds sold	Carats	1,602,312	1,348,181	+19%
Average price per carat	US\$	77	75	+3%
ROM Production				
Tonnes treated	Tonnes	2,311,195	2,719,389	-15%
Diamonds produced	Carats	1,237,219	1,603,678	-23%
Grade ¹	Cpht	53.5	59.0	-9%
Tailings Production				
Tonnes treated	Tonnes	0	211,541	-100%
Diamonds produced	Carats	0	39,890	-100%
Grade ¹	Cpht	0	18.9	-100%
Total Production				
Tonnes treated	Tonnes	2,311,195	2,930,930	-21%
Diamonds produced	Carats	1,237,219	1,643,568	-25%
Costs				
On-mine cash cost per tonne treated	ZAR	536	477	12%
Capex				
Expansion Capex	US\$M	1.7	6.1	-72%
Sustaining Capex	US\$M	2.3	2.3	0%
Total Capex	US\$M	4.0	8.4	-52%

Note:

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

Overall production totalled 1,237,219 carats (FY 2020: 1,643,568 carats), with ROM carat production of 1,237,219 carats (FY 2020: 1,603,678 carats) and an average ROM grade of 53.5 cpht (FY 2020: 59.0 cpht).

The contribution from underground ROM production decreased to 1,237,219 carats (FY 2020: 1,603,678 carats). In H1 FY 2021, ROM volumes mined were impacted by the expiry of the temporary continuous operations arrangement during September 2020, subsequently reinstated during October 2020 that remained in place until June 2021. In addition, the Finsch mine experienced higher than expected levels of waste ingress in a number of the upper levels of the Block 5 Sub Level Cave, which negatively impacted the recovered grade. The Company conducted a detailed exercise to better understand this issue and has put a plan in place to mitigate the impact. This has included a revision to the draw strategy to limit planned draw tonnage, 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. Furthermore, production at the Finsch mine in Q3 FY 2021 was impacted by significantly high rainfall.

Revenue increased by 22% to US\$123.5 million (FY 2020: US\$101.1 million) due to a combination of slightly higher sales and a slightly higher average value per carat.

Costs

The on-mine cash unit cost increased to ZAR536/t (FY 2020: ZAR477/t), mainly due to the reduced throughput.

Capex

FY 2021 Capex of US\$4.0 million was mainly spent on underground development and infrastructure relating to the Block 5 SLC.

FY 2022 Capex is guided at ca. US\$21 – 25 million, primarily relating to the exploration drilling and feasibility studies associated with the new 3-Level SLC, underground development in 78 Level SLC Phase 2 and Stay in Business Capex.

Koffiefontein – South Africa

	Unit	FY 2021	FY 2020	Variance
Sales				
Revenue	US\$M	28.0	25.7	+9%
Diamonds sold	Carats	66,650	66,326	0%
Average price per carat	US\$	419	387	+8%
ROM Production				
Tonnes treated	Tonnes	754,369	891,705	-15%
Diamonds produced	Carats	59,151	69,077	-14%
Grade	Cpht	7.8	7.7	+1%
Total Production				
Tonnes treated	Tonnes	754,369	891,705	-15%
Diamonds produced	Carats	59,151	69,077	-14%
Costs				
On-mine cash cost per tonne treated	ZAR	651	510	28%
Capex				
Expansion Capex	US\$M	0.6	2.7	-78%
Sustaining Capex	US\$M	1.1	1.1	0%
Total Capex	US\$M	1.7	3.8	-55%

ROM production totalled 59,151 carats (FY 2020: 69,077 carats), with ROM tonnage throughput down 15% on FY 2020 impacted by the significant rainfall experienced in Q3 FY 2021; overall carat produced decreased by 14%, with the average ROM grade remaining broadly flat at 7.8 cpht (FY 2020: 7.7 cpht).

Revenue increased 9% to US\$28.0 million (FY 2020: US\$25.7 million) for the Year, with an 8% increase in the average price per carat.

Costs

The on-mine cash unit cost increased to ZAR651/t (FY 2020: ZAR510/t), mainly due to decreased tonnages.

Capex

FY 2021 Capex of US\$1.7 million was mainly spent on Stay in Business Capex.

FY 2022 Capex is guided at ca. US\$1 – 3 million primarily relating Stay in Business Capex.

Williamson – Tanzania (held for sale at 30 June 2021)

	Unit	FY 2021	FY 2020	Variance
Sales				
Revenue	US\$M	4.6	52.5	-91%
Diamonds sold	Carats	30,339	297,245	-90%
Average price per carat	US\$	150	177	-15%
ROM Production				
Tonnes treated	Tonnes	0	3,980,438	-100%
Diamonds produced	Carats	0	287,356	-100%
Grade	Cpht	0	7.2	-100%
Alluvial Production				
Tonnes treated	Tonnes	0	302,567	-100%
Diamonds produced	Carats	0	10,774	-100%
Grade	Cpht	0	3.6	-100%
Total Production				
Tonnes treated	Tonnes	0	4,283,005	-100%
Diamonds produced	Carats	0	298,130	-100%
Costs				
On-mine cash cost per tonne treated	USD	n/a	10.2	n/a
Capex				
Expansion Capex	US\$M	0.0	0.0	0%
Sustaining Capex	US\$M	0.3	8.0	-96%
Total Capex	US\$M	0.3	8.0	-96%

The Williamson mine was placed on care and maintenance during April 2020 and remained on care and maintenance throughout FY 2021 (FY 2020 production: 298,130 carats).

Revenue decreased 91% to US\$4.6 million (FY 2020: US\$52.5 million), with sales limited to the final parcel recovered prior to the commencement of care and maintenance. Cash on-mine costs, mainly associated with care and maintenance expenses, totalled around US\$12.7 million for the Year.

Capex

FY 2021 Capex of US\$0.3 million mainly related to Stay in Business Capex.

Project 2022 Update

Project 2022 commenced in July 2019 with the aim of identifying opportunities to increase throughput across the business, drive efficiencies and facilitate continuous improvement. A key objective of this project was to target delivery of significant free cashflow over three years, though this has been impeded primarily by the weakness in the diamond market, compounded further by precautionary measures imposed at the operations related to the COVID-19 pandemic.

Project 2022 is not only now fully operational across the Group, but its principles of focused and continuous improvement are being entrenched in the operating model and are becoming part of the culture of the Company.

Weekly Project 2022 Results Action Review meetings (“RARs”) are held within the first four structural layers of the organisation, starting with the CEO, to monitor progress, provide support and resourcing where required and ensure we are on track to deliver on our targets. In addition, we are in the process

of aligning our various incentive and production bonus schemes to support and reward delivery of our Project 2022 targets across the Group.

The implementation of throughput ideas remains the largest contributor to improving operational cash flow, led by Cullinan's record recovery of 1.94 Mcts in FY 2021. Due to reduced pricing coupled with lower throughput at Finsch, Koffiefontein and Williamson, expectations on the annualised contribution from throughput initiatives were reduced to around US\$50 million in the Company's Q3 FY 2021 Trading Update released in April 2021 and the Company remains confident that it will achieve the annualised contribution of US\$50 million, supported by measures taken to curtail the waste ingress at Finsch.

Initiatives undertaken to drive cost efficiencies are expected to contribute an annualised US\$20 million going into FY 2022, which remains unchanged from previous guidance.

The Project 2022 Organisational Design Review Phase 1 was completed during FY 2021 and will result in updated role descriptions providing for clearer line of site and improved accountability.

Gross Reserves and Resources

Petra manages one of the world's largest diamond resources of 230 Mcts and this major resource implies that the potential mine lives of our core assets could be considerably longer than the current mine plans in place at each operation or could support higher production rates.

As at 30 June 2021, the Group's gross diamond resources (inclusive of reserves) decreased 5% to 230.64 Mcts (30 June 2020: 243.51 Mcts), predominantly due to depletions at all mining assets further to ore mined in FY 2021 and the sale of Petra's exploration assets in Botswana to Botswana Diamonds PLC, which has removed the KX36 kimberlite pipe (Resource of 8.73 Mcts) from the Resource Statement.

The Group's gross diamond reserves decreased 14% to 33.33 Mcts (30 June 2020: 38.86 Mcts) primarily due to mining depletions, the impact of increased pit scaling and waste ingress on the remaining reserves in the current SLC at Finsch, changes to the mine plan and mining method for the future block at Finsch, and Williamson remaining on care and maintenance with an associated reduction in reserve estimate given the remaining tenure of the Special Mining License.

The following table summarises the gross Reserves and Resources status of the combined Petra Group operations as at 30 June 2021 and includes the Williamson operation.

Category	Gross		
	Tonnes (millions)	Grade (cpht)	Contained Diamonds (Mcts)
Reserves			
Proved	-	-	-
Probable	116.3	28.7	33.33
Sub-total	116.3	28.7	33.33
Resources			
Measured	-	-	-
Indicated	329.1	47.2	155.38
Inferred	1,292.3	5.8	75.27
Sub-total	1,621.3	14.2	230.64

The full 2021 Resource Statement can be accessed at <https://www.petradiamonds.com/our-operations/reserves-resources/>.

Labour relations

Stable labour relations are essential to our productivity and the delivery of our strategy. We therefore remain highly focused on managing labour relations and on maintaining open and effective communication channels with our employees and the appropriate union representatives at our operations.

Petra did not experience any industrial action during the Year and has seen largely stable labour relations over the last four years. Post Year end, the Company announced that it had reached agreement on a new three-year wage agreement with NUM for employees in the Paterson A and B Bands at the South African operations covering FY 2022 to FY 2024, which should allow for further stability over this timeframe.

GOVERNANCE

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.

As previously announced, Mr Gordon Hamilton, Independent Non-Executive Director, will retire from the Board and as Chair of the Audit and Risk Committee at the conclusion of the FY 2021 Annual General Meeting on 19 November 2021. On 1 July 2021, the Company announced the appointment of Ms Deborah Gudgeon as an Independent Non-Executive Director and Chair-designate of the Audit and Risk Committee.

Following completion of the Restructuring in March 2021, the appointment of Mr. Matthew Glowasky as a Non-Independent Non-Executive Director of the Company became effective, further to his nomination by Monarch Master Funding 2 (Luxembourg) S.a.r.l. ("Monarch"). In addition, on 1 July 2021 Ms Alexandra Watson and Mr Johannes Bhatt were both appointed as Non-Independent Non-Executive Directors, having been nominated by Franklin Templeton and Monarch respectively. Monarch also exercised their right under the Nomination Agreement to appoint Mr. Marius Kraemer as their Board Observer with effect from 1 July 2021.

The Company welcomes the new Directors, as well as Mr Kraemer as Board Observer; together they bring a wealth of experience, complementing that of our existing Directors, and their appointments leave the Board well placed to take the Company forward.

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.

A summary of the risks identified as the Group's principal external, operating and strategic risks (in no order of priority), which may impact the Group over the next twelve months, is listed below.

Risk	Risk appetite	Risk rating	Nature of risk	Change in FY 2021
1. Country and political	High	High	Long term	No change – risk of political instability remains in South Africa, illustrated by civil unrest shortly after Year end, and certain components of the new Mining Charter remain under review. In Tanzania, the risk of political instability remains high further to the death of the Tanzanian President. Petra is in ongoing dialogue with the Government of Tanzania and local advisers in relation to legislative developments, overdue VAT receivables and the blocked parcel of diamonds from Williamson.

2. COVID-19 pandemic (operational impact)	Medium	High	Short to medium term	No change – the impact of COVID-19 is ongoing, but the mitigating processes Petra has put in place are enabling the Company to manage the pandemic without a significant impact on production and sales.
3. Currency	High	Medium	Long term	No change - the ZAR/USD exchange rate continues to be volatile. The short-term strengthening in the Rand has the capacity to offset some of the improvement in Petra’s realised diamond prices.
4. Diamond price	High	Medium	Long term	Lower - diamond prices recovered during H2 FY 2021 and overall increased ca. 9% during the Year, following the major disruption of the diamond pipeline in FY 2020 caused by the COVID 19 pandemic.
5. Financing	Medium	Medium	Short to medium term	Lower – progress with Project 2022 initiatives led to an improvement in operational free cashflow supported by stronger diamond markets during H1 CY’21, despite the negative impact of COVID-19 pandemic. Following shareholder, noteholder and regulatory approvals, the capital and debt restructure project which was a key focus area for management was completed.
6. Labour relations	Medium	Medium	Short to medium term	Lower - stable labour relations were experienced during the Year. Post Year end, the Company reached agreement on a new three-year wage agreement with NUM for employees in the Paterson A and B Bands at the South African operations covering FY 2022 to FY 2024.
7. Licence to operate	Medium	Medium	Long term	No change - continued compliance in all material aspects with relevant laws, regulations and standards. Incorporated in Petra’s licence to operate is its continued focus on safety, as well as its impacts on the environment and communities. In May 2021, Petra announced the findings of the independent Board Sub-Committee into the alleged human rights breaches in Tanzania, as well as setting out the mitigating and preventative actions the Company had taken or was putting place to address the findings. The Company also reached a settlement, on a no admission of liability basis, in relation to claims of alleged human rights breaches. The risk of illegal mining at Williamson is ongoing.
8. Mining and production	Medium	Medium	Long term	Higher - positive throughput improvements driven by Project 2022 led to a strong operational performance at Cullinan during FY 2021, offset by work to curtail waste ingress and pit sidewall instability at Finsch, and rainfall impacting production at Finsch and Koffiefontein in Q3 FY 2021. With Williamson in care and maintenance, low production levels at Koffiefontein and lower production at Finsch, there is greater dependency on production at Cullinan.
9. ROM grade and product mix volatility	Medium	Medium	Short term	No change – Cullinan ROM grades were in line and slightly above expectations, whilst both Finsch and Koffiefontein were below expectations. Finsch’s production was impacted by waste ingress and the medium to long term impact on the mine’s LOM planning is being reviewed. The mines recovered the full range of diamonds in FY 2020, with a higher recovery of specials at Cullinan.

OUTLOOK

The medium to long-term outlook for our market and for our business remains positive. The completion of the Company’s financial restructuring in FY 2021 showed that we retain significant support from the investment market and has provided enhanced stability for the Company to deliver on its operational plans.

I believe that Petra has high quality assets, a skilled and motivated workforce, a refreshed company culture, ongoing optimisation plans and support from our stakeholders. This, set against an improving diamond market, positions the Company well for the years to come.

Richard Duffy
Chief Executive
14 September 2021

Notes

1. The following exchange rates have been used for this announcement: average for the Year US\$1:ZAR15.41 (FY 2020: US\$1:ZAR15.68); closing rate as at 30 June 2021 US\$1:ZAR14.27 (30 June 2020: US\$1:ZAR17.32).
2. The following definitions have been used in this announcement:
 - a. ct: carat
 - b. cpht: carats per hundred tonnes
 - c. CY: calendar year
 - d. FY: financial year
 - e. Kcts: thousand carats
 - f. Mctpa: million carats per annum
 - g. Mcts: million carats
 - h. mL: metre level
 - i. Mt: million tonnes
 - j. Mtpa: million tonnes per annum
 - k. ROM: run-of-mine, i.e. relating to production from the primary orebody
 - l. SLC: sub-level cave, a variation of block caving

APPENDIX

The below operational results include Williamson and are provided for reference only:

Combined Operations (Including Williamson)

	Unit	FY 2021	FY 2020	Variance
Sales				
Diamonds sold	Carats	3,960,475	2,895,497	37%
Revenue	US\$M	406.9	295.8	38%
Production				
ROM diamonds	Carats	3,057,860	3,442,593	-11%
Tailings & other ¹ diamonds	Carats	182,452	146,583	+24%
Total diamonds	Carats	3,240,312	3,589,176	-10%
Tonnages				
ROM tonnes	Mt	7.7	11.5	-33%
Tailings & other ¹ tonnes	Mt	0.4	0.8	-50%
Total tonnes	Mt	8.1	12.3	-34%
On mine cash costs				
	US\$M	276.1	225.3	23%
Capex				
Expansion	US\$M	16.9	21.8	-23%
Sustaining	US\$M	6.9	14.6	-53%
Total	US\$M	23.8	36.4	-35%

Notes:

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

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

US\$ million	Notes	2021	2020 ¹
Revenue	4	402.3	243.3
Mining and processing		(337.2)	(238.2)
Other direct income		1.7	1.0
Exploration expenditure	17	—	(0.6)
Corporate expenditure including settlement costs	5	(21.3)	(8.7)
Impairment of non-financial assets	16	(17.7)	(50.5)
Impairment of BEE loans receivable – expected credit loss reversal / (charge)	13	5.8	(10.9)
Total operating costs		(368.7)	(307.9)
Profit on disposal of subsidiary	17	14.7	—
Financial income	6	84.1	7.9
Financial expense	6	(74.0)	(160.8)
Gain on extinguishment of Notes net of unamortised costs	6,8	213.3	—
Profit / (loss) before tax		271.7	(217.5)
Income tax (charge) / credit		(23.0)	52.5
Profit / (loss) for the year from continuing operations		248.7	(165.0)
Loss on discontinued operations including associated impairment charges (net of tax)	17	(52.1)	(58.0)
Profit / (loss) for the Year		196.6	(223.0)
Attributable to:			
Equity holders of the parent company		187.1	(190.0)
Non-controlling interest		9.5	(33.0)
		196.6	(223.0)

Earnings / (loss) per share attributable to the equity holders of the parent during the Year:

Continuing operations:

Basic earnings / (loss) per share – US cents	14	6.67	(15.26)
Diluted earnings / (loss) per share – US cents	14	6.67	(15.26)

From continuing and discontinued operations:

Basic earnings / (loss) per share – US cents	14	5.22	(21.96)
Diluted earnings / (loss) per share – US cents	14	5.22	(21.96)

1. Comparative results have been restated to reflect the results of Williamson within loss on discontinued operations including associated impairment charges (net of tax) as per the requirements of IFRS 5 (refer to note xx).

PETRA DIAMONDS LIMITED - PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

US\$ million	2021	2020
Profit / (loss) for the Year	196.6	(223.0)
Exchange differences on translation of the share-based payment reserve	0.2	(0.2)
Exchange differences on translation of foreign operations ^{1,2}	64.2	(91.3)
Exchange differences on non-controlling interest ¹	(1.2)	(0.6)
Total comprehensive income / (expense) for the Year	259.8	(315.1)

Total comprehensive income and expense attributable to:

Equity holders of the parent company	251.5	(281.5)
Non-controlling interest	8.3	(33.6)
	259.8	(315.1)

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

² The Company has disclosed the net assets of the Williamson mine under non-current assets held for sale and liabilities directly associated with non-current assets held for sale in the Statement of Financial Position.

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AT 30 JUNE 2021

US\$ million	Notes	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	7	696.8	675.8
Right-of-use assets		1.2	4.9
BEE loans and receivables	13	46.6	137.0
Other receivables		—	10.3
Deferred tax assets		—	23.3
Total non-current assets		744.6	851.3
Current assets			
Trade and other receivables		50.7	20.0
Inventories		59.9	103.5
Cash and cash equivalents (including restricted amounts)		163.8	67.6
Total current assets		274.4	191.1
Non-current assets classified as held for sale	17	59.6	0.3
Total assets		1,078.6	1,042.7
EQUITY AND LIABILITIES			
Equity			
Share capital	8,9	145.7	133.4
Share premium account	8,9	959.5	790.2
Foreign currency translation reserve		(402.1)	(453.0)
Share-based payment reserve		1.8	1.1
Other reserves		(0.8)	(0.8)
Accumulated losses		(253.3)	(440.4)
Attributable to equity holders of the parent company		450.8	30.5
Non-controlling interest		(10.5)	(18.8)
Total equity		440.3	11.7
Liabilities			
Non-current liabilities			
Loans and borrowings	10	400.0	—
Lease liabilities		0.5	1.1
BEE loans payable	13	—	108.6
Provisions		71.3	55.6
Deferred tax liabilities		48.9	40.5
Total non-current liabilities		520.7	205.8
Current liabilities			
Loans and borrowings	10	30.3	769.0
Lease liabilities		0.5	3.6
Trade and other payables		49.1	52.5
Provisions		4.2	—
Total current liabilities		84.1	825.1
Liabilities directly associated with non-current assets classified as held for sale	17	33.5	0.1
Total liabilities		638.3	1,031.0
Total equity and liabilities		1,078.6	1,042.7

PETRA DIAMONDS LIMITED –PRELIMINARY ANNOUNCEMENT
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

US\$ million	Notes	2021	2020
Profit / (loss) before taxation for the Year from continuing and discontinued operation			
		219.6	(275.3)
Depreciation of property plant and equipment		75.9	78.3
Amortisation of right-of-use asset		0.9	5.2
Unrealised gain on lease liability		—	(0.8)
Impairment charge – non financial assets	16	17.7	92.3
Impairment charge/(reversal) – other receivables	16	—	(0.4)
Impairment of BEE loans receivable – expected credit loss (release) / charge	13	(5.8)	10.9
Gain on extinguishment of Notes net of unamortised costs	6,8	(213.3)	—
Loss and impairment charge on discontinued operations	17	43.2	—
Profit on disposal of subsidiary	17	(14.7)	—
Movement in provisions		4.8	(0.1)
Financial income	6	(84.1)	(7.9)
Financial expense	6	74.0	161.0
Profit on disposal of property, plant and equipment		(0.6)	(0.1)
Share based payment provision		0.5	0.7
Operating profit before working capital changes		118.1	63.8
(Increase) / decrease in trade and other receivables		(26.9)	11.4
Increase / (decrease) in trade and other payables		5.5	(15.5)
Decrease / (Increase) in inventories		42.8	(32.7)
Cash generated from operations		139.5	27.0
Net realised losses on foreign exchange contracts		(6.1)	(8.3)
Finance expense paid		(6.7)	(26.2)
Income tax received / (paid)		0.3	(0.6)
Net cash generated from / (utilised by) operating activities		127.0	(8.1)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(19.4)	(39.3)
Proceeds from sale of property, plant and equipment		0.3	0.8
Loans advanced to BEE partners		(7.0)	(14.1)
Repayments from KEM JV		—	0.4
Finance income received		0.7	1.2
Net cash utilised in investing activities		(25.4)	(51.0)
Cash flows from financing activities			
Cash transaction costs settled – Debt Restructuring	8	(29.9)	—
Cash paid on lease liabilities		(0.7)	(5.0)
Increase in borrowings	8,18	30.0	100.9
Repayment of borrowings	18	(7.4)	(43.5)
Net cash (utilized) / generated from financing activities		(8.0)	52.4
Net increase / (decrease) in cash and cash equivalents			
		93.6	(6.7)
Cash and cash equivalents at beginning of the Year		53.6	71.7
Effect of exchange rate fluctuations on cash held		9.7	(11.4)
Cash and cash equivalents at end of the Year¹		156.9	53.6

The cashflows specific to the discontinued operation net of associated impairments (net of tax) are included in the amounts above and are disclosed in note 17.

¹ Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US\$16.1 million (30 June 2020: US\$14.0 million) and unrestricted cash of US\$147.7 million (30 June 2020: US\$53.6 million) and excludes unrestricted cash attributable to Williamson of US\$9.2 million.

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

(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									
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 Year	—	—	—	—	—	187.1	187.1	9.5	196.6
Other comprehensive income / (expense)	—	—	64.2	0.2	—	—	64.4	(1.2)	63.2
Recycling of foreign currency translation reserve on disposal of Sekaka (refer note 17)	—	—	(13.3)	—	—	—	(13.3)	—	(13.3)
Equity settled share based payments	—	—	—	0.5	—	—	0.5	—	0.5
Allotments during the Year:									
- Ordinary shares – Debt for equity issue (net of US\$12.3 million issue costs) – refer to note 8	12.3	169.3	—	—	—	—	181.6	—	181.6
At 30 June 2021	145.7	959.5	(402.1)	1.8	(0.8)	(253.3)	450.8	(10.5)	440.3

PETRA DIAMONDS LIMITED – PRELIMINARY ANNOUNCEMENT
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

(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									
12 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 Year	—	—	—	—	—	(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
At 30 June 2020	133.4	790.2	(453.0)	1.1	(0.8)	(440.4)	30.5	(18.8)	11.7

NOTES TO THE CONDENSED CONSOLIDATED PRELIMINARY FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2021

1. GENERAL INFORMATION

Petra Diamonds Limited (the “Company”), a limited liability company listed on the Main Market of the London Stock Exchange, is registered in Bermuda with its Group management office domiciled in the United Kingdom. The Consolidated Preliminary Financial Statements of the Company for the year ended 30 June 2021 comprise the Company and its subsidiaries, joint operations and associates (together referred to as the “Group”).

2. ACCOUNTING POLICIES

This unaudited preliminary 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 reporting period. The annual financial report for the year ended 30 June 2020 was prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS’s”) and the accounting policies applied in this condensed preliminary report are consistent with the policies applied in the annual financial report for the year ended 30 June 2020 unless otherwise noted. The preliminary report has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Accounting policy for Non-current assets held for sale and discontinued operations

Where an operation within the Group is separately identified or forms part of a separate reporting structure, the Group will classify the asset as held for sale, in accordance with IFRS 5, if management has committed to a plan to sell, the operation is available for sale, an active search for a buyer is in place, or if any transaction is highly probable within 12 months of classifying as held for sale. The Williamson operation met the criteria mentioned above and as such has been classified as held for sale as at 30 June 2021. The assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition. Non-current assets classified as held for sale and the assets of an operation classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of an identified operation classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resell. The results of discontinued operations are presented separately in the statement of profit or loss.

Unrealised foreign exchange gains and losses on historic retranslation of the subsidiaries results into US Dollars are recycled to the consolidated income statement upon completion of the disposal. The Group designates the results of discontinued activities, including those of disposed subsidiaries, separately in accordance with IFRS and reclassifies the results of the operation in the comparative period from continuing to discontinued operations.

Debt for Equity conversion

When the Group issues equity to settle outstanding debt, the value attributed to the ordinary shares issued is based on the fair value of the equity at the date of settlement to extinguish the debt. The fair value is derived by reference to the closing share price at the date of the conversion, it is considered to be a Level 1 fair value measurement. Costs identified as being directly associated with the debt for equity conversion are taken directly to share premium.

Accounting policy for substantial modification of financial liabilities

When the Group's borrowings are refinanced, and the refinancing is considered to be a substantial modification, the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised as a charge in the income statement.

Basis of preparation including going concern

GOING CONCERN

Despite facing many challenges during FY 2021, improvements in market conditions and the easing of certain COVID-19 restrictions resulted in an increase in demand for rough diamonds, specifically during H2. This allowed for a higher volume of diamond sales to be generated by the Group, which further benefitted from a ca. 9% increase in diamond prices on a like-for-like basis when compared to FY 2020. In addition, the Company recovered and sold a number of Exceptional Stones during FY 2021 from Cullinan, yielding a total of US\$62.0 million in sales revenues. Post Year-end, another three Exceptional Stones were sold, being a 39.3ct blue diamond yielding US\$40.18 million in July 2021, and a 342.9ct white diamond and an 18.3ct blue diamond which collectively sold for US\$13.5 million, while the Company retained a fifty percent interest in the profits, after costs, of both these stones.

These factors, coupled with the successful completion of the Capital Restructuring, resulted in solid progress towards stabilising the Group's balance sheet and strengthening cash reserves to the date of this report.

The Group's liquidity outlook over the 18-month period to December 2022 remains strong, even when applying sensitivities to the base case forecast. However, since covenants were set tightly in the base case at the time of the Restructuring, the debt service cover ratio ("DSCR") covenant, which does not factor in available liquidity nor consider leverage levels, remains sensitive to trading conditions during this period. Under certain stressed-case scenarios, projections indicate that the DSCR covenant may be breached; however, the Company is forecast to have adequate liquidity to fully pay down the drawn facilities prior to any potential breach occurring and retain adequate liquidity and is, therefore, not reliant on the facilities. The Company has also commenced with steps towards renegotiating available banking facilities and associated covenants to address the risk of a breach occurring. The Board considers that the going concern basis in the preparation of the financial statements is appropriate and that there are no material uncertainties that would cast doubt on that basis of preparation.

Capital Restructuring

The Restructuring completed in March 2021 and significantly reduced the Company's gross debt from US\$817.5 million directly before the Restructuring to US\$450.1 million thereafter, with some US\$10.3 million (ZAR160 million) remaining undrawn and available to the Group.

Loan Notes reduced from US\$713.7 million (US\$650 million capital plus accrued interest of ca. US\$63.7 million to date of settlement) to US\$336.7 million, while debt owed under the Group's banking facilities saw an additional US\$10.3 million (ZAR160 million) revolving credit facility being made available to the Group, increasing these facilities to ZAR560 million, while the previous ZAR500 million working capital facility and the ZAR683 million BEE guarantee facilities were refinanced and replaced by a ZAR1,200 billion amortising Term Loan.

South African Operations

Cullinan performed well during FY 2021, delivering record throughput supported by Project 2022 initiatives. It is expected that Cullinan will continue to perform at these levels in future. Finsch was impacted by unexpected levels of waste ingress, reducing both throughput and grades recovered at the mine. The longer-term impact of the waste ingress has been assessed through geological simulations, with results informing revised LOM planning models, as well as resultant cashflow projections. Short term disruptions were also experienced after unusually heavy rainfalls hampered operations at both Finsch and Koffiefontein during Q3 FY 2021.

COVID-19

Some uncertainty still exists around the ongoing impact of COVID-19 on the Group. South Africa is currently experiencing a third wave of infections and the disruption to Petra's operations mainly concerns the necessary quarantining of confirmed or suspected cases amongst our workforce. However, the Company has the systems and processes in place to manage this without materially impacting production. Petra's focus now is on assisting the Government with its vaccination drive and the Company has vaccination stations and campaigns to encourage their uptake available at, or near to, each of our operations.

The Group continues to sell its product through a dual tender system – first via the mandatory tender held in South Africa, with the bulk of the goods then exported to be sold in Antwerp. This approach ensures maximum exposure to potential bidders and, in turn, stronger competition and improved pricing. Further waves of outbreak and repeat 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/or demand for rough diamonds and, consequently, diamond prices.

Williamson mine, Tanzania

The Board took the decision to dispose of the Williamson operation as at 30 June 2021. The Williamson mine remained on care and maintenance; however, the Company is currently taking steps towards the recommencement of production given improving market conditions over the last number of months. The mine's own liquidity position, bolstered by US\$10 million in VAT refunds during Q4 FY 2021, coupled with support from the local mining contractor in the form of deferred payment terms, should see it reach commercial production levels during H1 FY 2022, with first sale of goods projected to be in Q2 FY 2022, with working capital funding from Petra limited to US\$6 million during this start-up period.

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. Williamson's liquidity position is reliant on its ability to generate cash through operations; and/or its ability to reach agreement with the GoT allowing it to sell the blocked diamond parcel and around potential recoupment of the balance 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. Earlier discussions with a local bank for a possible working capital facility were not successful given the mine is still in care and maintenance. The Tanzanian banks suggested that they may consider advancing a facility post restart of operations, although this remains uncertain. 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 the 18 months to December 2022, including both forecast liquidity and covenants. 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, including adverse weather conditions;
- a sustained 5% decrease in forecast rough diamond prices throughout the forecast period;

- 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); and
- an increase in forecast operating cost.

Under the base case, the forecasts indicate that the Company will be able to operate within the covenants set out in the financing agreements and maintain sufficient liquidity.

However, as detailed above, the first lien covenants were set with limited headroom to the Company's base case. As such, results of the stress testing indicate that in the event of a combination of all tested scenarios, possible covenant breaches associated with the South African banking facilities may occur at June 2022, while a breach is also projected in December 2022 on an individual stress test basis. At the time of any covenant breach in June 2022 and December 2022 under such scenarios, projected cash balances exceed outstanding debt under these facilities, which would allow the Group to fully pay down the drawn facilities prior to the breach occurring and maintain adequate liquidity. The forecasts indicate that under the sensitivity scenarios, the Group is not reliant on the facilities.

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

New standards and interpretations applied

The IASB has issued new standards, amendments and interpretations to existing with an effective date on or before 1 July 2020, these new standards are not considered to have a material impact on the Group during the Year 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 preliminary 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 preliminary 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 and Koffiefontein

The impairment tests for Cullinan, Finsch and Koffiefontein resulted in an impairment charge of US\$17.3 million (30 June 2020: US\$50.9 million) to be recognised, on a carrying value of the Group's property, plant and equipment of US\$711.8 million (30 June 2020: US\$844.0 million). The impairment was directly attributable to the Finsch amounting US\$15.5 million (30 June 2020: US\$11.6 million) and Koffiefontein amounting US\$2.2 million (30 June 2020: US\$11.7 million) related to property, plant and equipment of US\$213.9 million (30 June 2020: US\$17.4 million). For further details of the inputs, assumptions and sensitivities in the impairment model, refer to note 16.

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) 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 requires significant judgement. In making such a judgement, the Group considered their ongoing discussions with the GoT. The Group received confirmation from the GoT in FY 2018 that they held the diamond parcel of 71,654.45 carats. The Group has received verbal re-confirmation during the Year in the course of the ongoing discussions held with the GoT. The Group has made an assessment of the internal process used for the sale and export of diamonds and has confirmed that in the event that the parcel is recovered, a sale would be possible to execute in full compliance with legislation in Tanzania and the Kimberley Process with certain rectification steps. The Group has obtained legal advice from the Group's in-country attorneys which supports management's position that the Group retains the legal right to the parcel.

The Company is aware of media reports during the Year suggesting that the blocked parcel of 71,654 carats of diamonds from the Williamson mine in Tanzania has been nationalised by GoT. The Company remains in discussions with the GoT on this matter.

While a resolution has not yet been reached with regards to the blocked parcel, 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 by the Williamson operation. The funds are expected to flow to the Williamson mine and to be used as part of its future working capital requirements.

Recoverability of VAT in Tanzania

The Group has VAT receivable of US\$0.7 million (30 June 2020: US\$10.3 million) in respect of the Williamson mine, all of which are past due and have therefore been classified, after after provision including amounts related to providing for a time-value of money inclusive of risk adjustments for various factors, as non-current given the potential delays in receipt. Williamson's non-current assets have been classified as assets held for sale in FY 2021.

The VAT receivable can be split into three identifiable component time periods as set out below:

US\$ million	VAT Receivable	Provision	Carrying value
Pre July 2017	1.8	(1.3)	0.5
July 2017 to June 2020	26.9	(26.9)	—
Post June 2020	0.8	(0.6)	0.2
	29.5	(28.8)	0.7

Pre July 2017

Of the total VAT receivables, US\$1.8 million (30 June 2020: US\$13.0 million) relates to historic VAT pre July 2017. During the Year the Group received US\$10.0 million in VAT refunds from the Tanzanian Revenue Authority in respect of the pre July 2017 period and US\$1.2 million was disallowed subsequent to a VAT audit performed by the Tanzanian Revenue Authority. A provision of US\$1.3 million, given the uncertainty around the timing of receipts of the amount outstanding, has been provided for against the US\$1.8 million receivable resulting in a carrying value of US\$0.5 million.

July 2017 to June 2020

A further US\$26.9 million (30 June 2020: US\$26.9 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 ("TRA") 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 based on legal advice, considers that input VAT is valid and legally recoverable.. However, the TRA maintains that this amount is disputed and not recoverable. Given that there have been no favourable developments from the TRA, management has written down the full disputed balance of US\$26.9 million as there has been no indication from the TRA that these amounts will be reimbursed, regardless of the June 2020 revision of legislation.

As noted above, the VAT legislation was again revised to remove any reference to raw minerals with effect from 1 July 2020. The amendment to the legislation is to be applied prospectively and this therefore supports management's view that VAT related to periods post July 2020 are recoverable.

Post June 2020

An amount of US\$0.8 million of VAT is receivable for the period subsequent to 1 July 2020. The Group is considering various alternatives in pursuing payment in accordance with legislation. A provision of US\$0.6 million, given the uncertainty around the timing of receipts of the amount outstanding, has been provided for against the US\$0.8 million receivable resulting in a carrying value of US\$0.2 million.

While the remaining pre July 2017 and post 1 July 2020 VAT balance is considered receivable, significant uncertainty exists regarding the timing of receipt. 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\$0.05 million and a one year delay would increase the provision by US\$0.1 million.

The total impairment on the total VAT balance is therefore US\$28.7 million (FY 2020: US\$29.6 million) During the Year, a reversal of previous impairments of US\$0.7 million (30 June 2020: US\$nil) was recognised in loss on discontinued operations.

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 conclusion during the Year of an offset agreement. Based on the assessment, the analysis generated an expected net credit loss reversal totalling US\$5.8 million (30 June 2020: US\$10.9 million expected credit loss provision), comprising of US\$6.1 million provision reversal in respect of Cullinan and Finsch and US\$0.3 million expected credit loss provision in respect of Koffiefontein (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).

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 Resource 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, outside the current mine plan further impact the estimated date of decommissioning and rehabilitation.

Restructuring

Transaction costs associated with the restructuring exercise were apportioned to the listed debt, equity issued and ZAR banking facilities based on the value of each element at the date of restructuring. Refer to Note 8 (c) for further details.

Williamson Diamond Mine (30 June 2021)

The Group needs to apply judgment when determining whether an asset should be classified as held for sale. For this to be the case, the asset must be available for immediate sale in its present condition and its sale must be highly probable. The following factors are considered by management in determining whether a sale is highly probable: Management must be committed to a plan to sell the asset; an active programme to locate a buyer and complete the plan must have been initiated; the asset must be actively marketed for sale at a reasonable price and any transaction should be expected to be completed within 12 months of classification of the asset as held for sale. Based on the above factors, management considered that the Williamson mine was an asset held for sale at 30 June 2021. Judgement is required when determining whether a component of an entity classifies as a discontinued operation. A component of the Group should be classified as a discontinued operation when it has been disposed of, or if it is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Judgement is required when determining whether the component represents a separate major line of business or geographical area of operations. This was applied to the

classification of the Williamson mine as a discontinued operation. The Williamson mine is considered a major geographical area of operations which has been reported as a separate segment in the past, and as such we have determined the classification of a discontinued operation to be appropriate. In terms of the measurement requirements of IFRS 5, once classified as held for sale, the assets are required to be measured at the lower of their carrying amount and fair value less costs to sell. Judgment is required in order to determine the fair value of the disposal group. In determining the fair value used to calculate the appropriate write down, management took into consideration, current discussions with vendors, the latest LOM plan assessment and the best available information at the present time. Refer to note 17 for further details.

Taxation

The Group operates in South Africa and Tanzania, and accordingly it is subject to, and pays annual income taxes under the various income tax regimes in the countries in which it operates. From time to time the Group is subject to a review of its income tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain rules to the Group's business conducted within the country involved. Management evaluates each of the assessments and recognises a provision based on its best estimate of the ultimate resolution of the assessment, through either negotiation or through a legal process.

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).

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. As at 30 June 2021, the Tanzania segment constitutes a discontinued operation and is classified as held for sale per IFRS 5.

Exploration – exploration activities in Botswana (The exploration assets in Botswana were disposed of via the sale of the Group's interest in Sekaka Diamonds Exploration (Pty) Ltd).

Corporate – administrative activities in the United Kingdom.

Beneficiation – beneficiation activities in South Africa.

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 ⁵	Exploration ⁴	Corporate and treasury	Beneficiation ³	Inter-segment	
US\$ million	2021	2021	2021	2021	2021	2021	2021	2021	
Revenue	250.6	123.5	27.9	—	—	—	0.3	—	402.3
Segment result ¹	76.8	(0.5)	(8.1)	—	—	(21.2)	(1.6)	(1.6)	43.8
Impairment charge – operations	—	(15.1)	(2.2)	—	—	—	—	—	(17.3)
Impairment charge – other receivables	—	—	—	—	—	(0.4)	—	—	(0.4)
Impairment of BEE loans receivable – expected credit loss release / (charge)	—	—	—	—	—	5.8	—	—	5.8
Other direct income	0.6	1.0	0.1	—	—	—	—	—	1.7
Operating profit / (loss) ²	77.4	(14.6)	(10.2)	—	—	(15.8)	(1.6)	(1.6)	33.6
Gain on extinguishment of Notes and unamortised costs									213.3
Profit on disposal of subsidiary									14.7
Financial income									84.1
Financial expense									(74.0)
Income tax charge									(23.0)
Loss on discontinued operation (net of tax) ⁵									(52.1)
Non-controlling interest									(9.5)
Profit attributable to equity holders of the parent company									187.1
Segment assets	559.0	249.9	6.9	59.6	—	3,488.7	4.5	(3,290.0)	1,078.6
Segment liabilities	559.2	119.7	22.1	33.5	—	2,134.7	5.5	(2,236.4)	638.3
Capital expenditure	16.8	4.0	1.7	0.3	—	1.0	—	—	23.8

¹ Total depreciation of US\$75.9 million included in the segmental result comprises depreciation incurred at Cullinan of US\$52.2 million, Finsch of US\$23.0 million, Koffiefontein US\$ 0.1 million and Corporate and treasury of US\$0.6 million.

² Operating profit is equivalent to revenue of US\$402.3 million less total costs of US\$368.7 million as disclosed in the Consolidated Income Statement.

³ The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which on occasion cuts and polishes select rough diamonds.

⁴ The operating results in respect of Botswana have been reflected in note 17. In FY 2021, Petra sold its exploration assets in Botswana to Botswana Diamonds PLC via the sale of its interest in Sekaka Diamonds Exploration (Pty) Ltd.

⁵ The operating results in respect of Williamson have been reflected within loss on discontinued operation and the assets and liabilities classified as held for sale (refer to note 17).

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities			Tanzania - Mining activities	Botswana	United Kingdom	South Africa		Consolidated
	Cullinan	Finsch	Koffiefontein	Williamson ⁵	Exploration	Corporate and treasury	Beneficiation ³	Inter-segment	
US\$ million	2020	2020	2020	2020	2020	2020	2020	2020	2020
Revenue	116.5	101.1	25.7	—	—	—	—	—	243.3
Segment result ¹	21.6	(5.1)	(6.2)	—	(0.6)	(8.7)	(0.7)	(4.5)	(4.2)
Impairment charge – operations	(11.6)	(27.6)	(11.7)	—	—	—	—	—	(50.9)
Impairment charge – other receivables	—	—	—	—	—	0.4	—	—	0.4
Impairment of BEE loans receivable – expected credit loss provision	—	—	—	—	—	(10.9)	—	—	(10.9)
Other direct income	—	0.7	0.3	—	—	—	—	—	1.0
Operating loss ²	10.0	(32.0)	(17.6)	—	(0.6)	(19.2)	(0.7)	(4.5)	(64.6)
Financial income									7.9
Financial expense									(160.8)
Income tax credit									52.5
Loss on discontinued operation (net of tax) ⁴									(58.0)
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

¹ Total depreciation of US\$69.9 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, , Exploration of US\$0.1 million and Corporate administration of US\$0.8 million.

² Operating loss is equivalent to revenue of US\$243.3 million less total costs of US\$307.9 million as disclosed in the Consolidated Income Statement.

³ The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which on occasion cuts and polishes select rough diamonds.

⁴ The operating results in respect of Williamson have been reflected within loss on discontinued operation (refer to note 17).

US\$ million	2021 ²	2020
5. CORPORATE EXPENDITURE		
Corporate expenditure includes:		
Depreciation of property, plant and equipment	0.6	0.5
Amortisation of right-of-use asset	0.3	0.3
London Stock Exchange and other regulatory expenses	1.5	1.4
Settlement costs and fees – human rights claims at Williamson ¹	12.7	—
Share-based expense - Directors	0.5	0.7
Other staff costs	2.3	2.0
Total staff costs	2.8	2.7

¹ The settlement costs for the human rights claims at Williamson comprise US\$4.8 million for the part settlement of the claimant's legal costs and for distribution to the claimants and US\$1.3 million to invest in programmes dedicated to providing long-term sustainable support to the communities living around the Williamson mine as a condition of the Settlement. The Company has incurred and provided for additional total costs of US\$6.6 million relating to this matter, the bulk of which relate to legal, consultant, investigation and expert fees.

² During the Year, the Group received payments from the South African Government under the temporary employee relief scheme ("TERS") of US\$3.5 million. Of the US\$3.5 million TERS payment received, US\$0.3 million relates to Corporate expenditure and US\$3.2 million relates to Mining and processing costs.

6. FINANCING INCOME / (EXPENSE)

US\$ million	2021	2020
Net unrealised foreign exchange gains ¹	77.1	—
Interest received on BEE loans and other receivables	5.4	6.7
Interest received bank deposits	0.7	1.2
Realised foreign exchange gains on the settlement of foreign loans and forward exchange contracts	0.9	—
Financial income	84.1	7.9
Interest on senior secured second lien notes, bank loans and overdrafts	(51.5)	(52.4)
Other debt finance costs, including BEE loan interest, facility fees and IFRS 16 charges	(8.5)	(13.4)
Acceleration of unamortised Notes costs	(2.7)	—
Unwinding of present value adjustment for rehabilitation costs	(4.3)	(4.6)
Net unrealised foreign exchange losses ¹	—	(82.1)
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts	(7.0)	(8.3)
Financial expense	(74.0)	(160.8)
Loss on substantial modification of Notes ²	(7.7)	—
Gain on extinguishment of Notes – debt for equity conversion ²	221.0	—
Net gain on extinguishment of Notes	213.3	—
Net finance income / (expense)	223.4	(152.9)

¹ 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 Year are based on Level 2 mark-to-market valuations performed by the counterparty financial institutions. The contracts are all short dated in nature and mature within the next 12 months. A significant

strengthening of the South African Rand against the US Dollar from ZAR17.32 (30 June 2020) to ZAR14.27 (30 June 2021) resulted in an unrealised gain of US\$77.1 million (30 June 2020: US\$82.1 million loss) comprising foreign exchange contracts held at Year end of US\$12.4 million (30 June 2020: US\$12.8 million loss) and inter-group foreign denominated loans of US\$64.7 million (30 June 2020: US\$68.7 million loss); and a net realised foreign exchange loss of US\$6.1 million (30 June 2020: US\$8.3 million loss) in respect of foreign exchange contracts closed during the Year is included in the net finance and expense amount.

² The loss on substantial modification and gain on extinguishment of Notes in the Year arose from the Restructuring completed by the Group on 10 March 2021. Refer to note 8 for further detail.

7. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment for the Year is an increase of US\$21.0 million (30 June 2020: US\$292.0 million decrease). 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\$136.8 million (30 June 2020: US\$163.8 million decrease);
- an increase in property, plant and equipment from capital expenditure of US\$23.8 million (30 June 2020: US\$36.4 million), which includes US\$0.3 million (30 June 2020: US\$8.0 million) additions attributable to Williamson; and
- an increase in the rehabilitation asset of US\$6.4 million (30 June 2020: US\$0.1 million) due to Cullinan's estimated period to decommissioning reducing from 45 years to 25 years reflecting updated scoping studies for future development outside of its current approved LOM;

offset by:

- depreciation of US\$75.9 million (30 June 2020: US\$78.3 million);
- the impairment of the Finsch and Koffiefontein assets of US\$17.3 million (30 June 2020: US\$50.9 million);
- the impairment of the Williamson assets of US\$21.4 million (30 June 2020: US\$34.6 million);
- the transfer of the remaining Williamson assets to non-current assets held for sale of US\$31.3 million (30 June 2020: US\$nil); and
- assets of US\$0.1 million (30 June 2020: US\$0.7 million) disposed of during the Year.

8. Restructuring of the US\$650 million Loan Notes

On 10 March 2021, the Company announced it had completed the implementation of the debt Restructuring project with the Noteholders and the South African Lender Group. The key features of the Restructuring of the US\$650 million Notes and the Senior secured lender debt facilities of ZAR1.6 billion are as follows:

- conversion of Notes debt valued at US\$415.0 million into equity, which resulted in the Noteholder group holding 91% of the enlarged share capital of the Company (refer (a) below);
- the remainder of the Notes exchanged for the issue of US\$295.0 million new Notes and the contribution by holders of the existing Notes of US\$30.0 million in new money, each to take the form of New Notes (refer (a) below); and
- restructuring of the first lien facilities to provide for a Term Loan of ZAR1.2 billion and a Revolving Credit Facility ("RCF") of ZAR560 million provided by the South African Lender Group (refer (b) below).

a) Debt for Equity conversion and the issue of New Notes

i) Debt for Equity swap

The Company completed a debt for equity conversion consisting of the partial repayment of the US\$650 million Loan Notes by issuing 8,844,657,929 new Ordinary Shares with a nominal value of 0.001 pence per share in the Company to the existing Noteholders. The fair value of the shares at the date of the conversion was 1.58 pence per share, giving a total consideration of US\$194.0 million. As the fair value was derived by reference to the closing share price at the date of the conversion, it is considered to be a Level 1 fair value measurement. The carrying value of the liability at the date of the conversion was US\$415.0 million, after capitalisation of the May 2020 and November 2020 coupons and adjusting for the issue of new Notes. The resulting gain, before restructuring costs, of US\$221.0 million has been recognised in the Income Statement as part of the gain on extinguishment of the Notes. Restructuring costs identified as being directly associated with the debt for equity conversion, of

US\$12.4 million have been taken directly to share premium. The Debt for Equity Conversion resulted in the Noteholders holding 91% of the enlarged share capital of the Company.

US\$ million	2021
Ordinary shares issued – nominal value per share	12.3
Share premium	169.3
Share premium on debt for equity conversion	181.6
Costs directly associated with issue of shares	(12.3)
Attributable to parent	181.6
Gain on extinguishment of Notes – debt for equity conversion	221.0

ii) Issue of New Notes

The New Notes of US\$336.7 million were issued and allocated as follows:

- US\$30.0 million allocated only to those Noteholders that subscribed, and funded that subscription, to the New Money, pro rata to their New Money contribution (the “New Money Noteholders”);
- US\$150.0 million allocated only to those New Money Noteholders, pro rata to each holder's contribution to the New Money;
- US\$145.0 million allocated to all Noteholders (including the New Money Noteholders), pro rata to their holdings of existing Notes at the close of the Restructuring; and
- a further amount of New Notes as consideration to certain Noteholders, in remuneration for the commercial risks and other commercial considerations borne by those Noteholders whilst restricted for the purposes of negotiations with other stakeholders and work performed in connection with the Restructuring. The quantum of New Notes issued for this purpose was US\$11.7 million, which has been capitalised as part of the Notes liability and will be amortised over the term of the Notes.

iii) Substantial modification

The Group performed an assessment under its accounting policies and the requirements of IFRS 9 as to whether the restructuring of the terms of the Loan Notes represented a substantial modification. As the net present value of the cash flows under the original terms and the modified terms was greater than 10% different, the modification was accounted for as a substantial modification.

As a result, on completion of the Restructuring, the carrying value of the Loan Notes of US\$299.0 million was de-recognised and the amended new Notes with a nominal value of US\$306.7 million were recognised on the balance sheet at the date of modification. The loss arising on substantial modification of the Loan Notes of US\$7.7 million has been recognised in the Income Statement as part of the gain on extinguishment of the Notes. The acceleration of unamortised costs associated with the substantial modification were expensed and included within net finance income (refer to note 6).

US\$ million	2021
New Money Noteholders	150.0
New Notes allocated to all Noteholders	145.0
New Notes for consideration of costs	11.7
New Notes nominal value	306.7
Carrying value of Notes derecognized	299.0
New Notes nominal value	(306.7)
Loss on substantial modification of Notes	(7.7)

b) First lien facilities

The previous facilities held with the South African Lender Group, included the ZAR500.0 million working capital facility (the "WCF"), the ZAR400.0 million RCF, the financing arrangements in respect of the Group's BEE partners (the "BEE Facilities") of ZAR683.1 million and the Group's general banking facilities were restructured through the extinguishment of the existing facilities and the replacement of such facilities with a new Term Loan and RCF, as part of the Restructuring.

A new Term Loan was made available to the Group for a principal amount of ZAR1.2 billion, in order to refinance the previous drawn ZAR500.0 million WCF and the outstanding principal amounts of the BEE Facilities (ZAR683.1 million). Transaction costs of ZAR17.4 million (US\$1.7 million) and cash transaction costs of US\$0.7 million directly associated with the Term loan were capitalised to the liability to be amortised over the period of the loan. The Term Loan is fully drawn.

A new RCF was made available comprising a rollover of the previous ZAR400.0 million RCF but increased by a further ZAR160.0 million. An amount of ZAR400.0 million remains drawn at Year end under the RCF with the RCF reducing at Year end to ZAR509.6 million in line with the amortisation profile, with ZAR109.6 million still available for drawdown. For the terms of the new First lien facilities refer to note 10.

c) Transaction costs

A total of US\$33.7 million (FY2020: US\$3.8 million included under prepayments) were incurred during the Year for the Restructuring. The transaction costs have been apportioned to Equity, the Notes and bank facilities based on each components contribution to the total Restructuring. Cash costs incurred in the Year amounted to US\$29.9 million (FY 2020: US\$3.8 million included under prepayments). A summary of the cash transaction costs are presented in the table below:

US\$ million	2021
Transaction costs attributable to equity	12.3
Transaction costs attributable to Notes	20.7
Transaction costs attributable to First lien facilities	0.7
Total	33.7

d) Taxation

The current and deferred taxation consequences of the Restructuring have been considered and based on adviser opinions received during the Restructuring project, Management are of the opinion there are no material tax events anticipated.

9. SHARES ISSUED

As part of the Restructuring and subsequent to the approval by shareholders at a special general meeting held on 13 January 2021, the Company allotted 8,844,657,929 Ordinary Shares to the Noteholders valued at US\$194.0 million (comprising Ordinary shares valued at US\$12.3 million and share premium of US\$181.7 million before capitalised costs), based on the share price at 9 March 2021 (the date upon which all implementation steps for the Debt Restructuring were met). The allotment was pursuant to the Debt for Equity Conversion, announced on 22 December 2020, which resulted in the Noteholders holding 91% of the enlarged share capital of the Company in the following proportions:

- 56.0% of the enlarged share capital was issued to all Noteholders, including the New Money Noteholders, pro rata to their holdings of existing Notes at the close of the Restructuring (to the extent any Noteholder did not take up their equity entitlement, such entitlement was allocated to the remaining Noteholders who did not opt out of their equity entitlement, on a pro rata basis); and
- 35.0% of the enlarged share capital was issued to the New Money Noteholders only, pro rata to their contribution of the New Money (to the extent any such Noteholders did not take up their equity entitlement, such entitlement was allocated to the remaining Noteholders who contributed to the New Money and who did not opt out of their equity entitlements, on a pro rata basis).

As a consequence of the Debt for Equity Conversion, 9% of the Company's enlarged share capital remains with the previous shareholders (subject to dilution as a result of standard management equity incentive arrangements). The costs associated with the allotment of the new ordinary shares of US\$12.3 million were capitalised against share premium. For additional information regarding the Restructuring refer to note 8.

Allotments during FY 2020 were in respect of the award of 94,858 Ordinary Shares to Mr Dippenaar and Mr Davidson (previous Group Executive Directors) granted under the 2012 Performance Share Plan in receipt of performance measured over the period 1 July 2016 to 30 June 2019.

10. LOANS AND BORROWINGS

US\$ million	2021	2020
Non-current liabilities		
Loans and borrowings – Senior secured second lien notes	327.3	—
Loans and borrowings – Senior secured lender debt facilities	72.7	—
	400.0	—
Current liabilities		
Loans and borrowings – BEE Partner debt facilities	—	40.0
Loans and borrowings – senior secured lender debt facilities	30.3	52.1
Loans and borrowings – senior secured second lien notes ¹	—	676.9
	30.3	769.0
Total loans and borrowings - bank facilities	430.3	769.0

¹ Prior to the Debt Restructuring the Company had US\$650 million Notes which had been issued by a wholly owned subsidiary, Petra Diamonds US\$ Treasury Plc. In terms of the requirements of IFRS, the Notes were classified as a current liability as at 30 June 2020, as at that date the company did not have an unconditional right to defer settlement for at least 12 months. These Notes were restructured during the Year with the existing Notes being extinguished through a debt for equity conversion (US\$415.0 million), the issue of new Notes via a cash injection of US\$30.0 million and additional new Notes issued for US\$306.7 million (including costs of US\$11.7 million). Refer to note 8 for further detail.

a) US\$336.7 million Senior Secured Second Lien Notes

A wholly owned subsidiary of the Company, Petra Diamonds US\$ Treasury Plc, issued debt securities consisting of US\$336.7 million five-year senior secured second lien loan notes (“Notes”), with a maturity date of 8 March 2026. The 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. The Notes carry a coupon from:

- 9 March 2021 to 31 December 2022 of 10.50% per annum, which is capitalised to the outstanding principal amount semi-annually in arrears on 31 December and 30 June of each year;
- 1 January 2023 to 30 June 2023 of 10.50% per annum on 37.7778% of the aggregate principal amount outstanding, which is capitalised to the outstanding principal amount semi-annually in arrears on 31 December and 30 June of each year and 9.75% per annum on 62.2222% of the aggregate principal amount outstanding which is payable in cash semi-annually in arrears on 31 December and 30 June of each year;
- 1 July 2023 to 31 December 2025 of 9.75% per annum on the aggregate principal amount outstanding which is payable in cash semi-annually in arrears on 31 December and 30 June of each year; and
- 1 January 2026 to 8 March 2026 (final coupon payment) of 9.75% per annum on the aggregate principal amount outstanding which is payable in cash

The costs associated with issuing the Notes of US\$20.7 million have been capitalised against the principal amount and US\$19.4 million remains unamortised as at 30 June 2021. Interest of US\$11.1 million has been accrued as at 30 June 2021.

Further details about the Notes (including security) will be included in the Group’s FY 2021 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.

As part of the Restructuring, the existing banking facilities were amended on a first lien basis and on the following terms, the creation of a new Term Loan of ZAR1.2 billion (US\$76.6 million) comprising ZAR500.0 million (US\$35.0 million) under the existing WCF and ZAR683.1 (US\$41.6 million) million relating to the BEE Partner debt facilities; and the rollover of the existing RCF increasing by ZAR160.0 million (US\$11.2 million) to ZAR560 million (US\$39.2 million). The revised terms and conditions are set out in the table below. The costs associated with restructuring of the banking facilities of US\$1.7 million and US\$0.7 million cash transaction costs allocated based on the total Restructuring costs have been capitalised against the principal amount.

The Group performed an assessment under its accounting policies and the requirements of IFRS 9 as to whether the restructuring of the Senior Secured Lender Facilities represented a substantial modification. As the net present value of the cashflows under the original terms and the modified terms was less than 10% different, the modification did not represent a substantial modification.

The new terms under the Term loan are:

- maturity date 8 March 2024;
- scheduled amortisation of 9% of principal per quarter (starting in June 2021) with a final 10% of principal repayment at maturity,
- 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; and
- interest rate of SA JIBAR + 5.25% per annum (with an upfront fee of 1% of the term loan amount capitalised).

The revised terms under the RCF are:

- maturity date 8 March 2024;
- scheduled amortisation of 9% of principal per quarter (starting in June 2021) with a final 10% of principal repayment at maturity;
- 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; and
- interest rate of SA JIBAR + 5.25% per annum (with an upfront fee of 1% of the RCF amount capitalised and a commitment fee based on undrawn balances).

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

Senior Lender Debt Facilities	2021	2020
	Facility amount	Facility amount
ZAR Debt Facilities:		
ZAR Lenders RCF	ZAR560 million	ZAR400 million
ZAR Lenders Term loan	ZAR1.2 billion	ZARnil
ZAR Lenders WCF	ZARnil	ZAR500 million
Absa/RMB – FX Hedging facilities	ZAR150 million	ZAR300 million

The terms and conditions of the Group's facilities will be detailed in the Group's FY 2021 Annual Report.

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

As at date of this report, the Term loan was fully drawn while the RCF had available capacity of ZAR109.6 million (US\$7.7 million).

Covenant ratios

As part of the revised Term loan and RCF facilities entered into with the South African Lender Group, the Company is required:

- to maintain a 1.3x debt service cover ratio tested semi-annually on a rolling 12-month basis; and

- to maintain liquidity requirements being the aggregate of the undrawn amounts available under the RCF and consolidated cash and cash equivalents (excluding diamond debtors) not falling below ZAR200 million (US\$14.0 million).

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

c) BEE Partner debt facilities

The BEE Partner debt facilities have been restructured and now form part of the new Term Loan (refer to (b) above).

11. COMMITMENTS

As at 30 June 2021, the Company had committed to future capital expenditure totalling US\$10.2 million (30 June 2020: US\$4.4 million), mainly comprising Cullinan US\$8.1 million (30 June 2020: US\$2.0 million), Finsch US\$1.5 million (30 June 2020: US\$1.4 million), Koffiefontein US\$0.6 million (30 June 2020: US\$0.3 million) and Williamson US\$nil (30 June 2020: US\$0.7 million).

12. RELATED PARTY TRANSACTIONS

The Group's related party BEE partner, 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 30 June 2021 (%)	Partner and respective interest as at 30 June 2020 (%)
Cullinan	Kago Diamonds (14%)	Kago Diamonds (14%)
Finsch	Kago Diamonds (14%)	Kago Diamonds (14%)
Koffiefontein	Kago Diamonds (14%)	Kago Diamonds (14%)

The Itumeleng Petra Diamonds Employee Trust ("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 is 78.4%.

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

US\$ million	1 July 2020 - 30 June 2021	1 July 2019 - 30 June 2020
Non-current receivable		
Kago Diamonds ¹	33.5	72.1
	33.5	72.1
Non-current payable		
Kago Diamonds	—	58.5
	—	58.5
Current trade and other receivables		
KEM JV ²	9.7	8.0
Impairment provision ²	(8.4)	(6.9)
	1.3	1.1
Finance income		
Kago Diamonds	3.7	5.1
	3.7	5.1

Finance expense		
Kago Diamonds	3.8	6.4
	3.8	6.4

¹ The decrease in the Kago Diamonds receivable of US\$38.6 million is mainly attributable to amounts advanced to Kago Diamonds during the Year totalling US\$3.8 million (30 June 2020: US\$7.7 million), a foreign exchange increase of US\$15.4 million (30 June 2020: US\$7.7 million decrease), the reversal of prior period expected credit loss provision of US\$4.2 million (30 June 2020: US\$5.4 million impairment) and offset by the loan payable of US\$62.1 million (including foreign exchange movements on the loan payable) by the Group to Kago against the Kago loan receivable.

² 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 the balance of the KEM JV purchase consideration of US\$1.3 million (30 June 2020: US\$1.1 million). During FY2021 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\$8.4 million (30 June 2020: US\$6.9 million). The increase in the expected credit loss is attributable to the movement in the foreign exchange rates during the Year.

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. During FY2020, the Group had provided a guarantee to the BEE Lenders for repayment of loans advanced to the Group's BEE Partners, however during FY2021 as part of the Debt Restructuring, the BEE Partner debt facilities were restructured and now form part of the Group's new Term Loan (refer to note 9 for further detail).

Rental income receivable

The Group received US\$0.1 million (30 June 2020: US\$0.1 million) from Alufer Mining Ltd. The Group has US\$nil (30 June 2020: US\$0.1 million) receivable from Alufer Mining Ltd. Mr Pryor is a director of Alufer Mining Ltd.

13. BEE LOANS RECEIVABLE AND PAYABLE

US\$ million	30 June 2021	30 June 2020
Non-current assets		
Loans and other receivables	46.6	137.0
Non-current liabilities		
Trade and other payables	—	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\$47.9 million (30 June 2020: US\$40.0 million) 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, future cashflow generation of the operations 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.

As part of the Debt Restructuring, Petra has assumed the BEE Lender facility obligations under the terms outlined in notes 9 and 10. For detail on expected credit loss provision and reversal associated with the BEE loans receivable refer to note 2.

US\$ million	1 July 2020 - 30 June 2021	1 July 2019 - 30 June 2020
As at 1 July	137.0	109.6
Foreign exchange movement on opening balance	30.7	(22.5)
Discretionary advance – capital and interest commitment (BEE Lender facility)	4.7	12.2
Discretionary advance – distributions to beneficiaries	2.0	1.9
Interest receivable	5.2	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	5.8	(10.9)
BEE payable restructuring – offset against BEE receivable	(138.8)	—
As at 30 June	46.6	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 - 30 June 2021	1 July 2019 - 30 June 2020
As at 1 July	108.6	120.5
Foreign exchange movement on opening balance	23.2	(23.8)
Interest payable	7.0	11.9
BEE payable restructuring – offset against BEE receivable	(138.8)	—
As at 30 June	—	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.

In March 2021, the Group completed its Restructuring, the BEE Lender facility was included as part of the Group’s new banking facilities and the guarantee provided by the Group on behalf of the BEE Partners was extinguished (refer to note 10 for further detail).

14. EARNINGS PER SHARE

	Continuing operations 30 June 2021 US\$	Discontinued operations 30 June 2021 US\$	Total 30 June 2021 US\$	Continuing operations 30 June 2020 US\$	Discontinued operations 30 June 2020 US\$	Total 30 June 2020 US\$
Numerator						
Profit / (loss) for the Year	239,085,494	(52,063,601)	187,021,893	(132,012,863)	(58,008,824)	(190,021,687)
Denominator						
	Shares	Shares	Shares	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS						
Brought forward	865,431,343	865,431,343	865,431,343	865,336,485	865,336,485	865,336,485
Effect of shares issued during the Year	2,721,433,209	2,721,433,209	2,721,433,209	63,152	63,152	63,152
Carried forward	3,586,864,552	3,586,864,552	3,586,864,552	865,399,637	865,399,637	865,399,637
Dilutive effect of potential ordinary shares						
	—	—	—	—	—	—
Weighted average number of ordinary shares in issue used in diluted EPS						
	3,586,864,552	3,586,864,552	3,586,864,552	865,399,637	865,399,637	865,399,637
	US cents	US cents	US cents	US cents	US cents	US cents
Basic profit / (loss) per share – US cents	6.67	(1.45)	5.22	(15.26)	(6.70)	(21.96)
Diluted profit / (loss) per share – US cents	6.67	(1.45)	5.22	(15.26)	(6.70)	(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).

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

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

	Continuing operations 30 June 2021 US\$	Discontinued operations 30 June 2021 US\$	Total 30 June 2021 US\$	Continuing operations 30 June 2020 US\$	Discontinued operations 30 June 2020 US\$	Total 30 June 2020 US\$
Numerator						
Profit / (loss) for the Year	<u>239,085,494</u>	<u>(52,063,601)</u>	<u>187,021,893</u>	(132,012,863)	(58,008,824)	<u>(190,021,687)</u>
Net unrealised foreign exchange loss / (gain)	(62,242,188)	2, ,422,257	(59,819,931)	64,036,456	(650,203)	63,386,253
Present value discount – Williamson VAT receivable	—	(763,537)	(763,537)	—	6,816,715	6,816,715
Profit on disposal of subsidiary	(14,696,171)	—	(14,696,171)	—	—	—
Impairment charge - operations*	13,551,364	21,438,352	34,989,716	39,879,861	34,644,929	74,524,790
Impairment/(reversal) charge – other receivables (Reversal) / impairment charge of BEE loans receivable – expected credit loss provision	439,236	—	439,236	(382,713)	—	(382,713)
Taxation charge / (credit) on unrealised foreign exchange (gain) / loss	(5,824,201)	—	(5,824,201)	10,887,714	—	10,887,714
Taxation credit on impairment charge*	17,228,580	—	17,228,580	(17,396,618)	—	(17,396,618)
Gain on extinguishment of Notes	(3,308,166)	—	(3,308,166)	(8,595,566)	—	(8,595,566)
Transaction costs – Human rights settlement agreement and provisions for unsettled and disputed tax claims	(213,349,503)	—	(213,349,503)	—	—	—
Adjusted loss for the Year attributable to parent	<u>12,651,014</u>	<u>19,459,877</u>	<u>31, 110,891</u>	—	—	—
	<u>(16,464,541)</u>	<u>(9,506,652)</u>	<u>(25,971,193)</u>	(43,583,729)	(17,197,382)	(60,781,111)

*Portion attributable to equity shareholders of the Company

Denominator

	Shares	Shares	Shares	Shares	Shares	Shares
Weighted average number of ordinary shares used in basic EPS						
As at 1 July	865,431,343	865,431,343	865,431,343	865,336,485	865,336,485	865,336,485
Effect of shares issued during the Year	2,721,433,209	2,721,433,209	2,721,433,209	63,152	63,152	63,152
Carried forward	3,586,864,552	3,586,864,552	3,586,864,552	865,399,637	865,399,637	865,399,637
	Shares	Shares	Shares	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	—	—	—	—	—	—
Weighted average number of ordinary shares in issue used in diluted EPS	3,586,864,552	3,586,864,552	3,586,864,552	865,399,637	865,399,637	865,399,637
	US cents	US cents	US cents	US cents	US cents	US cents
Adjusted basic profit / (loss) per share – US cents	(0.46)	(0.27)	(0.73)	(5.04)	(1.99)	(7.02)
Adjusted diluted profit/(loss) per share – US cents	(0.46)	(0.27)	(0.73)	(5.04)	(1.99)	(7.02)

16. IMPAIRMENT CHARGE

The current market conditions in the global rough diamond market, the ongoing impact of the COVID-19 pandemic, volatility of and variability in product mix are all factors impacting the rough diamond prices achieved by Petra during the Year, 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 further impaired or an impairment reversal may apply, its recoverable amount is estimated. The recoverable amount is determined on a fair value less cost to develop basis.

The operations of Cullinan, Finsch and Koffiefontein were held at recoverable value as a result of FY 2020 impairments. During the Year under review, the Group reviewed the carrying value of its investments, loan receivables and operational assets for indicators of impairment. Following the assessment, impairment of property, plant and equipment was considered appropriate for Finsch and Koffiefontein. No impairment was considered necessary for Cullinan, nor was any impairment reversal considered appropriate in the current year. The Group recognised a consolidated income statement charge of US\$17.3 million being the amount required to write down management's estimate of recoverable value of the Finsch and Koffiefontein assets. Williamson has been classified as Held for Sale as at 30 June 2021. For impairment considerations of Williamson, refer to note 17.

Impairment (US\$ million)	Asset class	Carrying value pre impairment	Impairment	Carrying value post impairment
Impairment operations:				
Cullinan	Property, plant & equipment	497.9	—	497.9
Finsch	Property, plant & equipment	210.6	(15.1)	195.5
Koffiefontein	Property, plant & equipment	3.3	(2.2)	1.1
Sub-total		711.8	(17.3)	694.5
Impairment – non-financial receivables:				
Other – current	Other receivables	0.6	(0.4)	0.2
Sub-total		0.6	(0.4)	0.2
Total		712.4	(17.7)	694.7

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. For impairment considerations of Williamson, refer to note 16.

Impairment (US\$ million)	Asset class	Carrying value pre impairment	Impairment	Carrying value post impairment
Impairment operations:				
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
Sub-total		742.7	(50.9)	691.8
Williamson (refer note 16)	Property, plant & equipment	101.3	(34.6)	66.7

Sub-total		844.0	(85.5)	758.5
Impairment – non-financial receivables:				
Other – reversal current	Other receivables	—	0.4	0.4
Sub-total		—	0.4	0.4
Total		844.0	(85.1)	758.9

Cullinan, Finsch, and Koffiefontein 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 Koffiefontein and Finsch assets (30 June 2020: Cullinan, Finsch, Koffiefontein and Williamson). 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 30 June 2021 and 30 June 2020:

Key assumptions	Explanation
LOM and recoverable value of reserves and resources	Economically recoverable reserves and resources are based on management's expectations based on the availability of reserves and resources at mine sites and technical studies undertaken in house and by third party specialists. The LOM for the operations are as follows: Cullinan: FY 2031 (FY 2020: FY 2029) Finsch: FY 2030 (FY 2020: FY 2030) Koffiefontein: FY 2023 (FY 2020: FY 2023) Williamson: FY 2030 Resources remaining after the current LOM plans have not been included in impairment testing for the operations.
LOM reserves and resources	Finsch: LOM plan over the next nine years; total resource processed 26.8 Mt (FY 2020: LOM plan over the next 10 years; total resource processed 33.0 Mt). Cullinan: LOM plan over the next nine years; total resource processed 38.6 Mt (FY 2020: LOM plan over the next nine years; total resource processed 37.8 Mt). Koffiefontein: LOM plan over the next two years; total resource processed 2.2 Mt (FY 2020: LOM plan over the next three years; total resource processed 2.9 Mt). FY2020: Williamson: LOM plan over the next nine years; total resource processed 49.3 Mt).
LOM – capital expenditure	Management has estimated the timing and quantum of the capital expenditure based on the Group's current LOM plans for each operation. There is no inclusion of capital expenditure to enhance the asset beyond exploitation of the LOM plan orebody.
Residual Value	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. No residual values were included in the impairment assessments of the other mining operations.
Diamond prices	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. The 30 June 2021 impairment testing models starting price assumptions have been updated to reflect the improved pricing achieved during the Year when compared to the 30 June 2020 impairment models. Diamond prices have been assumed to increase from FY 2022 and then 4% from FY 2024, 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 1.9% above a long-term US inflation rate of 2.5% per annum from FY 2025 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. 30 June 2020 impairment testing models incorporated diamond prices impacted by the COVID-19 pandemic with expected diamond prices returning to the 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.
Discount rate	A ZAR discount rate of 12.0% (30 June 2020: 11.25%) was used for the South African operations in FY 2020 and a USD discount rate of 13.75% (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 Year end. USD and ZAR discount rates are applied based on respective functional currency of the cash generating unit.
Cost inflation rate	Long-term inflation rates of 3.5–7.8% (30 June 2020: 6.0–9.8%) above the long-term US\$ inflation rate were used for Opex and Capex escalators.
Exchange rates	Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The US\$/ZAR exchange rate range used for all South African operations commenced at ZAR14.50 (30 June 2020: ZAR16.00), reflecting the volatility experienced during Year, before further devaluing at 5.5% (30 June 2020: 3.5% from FY 2023) per annum until FY 2027 and thereafter devaluing at 3.5% per annum. 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 FY2020, Williamson was placed on care and maintenance. For impairment testing at Williamson, for FY2020 management assumed that operations would recommence from 1 July 2021 at normal monthly costs. However if the recommencement of operations had been delayed by six months, the impact would be to increase the impairment by an additional US\$9.4 million. During the current Year, Williamson was classified as an asset held for sale, for further detail refer to note 17.

Sensitivity analysis

The impact of applying reasonable sensitivities on the key inputs based on management's assumptions at 30 June 2021 is noted below:

(US\$ million)	Additional impairment charge		
	Cullinan	Finsch	Koffiefontein
Base case			
Increase in discount rate by 2%	32.1	37.0	1.1
Reduction in pricing by 5% over Life of Mine	46.1	54.8	1.1
Reduction in short-term production by 10%	22.4	33.0	1.1
Increase in Opex by 5%	22.9	36.3	1.1
Strengthening of the ZAR from US\$/ZAR14.50 to US\$/ZAR14.00	35.4	42.0	1.1

17. DISPOSAL OF OPERATIONS

a) Disposal of 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") 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 include the Company's three existing Prospecting Licences 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 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 disposal 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:

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

ii) Post tax profit on disposal of Sekaka at:

US\$ million	Period ended 30 November 2020
Fair value consideration receivable on disposal	0.3 ¹
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 ²	1.3
Profit on disposal of subsidiary	14.7

¹ 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.

² The Company incurred US\$0.1 million in cash costs during the Year.

b) Asset Held for Sale

Williamson

The Board has decided to review its strategic options at Williamson and the asset has therefore been classified as an asset held for sale. As a result, the assets and liabilities of the Williamson mining operation (being Petra's 75.0% interest) have been classified as held for sale in the Statement of Financial Position at 30 June 2021, in accordance with IFRS 5. The financial results of the Williamson operation for the Year have been disclosed in the Consolidated Income Statement in Loss on discontinued operation. The Williamson mining operation is a separate operating segment for the purposes of the Group's segmental reporting.

i) Net assets of Williamson:

US\$ million	Book value prior to reclassification of as held for sale	Impairment	30 June 2021
Mining property, plant and equipment	52.7	(21.4) ¹	31.3
Non-current trade and other receivables	0.7	—	0.7
Trade and other receivables	2.9	—	2.9
Inventory	15.5	—	15.5
Cash and cash equivalents	9.2	—	9.2
Non-current assets held for sale	81.0	(21.4)	59.6
Environmental liabilities, provisions and other non-current trade and other payables	(22.9)	—	(22.9)
Trade and other payables and provisions	(10.6)	—	(10.6)
Non-current liabilities associated with non-current assets held for sale	(33.5)	—	(33.5)
Net assets	47.5	(21.4)	26.1

ii) Result of Williamson:

US\$ million	1 July 2020 – 30 June 2021	1 July 2019 – 30 June 2020
Revenue	4.6	52.5
Cost of sales	(13.8)	(68.7)
Gross loss	(9.2)	(16.2)
Impairment charge – operations	—	(34.6)
Impairment reversal / (charge) - other receivables	0.7	(6.8)
Provisions for unsettled and disputed tax claims	(19.5)	—
Financial income	—	0.6
Financial expense	(2.7)	(0.8)
Loss before tax	(30.7)	(57.8)
Income tax charge	—	(0.2)
Loss after tax before impairment charge	(30.7)	(58.0)
Impairment charge ¹	(21.4)	—
Net loss for the Year	(52.1)	(58.0)
Attributable to:		
- Equity holders of the parent	(52.1)	(58.0)
- Non-controlling interest	—	—
	(52.1)	(58.0)

1. The US\$21.4 million impairment loss recorded on the Williamson assets represents the difference between the assets measured at the lower of their carrying amount and fair value less costs to sell. In determining the fair value used to calculate the appropriate write down, management took into consideration the best available information at the present time with reference to ongoing discussions with a potential investor. The impairment charge of US\$21.4 million is recognised to reduce assets of Williamson to equal the fair value less costs to sell.

iii) The consolidated cash flow statement includes the following amounts relating to Williamson:

US\$ million	1 July 2020 – 30 June 2021	1 July 2019 – 30 June 2020
Operating activities	(5.2)	7.9
Investing activities	(0.3)	(7.9)
Net cash utilised in discontinued operations	0.6	(4.2)

18. SIGNIFICANT NON CASH TRANSACTIONS

(a) Operating and investing activities

US\$ million	2021	2020
Operating activities		
Depreciation of property, plant and equipment	75.9	78.6
Amortisation of right-of-use asset	0.9	4.9
Unrealised gain on lease liability	—	(0.8)
Impairment charge	17.3	92.3
Impairment charge reversal for other receivables	0.4	(0.4)
Impairment of BEE loans receivable – expected credit loss (reversal) / charge provision	(5.8)	10.9
Loss and impairment charge on discontinued operations	43.2	0.1
Profit on disposal of subsidiary	(14.7)	—
Movement in provisions	4.8	(0.1)
Other finance expense – unwinding of present value adjustment for rehabilitation costs	4.3	4.6
Other finance expense – post-retirement medical fund	0.9	0.9
Net unrealised foreign exchange (gains)/losses	(77.1)	82.1
(Profit)/loss on sale of property, plant and equipment	(0.6)	(0.1)
Share-based payment provision	0.5	0.7
	50.0	273.7
Investing activities		
Non-cash rehabilitation asset adjustment – change in estimate	(5.8)	(0.1)
Non-cash rehabilitation provision adjustment	(0.1)	(0.8)
Non-cash pension and post-retirement fund adjustment – change in estimate	0.8	0.8
Non-cash interest receivable from BEE loans on investing activity	5.2	6.7
	(0.1)	6.6
Financing activities		
Non-cash transaction costs on Notes unamortised at time of Restructure	2.7	—
Non-cash interest payable on BEE loans on investing activity	7.0	11.9
	9.7	11.9

(b) Financing activities – change in loans and borrowings

US\$ million	Senior secured second lien notes 2021	Senior secured lender debt facilities 2021	BEE Lenders guarantee recognised	Lease liability	Total 2021	Senior secured second lien notes 2020	Senior secured lender debt facilities 2020	BEE Lenders guarantee recognised	Lease liability	Total 2020
Loans and borrowings										
At 1 July	676.9	52.1	40.0	4.7	773.7	650.6	—	—	—	650.6
Cash draw-downs	30.0	—	—	—	30.0	—	100.9	—	—	100.9
Cash repayments (capital and interest)	—	(14.0)	(4.7)	—	(18.7)	(23.6)	(46.1)	—	—	(69.7)
Lease payments	—	—	—	(0.7)	(0.7)	—	—	—	(5.0)	(5.0)
Non-cash										
– Initial recognition of lease liability	—	—	—	0.7	0.7	—	—	—	10.0	10.0
– Gain on lease liability	—	—	—	—	—	—	—	—	(0.8)	(0.8)
– lease terminations	—	—	—	(0.4)	(0.4)	—	—	—	—	—
– loss on discontinued operation	—	—	—	(3.6)	(3.6)	—	—	—	—	—
– Debt for equity conversion	(415.0)	—	—	—	(415.0)	—	—	—	—	—
- Extinguishment of remaining Notes	(299.2)	—	—	—	(299.2)	—	—	—	—	—
- Issue of new Notes	306.7	—	—	—	306.7	—	—	—	—	—
- Transaction costs	(20.8)	(1.7)	—	—	(22.5)	—	—	—	—	—
- Unamortised transaction costs	2.7	—	—	—	2.7	—	—	—	—	—
– Guarantee obligation recognised (refer to note 10)	—	45.4	(45.4)	—	—	—	—	40.0	—	40.0
– Interest accruing during the Year	46.0	6.8	4.7	0.1	57.6	49.9	0.2	—	0.5	50.6
– Effect of foreign exchange	—	14.3	5.4	0.2	19.9	—	(2.9)	—	—	(2.9)
At 30 June	327.3	102.9	—	1.0	431.2	676.9	52.1	40.0	4.7	773.7

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- a) the preliminary financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit of the Group for the Year; and
- b) the preliminary management report for the Year includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (DTR 4.1.8 R and 4.1.9 R).

By order of the Board

Richard Duffy
Chief Executive Officer
14 September 2021