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LSE: PDL

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

Framework Agreement in principle with the Government of Tanzania

Petra Diamonds Limited announces that it has reached an agreement in principle with the Government of Tanzania relating to the operations of the Williamson open pit diamond mine in Tanzania (the "Williamson Mine"), which recently resumed operations and sales, having been on care and maintenance since April 2020. The agreement with the Government of Tanzania has been reached with the view to establishing a sustainable future for the joint-venture between Petra and the Government of Tanzania, held through Tanzanian company Williamson Diamonds Limited ("WDL").

The agreement in principle has been documented in a "Framework Agreement", which would bind each of Petra, WDL and the Petra Group entity that currently directly holds shares in the capital of WDL, Willcroft Company Limited ("WCL") (together, the "Petra Parties"), as well as the Government of Tanzania.

The Framework Agreement provides for a capital restructuring of the WDL entity, including to reflect the 16% free carried interest that the Government of Tanzania is entitled to receive in WDL and its shareholder loans under Section 10 of the Tanzanian Mining Act, 2017 and Regulation 10 of the Tanzanian Mining (State Participation) Regulations, 2020. The capital restructuring will include:

- (i) a WDL share issue with the effect of reducing Petra's indirect shareholding from 75% to 63% and consequently increasing the Government of Tanzania's shareholding from 25% to 37%;
- (ii) a contribution to the Government of Tanzania of 16% of the principal outstanding value of WCL's shareholder loans payable by WDL, with the remaining 84% of such principal outstanding loans continuing to be owed to WCL; and
- (iii) the transfer of the WDL shares held by WCL to another member of the Petra Group (either Petra itself or a special purpose subsidiary).

In connection with the reorganisation of the parties' legal interests in WDL, the Framework Agreement also provides for an overall economic benefit sharing ratio between the Government of Tanzania and Petra in relation to their future economic benefits from the activities of the Williamson Mine. The agreed economic benefit sharing ratio is 55:45 as between Government:Petra and is intended to capture the parties' entitlements as shareholders as well as, with respect to the Government of Tanzania, the revenue it collects from WDL arising from taxes, royalties, duties, fees and other fiscal levies ("Government Imposed Charges"). The Framework Agreement records that the parties have also agreed that WDL shall be entitled to off-set its unpaid and overdue VAT receivables against future Government Imposed Charges payable by it to the Government of Tanzania, with such off-set Government Imposed Charges treated as paid for the purposes of the economic benefit sharing ratio.

The Framework Agreement sets out the terms on which the shareholder parties of WDL intend to operate the Williamson Mine, including recording that, as is currently the case and is consistent with the effective management of the Williamson Mine, the management of WDL's Tanzanian operations will be carried out in Tanzania with a continued focus on engaging local talent to maximise the employment of Tanzanians. Currently, the mine's workforce (both employees and contractors) comprises 98.3% Tanzanian nationals and 1.7% expatriates.

The Framework Agreement provides that Petra and the Government of Tanzania will provide financial assistance for the restart of operations at the Williamson Mine, with Petra having already provided funding and the Government of Tanzania agreeing to allocate the proceeds of the sale of the 71,654.45 carat parcel of diamonds from the Williamson Mine that was previously confiscated and blocked for export. The original value of this parcel was assessed in September 2017 at approximately US\$15 million, as previously disclosed, although Petra has not had the parcel independently valued.

The Framework Agreement records an important settlement between the parties of long-standing, historic disputes arising in respect of WDL and the Williamson Mine. As part of the settlement, WDL shall be liable to the Government of Tanzania for an amount totalling US\$20 million. This settlement payment shall be made in instalments, with the first instalment of US\$5 million to be paid once PDL and the Government of Tanzania have fully met their respective financial contributions to restore operations at the Williamson Mine. The subsequent instalments of the settlement amount are to be made annually at amounts between US\$3 million and US\$5 million depending on WDL's ability to pay, as determined by WDL's board of directors.

The Framework Agreement contemplates the amendment to the constituent documents of WDL in order to implement effectively the newly-agreed arrangements.

Petra's Directors consider the Framework Agreement to be of material importance to the strength and success of WDL and the sustainability of its business operations, which in turn shall have positive benefits for the other Petra Parties as shareholders of WDL.

The Framework Agreement is subject to a number of conditions, including Tanzanian regulatory approvals and the consent of Petra's South African lender group. Petra is entering into the Framework Agreement with the Government of Tanzania in the latter's capacity principally as a regulator and collector of taxes in Tanzania. However, the Government of Tanzania is also a related party to Petra for the purposes of the UK Listing Rules, due to the Government of Tanzania's shareholding in WDL. Accordingly, the Framework Agreement cannot become legally binding on the parties until approval is obtained from Petra's shareholders. Notwithstanding the foregoing, the Government of Tanzania's right under the Tanzanian Mining Act, 2017 to a 16% free carried interest is an entitlement as a matter of Tanzanian law, which is not of itself ultimately subject to any approval or condition in any respect. Accordingly, Petra acknowledges that arrangements to reflect this will need to be implemented regardless of the Framework Agreement becoming effective. The Directors consider that the Framework Agreement reflects effective implementation of the Tanzanian legal requirements, while securing important benefits for Petra and its stakeholders through the improvement of economic arrangements and operations in respect of the Williamson Mine.

Petra will be publishing a Circular, once it has received approval from the UK's Financial Conduct Authority, seeking Petra shareholder approval of the Framework Agreement. The Circular will be posted to shareholders and will contain a notice convening a General Meeting of the Company at which such approval shall be sought. The Circular will be published on the Company's website at: <https://www.petradiamonds.com/investors/shareholders/meetings/>

WDL holds a valid and unencumbered special mining licence number 216/2005 dated 25 May 2005 in respect of the Williamson Mine, which is located in the Mwadui area in the Shinyanga region of Tanzania. The special mining licence confers on WDL the exclusive right to mine for diamonds in relation to the licence areas until 2030. Petra released its financial results for the year ended 30 June 2021 on 12 October 2021. During this period, WDL produced a net loss of US\$11.2 million and at the end of the period had gross assets of US\$59.6 million.

Richard Duffy, CEO, commented:

"This Framework Agreement is the culmination of many months of negotiations, which were at times impacted and restricted by the COVID-19 pandemic. We are therefore delighted to have put this agreement in place, which marks a new era of the joint venture parties' relationship and sets the foundation for sustainable operations at the Williamson Mine. I would like to thank the Government of Tanzania for their ongoing partnership and support."

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is being released on behalf of Petra by the Company Secretary.

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About Petra Diamonds Limited

Petra Diamonds is a leading independent diamond mining group and a supplier of gem quality rough diamonds to the international market. The Company's portfolio incorporates 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 only operates 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.