



PetraDiamonds

18 January 2022

LSE: PDL

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

Trading Update for the Six Months ended 31 December 2021

Petra Diamonds Limited announces the following unaudited Trading Update for the six months ended 31 December 2021 (the "Period", "H1 FY 2022", or "H1") ahead of the publication of the Company's Interim Results for the Period on 22 February 2022.

Richard Duffy, Chief Executive of Petra Diamonds, commented:

"I am very pleased with both the significant improvement in our safety performance in H1 and our robust operating results, with production comfortably tracking our guidance. This strong operating performance, together with proceeds from the sale of Exceptional Stones supported by a strong market delivering ongoing price increases, has raised profitability, further strengthened our balance sheet and improved our cash position, which sets us up well for the second half of FY 2022 and beyond."

H1 FY 2022 Summary:

- Lost Time Injury Frequency Rate ("LTIFR") down 64% to 0.18 (H1 FY 2021: 0.50), reflecting very good safety performance for H1 FY 2022. Total injuries, including LTIs, down 21% to 15 (H1 FY 2021: 19).
- Production up 2% to 1,777,424 carats (H1 FY 2021: 1,740,862 carats), largely attributable to Williamson resuming production during the Period, following an extended period of care and maintenance.
- Revenue up 49% to US\$264.7 million (H1 FY 2021: US\$178.1 million) driven particularly by the sale of Exceptional Stones totalling US\$77.9 million (H1 FY 2021: US\$40.4 million) and further supported by the strong diamond market, with rough diamond prices on a like-for-like basis up ca. 16% compared to the preceding six-month period to 30 June 2021.
- Framework Agreement entered into with the Government of Tanzania regarding the Williamson mine (reducing Petra's indirect shareholding from 75% to 63%) and execution of a non-binding Memorandum of Understanding ("MoU") to sell 50% (less one share) of the entity that holds Petra's shareholding in Williamson Diamonds Limited ("WDL") to Caspian Limited. Upon completion of the transactions contemplated by the MoU and the capital restructuring in the Framework Agreement becoming effective (expected in H2 2022), Petra and Caspian will each indirectly hold a 31.5% stake in WDL, but with Petra retaining a controlling interest in WDL and the Government of Tanzania holding the remaining 37%. These agreements are in line with Petra's objective of reducing its exposure in Tanzania while retaining control, as well as a share of the upside. The Williamson mine is therefore no longer classified as an asset held for sale and all figures in this announcement include Williamson.
- Share consolidation of one new share for every 50 existing shares completed on 29 November 2021, with the Company's resultant issued share capital now consisting of 194,201,785 ordinary shares of 0.05 pence each.

- Balance Sheet as at 31 December 2021:
 - Consolidated net debt of US\$153.6 million (30 September 2021: US\$201.4 million).
 - Unrestricted cash of US\$256.7 million (30 September 2021: US\$209.8 million).
 - Diamond debtors of US\$0.4 million (30 September 2021: US\$0.1 million).
 - Diamond inventory valued at US\$59.1 million (30 September 2021: US\$76.0 million) at the South African operations and valued at US\$20.5 million (30 September 2021: US\$13.5 million) at Williamson.

H1 FY 2022 Production, Sales – Summary

	Unit	H1 FY 2022	H1 FY 2021	Variance	FY 2021 ¹
Gross ore processed	Mt	5.6	4.4	+27%	8.1
Gross diamonds recovered	Carats	1,777,424	1,740,862	+2%	3,240,312
Gross diamonds sold	Carats	1,595,851	1,712,797	-7%	3,960,475
Gross revenue	US\$M	264.7	178.1	+49%	406.9

Note:

1. For comparative purposes, the FY 2021 figures have been restated to include Williamson.

Outlook:

- FY 2022 gross production guidance of 3.3 to 3.6 Mcts remains unchanged, while FY 2022 gross Capex is expected to come in towards the lower end of earlier guidance of US\$78 to US\$92 million.
- As previously announced, the Cullinan mine experienced convergence in Tunnel 41 (“T41”) on the eastern side of the C-Cut block cave during the Period, impacting 18 of a total of 187 draw points. Mitigating steps were rapidly introduced which are now largely offsetting the impact on Cullinan’s production for FY 2022, resulting in the mine’s production guidance remaining unchanged at 1.7 to 1.9 Mcts for FY 2022.
- The Business Re-Engineering Projects at Finsch and Koffiefontein initiated in July 2021 continue and the Company will be in a position to provide further information on these projects in its Interim Results in February 2022.
- The outbreak of the Omicron variant led to a significant increase in the spread of the Covid-19 virus globally. There has only been a limited impact on our South African and Tanzanian operations during this wave, which is generally perceived to have now passed its peak in South Africa. Certain travel restrictions were imposed on travel to and from South Africa and while these may impact some of our customers’ ability to attend South African based tenders, we will continue our flexible approach in planning upcoming sales events. This may include the Company only hosting three tenders during H2 FY 2022 as opposed to the standard four tenders, which was the norm prior to the outbreak of the pandemic, in order to maximise possible client attendance and is not expected to have any significant impact on carats sold for full year FY 2022. The Company will continue to monitor developments at the same time as encouraging employees to be vaccinated.
- Discussions with the South African Lender Group around the possible refinancing of the first lien debt continued during Q2 FY 2022 and are on track to be concluded during Q3 FY 2022.
- The Company will release its Interim Results for the six months to 31 December 2021 on 22 February 2022. On the same day, the Company plans to hold an Investor Day at 9:30am GMT to, amongst others, update the market on the Company’s strategy and longer-term guidance. More details will follow closer to the date.

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

Petra's Chief Executive Richard Duffy and Finance Director Jacques Breytenbach will host a results webcast at 9:30am GMT on 18 January 2022. Participants can join the webcast by registering at: <https://www.petradiamonds.com/go/tu18jan22-09h30>

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 18 January 2022 for international investors at 4:00pm GMT. Participants can join the webcast by registering at: <https://www.petradiamonds.com/go/tu18jan22-16h00>

Trading Update

Health and safety

The Lost Time Injury Frequency Rate ("LTIFR") for H1 FY 2022 decreased to 0.18 (H1 FY 2021: 0.50). The LTIs during the Period continued to be of low severity and mostly behavioural in nature. The various remedial actions and behaviour-based intervention programmes previously announced have assisted in achieving the strong improvement in the safety trend. The total number of injuries during H1 FY 2022, which includes LTIs, decreased to 15 (H1 FY 2021: 19). Petra continues to target a zero-harm working environment.

COVID-19 remains a risk to the health and safety of the Group's workforce. Petra has implemented systems and strategies across all its operations aimed at preventing and/or containing the spread of the virus. Petra's focus remains on a vaccination drive of its employees. In South Africa, 2,171 employees have been fully vaccinated (52% of the workforce) and 292 partially vaccinated (13% of the workforce), while at Williamson the vaccination campaign is progressing, although the roll-out has been slower. More information on the Company's response to the pandemic is available on its website: <https://www.petradiamonds.com/sustainability/health-and-safety/our-response-to-covid-19/>.

Production and Operations

H1 FY 2022 production was in line with guidance and totalled 1,777,424 carats (H1 FY 2021: 1,740,862 carats). During the Period, Williamson resumed production, having been on care and maintenance since April 2020, while steps to address both the prior waste ingress at Finsch as well as the convergence of a tunnel at Cullinan have yielded positive results.

As previously announced, during September 2021 convergence was experienced at the southern end of Tunnel 41 in the C-Cut. Remedial action was focused on arresting convergence by stabilising the affected pillars, thereby protecting the tunnel so that access could be re-established once the area had stabilised, and this was quickly achieved.

Initial estimates on the impact on production indicated a potential loss of approximately 30,000 tonnes per month for a period of 12 to 14 months. This has successfully been mitigated to a large extent by the increased rate of draw from the draw points surrounding the affected area in Tunnel 41 in order to de-stress the affected pillars. The impact on production is now estimated to be a loss of only some 11,000 tonnes per month compared with the business plan to the end of November 2022. Cullinan is still expected to deliver on its annual guidance for FY 2022 of 1.7 to 1.9 Mcts.

The Business Re-Engineering Projects at Finsch and Koffiefontein, that were initiated in July 2021 to comprehensively review and improve the mines' cost bases and enhance operating margins, are progressing well and the Company will outline the preliminary conclusions of both projects in its Interim Results in February 2022.

Production ramp-up at Williamson commenced during H1 FY 2022 with 1.4 Mt ROM processed in the period, yielding 82.9 Kcts, including the exceptional 32.32 carat pink stone covered in 'Diamond Sales'.

Diamond market

The diamond market ended the calendar year in a strong state, with evidence of buoyant jewellery sales during the important festive retail period as consumers released pent-up demand for luxury items. Polished prices appeared to end 2021 around the year's highs and some industry commentators are predicting record jewellery sales for 2021. Demand at Petra's most recent tender spanned across the entire spectrum of rough assortments and sizes and reflected the shortages of goods further to the recent contraction of global rough supply.

The Company continues to closely monitor the impact of COVID-19 on its clients' ability to attend tenders and will continue its flexible approach in planning its upcoming sales events.

Diamond Sales

H1 FY 2022 revenue increased 49% to US\$264.7 million (H1 FY 2021: US\$178.1 million) driven by the sale of Exceptional Stones totalling US\$77.9 million (H1 FY 2021: US\$40.4 million), being:

- the exceptional 39.34 carat blue diamond from the Cullinan mine sold for US\$40.2 million;
- the 342.92 carat Type IIa white diamond from the Cullinan mine sold for US\$10 million (the Company has retained a 50% interest in the profit uplift of the polished proceeds, after costs, of the 342.92 carat white diamond, as well as an 18.30 carat Type IIb blue diamond which sold for US\$3.5 million);
- the exceptional 32.32 carat pink diamond from the Williamson mine sold for US\$13.8 million; and
- the 295.79 carat white diamond from the Cullinan mine sold for US\$13.9 million.

H1 revenue also benefited from realised diamond prices on a like-for-like basis being up ca. 16% compared to the preceding six-month period to 30 June 2021.

Sales volumes reduced by some 7% compared to the comparative period when significantly higher volumes were sold, mostly off-tender, following the inventory build witnessed late in FY 2020 after the initial COVID-19 outbreak. Tender volumes and resultant diamond inventories have now normalised in line with normal tender timings.

Project 2022 Update

Project 2022 commenced in July 2019 and has now reached the final half year of this 36-month project scheduled for completion in June 2022. The project's key focus was to increase the cash flow generation of the Company through increased production levels and reduced operating and capital expenditure, while introducing a standardised business improvement process as part of the Company's operating model.

The production results of H1 FY 2022 are testament to the positive impact of Project 2022's ideas and principles on stabilising and improving operating performance, evident at Cullinan and Finsch in particular. This, together with the positive impact of Project 2022 on the operating and capital cost performance of the operations, will deliver or exceed annualised operating cashflow benefits of circa US\$70 million and are expected to result in the Group delivering towards the upper end of its US\$100 to US\$150 million net free cashflow target by the end of June 2022.

As a follow on from Project 2022, and using the same principles, Business Re-Engineering Projects at Finsch and Koffiefontein are underway to ensure the feasibility of future life extension capital projects at Finsch, through the introduction of a reduced operating cost model that would allow the development of new mining blocks, and to remove the negative cash flow performance of Koffiefontein.

The first and second phases of the Project 2022 Organisational Design (“OD”) Review have been completed, which involved updating role descriptions, grading these roles and amending the Group’s Remuneration Policy to address both market competitiveness and internal equity to strategically manage the investment in our employees. The focus of the OD Project in FY 2022 is on improving performance management through developing and aligning KPIs across the business to further enhance accountability and delivery.

The transition from Project 2022 to business improvement being integrated with the Company’s operating model, to ensure that the benefits of the structures and systems created by Project 2022 continue over the longer term, is in progress and is scheduled to be concluded by June 2022.

Williamson Mine – Human Rights Update

The Company provides the following update with regards to the Independent Grievance Mechanism (“IGM”) and other remedial initiatives and community programmes that have been put in place to address the historical allegations of human rights abuses at the Williamson mine in Tanzania. More information on this matter can be found on the Company’s website at: <https://www.petradiamonds.com/our-operations/our-mines/williamson/allegations-of-human-rights-abuses-at-the-williamson-mine/>.

During H1 FY 2022, 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. Local engagements, particularly with those for whom the IGM is intended, are planned for Q3 FY 2022, following successful engagements at the national level. The current target is for the launch of the pilot phase of the IGM by the end of June 2022 (end of FY 2022) and the IGM becoming fully operational by the end of Q1 FY 2023.

Whilst the IGM is still being developed, a mechanism has been set up to enable community members to confidentially and securely register alleged historical Tier 2 grievances. This mechanism continues to receive such grievances and a significant number have been registered. As the IGM is not yet operational and therefore unable to commence the investigation of such grievances, it is too early to evaluate the merits of them.

As previously announced, a number of projects are being put in place to provide sustainable benefits to the communities located close to the mine, with in excess of £1 million of agreed funding paid by Petra into an escrow account to fund these projects. The gender-based violence campaign has now launched and provision of physiotherapy services have started to be provided from Mwadui hospital.

During H1 FY 2022, there was a total of 295 reported incidents of illegal incursions onto the Williamson mine lease area, resulting in twelve illegal miners, ten security officials and five police officials suffering minor injuries and 74 arrests being made. These incidents will be further investigated as appropriate and corrective actions taken where necessary. Subject to the outcome of these investigations, WDL and the Company believe the WDL and contracted security teams acted in accordance with the Voluntary Principles on Security and Human Rights.

WDL is also continuing its extensive engagement with communities around the mine to highlight the dangers of illegal mining, seeking to reduce illegal incursions onto the Williamson mine lease area, with a particular focus on seeking to reduce or eliminate the involvement of minors in illegal mining. Further, WDL continues its engagement at local and central Government level to work with the authorities to act against the illegal syndicates that are believed to be funding many of the incursions.

The Company will continue to monitor the effects of actions taken to date and is committed to the programmes and initiatives detailed in its 12 May 2021 announcement, available on the website link noted above.

~ Ends ~

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Notes:

1. *The following definitions have been used in this announcement:*
 - a. *Exceptional Stones: diamonds with a valuation and selling price of US\$5m or more per stone*
 - b. *cpht: carats per hundred tonnes*
 - c. *Kcts: thousand carats*
 - d. *Kt: thousand tonnes*
 - e. *LOM: life of mine*
 - f. *LTI: lost time injury*
 - g. *LTIFR: lost time injury frequency rate*
 - h. *Mcts: million carats*
 - i. *Mt: million tonnes*
 - j. *FY: financial year*
 - k. *Q: quarter of the financial year*
 - l. *ROM: run-of-mine (i.e. production from the primary orebody)*
 - m. *SLC: sub level cave*
 - n. *m: million*

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.

**APPENDIX – CORPORATE & FINANCIAL AND PRODUCTION & SALES TABLES
(INCLUDING WILLIAMSON)**

	Unit	31 December 2021	30 September 2021	30 June 2021	31 December 2020
<i>Closing exchange rate used for conversion</i>		<i>R15.99:US\$1</i>	<i>R15.09:US\$1</i>	<i>R14.27:US\$1</i>	<i>R14.69:US\$1</i>
Cash at bank including Williamson (including restricted cash) ¹	US\$M	272.3	225.6	173.0	106.3
Cash at bank - Williamson	US\$M	16.5	6.2	9.2	2.5
Diamond inventories – including Williamson ^{1, 2, 3}	US\$M Carats	79.6 819,252	89.5 935,901	56.5 637,676	105.0 1,385,402
Diamond inventories - Williamson ^{1, 2, 3}	US\$M Carats	20.5 133,239	13.5 91,397	11.4 76,977	11.4 76,977
Diamond debtors – including Williamson	US\$M	0.4	0.1	38.3	3.7
Diamond debtors - Williamson	US\$M	-	-	-	-
US\$336.7m loan notes (issued March 2021) ⁴	US\$M	346.4	336.8	327.3	-
US\$650m loan notes (issued April 2017) ⁵	US\$M	-	-	-	702.0
Bank loans and borrowings ⁶	US\$M	79.9	90.3	103.0	61.2
BEE partner bank facilities ⁶	US\$M	-	-	-	47.2
Bank facilities undrawn and available ⁶	US\$M	0.6	3.9	7.7	-
Consolidated net debt – including Williamson cash at bank ⁷	US\$M	153.6	201.4	219.0	700.4

Notes:

1. Cash at bank and diamond inventories include balances at Williamson as at 31 December 2021 following the Company entering into the MoU with Caspian during December 2021. Comparatives for 30 September 2021, 30 June 2021 and 31 December 2020 have been adjusted to include balances attributable to Williamson.
2. Recorded at the lower of cost and net realisable value.
3. Williamson's diamond inventory includes the 71,654.45 carat parcel of diamonds blocked for export during August 2017, with a carrying value of US\$10.6 million. In terms of the framework agreement reached with the Government of Tanzania, as announced on 13 December 2021, the proceeds from the sale of this parcel will be allocated to Williamson.
4. The US\$336.7 million loan notes have a carrying value of US\$346.4 million which represents the gross capital of US\$336.7 million of notes, plus accrued interest and net of unamortised transaction costs capitalised, issued following the capital restructuring (the "Restructuring") completed during March 2021.
5. The US\$650 million loan notes represent the gross capital of US\$650 million of notes issued on April 2017, plus accrued and unpaid interest for the relevant periods; these loan notes were settled in full following the completion of the Restructuring.
6. Bank loans and borrowings represent amounts drawn under the Group's refinanced South African bank facilities as part of the Restructuring and comprise the ZAR876.4 million term loan (US\$54.8 million), net of unamortised

transaction costs capitalised and ZAR402.1 million (US\$25.1 million) drawn (including accrued interest) under the ZAR408.8 million (US\$25.6 million) revolving credit facility. Under the revolving credit facility, ZAR8.8 million (US\$0.6 million) remains undrawn and available. During FY 2021 and as part of the Restructuring, the BEE partner bank facilities (which comprised the BEE guarantees) were settled by the Group through proceeds of the ZAR1.2 billion term loan.

7. 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 as at 31 December 2021 (ca. US\$47.2 million (ZAR693.4 million) as at 31 December 2020).

H1 FY 2022 Group Production and Sales– Summary

	Unit	H1 FY 2022	H1 FY 2021	Variance	FY 2021
Sales					
Diamonds sold	Carats	1,595,851	1,712,797	-7%	3,960,475
Gross revenue	US\$M	264.7	178.1	+49%	406.9
Production					
ROM tonnes	Mt	5.4	4.2	+29%	7.7
Tailings & other tonnes	Mt	0.2	0.2	0%	0.4
Total tonnes treated	Mt	5.6	4.4	+27%	8.1
ROM diamonds	Carats	1,649,989	1,644,846	0%	3,057,860
Tailings & other diamonds	Carats	127,435	96,016	+33%	182,452
Total diamonds	Carats	1,777,424	1,740,862	+2%	3,240,312

Cullinan – South Africa

	Unit	H1 FY 2022	H1 FY 2021	Variance	FY 2021
Sales					
Gross revenue	US\$M	167.7	107.3	+56%	250.6
Diamonds sold	Carats	872,304	894,758	-3%	2,261,058
Average price per carat	US\$	192	120	+60%	111
ROM Production					
Tonnes treated	Tonnes	2,306,986	2,339,473	-1%	4,614,802
Diamonds produced	Carats	843,202	913,626	-8%	1,761,490
Grade ¹	Cpht	36.5	39.1	-7%	38.2
Tailings Production					
Tonnes treated	Tonnes	238,293	221,385	+8%	445,538
Diamonds produced	Carats	127,435	96,016	+33%	182,452
Grade ¹	Cpht	53.5	43.4	+23%	41.0
Total Production					
Tonnes treated	Tonnes	2,545,279	2,560,858	-1%	5,060,339
Diamonds produced	Carats	970,637	1,009,642	-4%	1,943,942

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

Finsch – South Africa

	Unit	H1 FY 2022	H1 FY 2021	Variance	FY 2021
Sales					
Gross revenue	US\$M	65.7	54.8	+20%	123.5
Diamonds sold	Carats	676,295	768,647	-12%	1,602,312
Average price per carat	US\$	97	71	+37%	77
ROM Production					
Tonnes treated	Tonnes	1,423,119	1,323,000	+8%	2,311,195
Diamonds produced	Carats	701,543	695,308	+1%	1,237,219
Grade	Cpht	49.3	52.6	-6%	53.5
Total Production					
Tonnes treated	Tonnes	1,423,119	1,323,000	+8%	2,311,195
Diamonds produced	Carats	701,543	695,308	+1%	1,237,219

Koffiefontein – South Africa

	Unit	H1 FY 2022	H1 FY 2021	Variance	FY 2021
Sales					
Gross revenue	US\$M	11.1	11.2	-1%	28.0
Diamonds sold	Carats	20,638	18,945	+9%	66,650
Average price per carat	US\$	538	590	-9%	419
ROM Production					
Tonnes treated	Tonnes	317,310	493,661	-36%	754,369
Diamonds produced	Carats	22,371	35,912	-38%	59,151
Grade	Cpht	7.1	7.3	-3%	7.8
Total Production					
Tonnes treated	Tonnes	317,310	493,661	-36%	754,369
Diamonds produced	Carats	22,371	35,912	-38%	59,151

Williamson – Tanzania

	Unit	H1 FY 2022	H1 FY 2021	Variance	FY 2021
Sales					
Gross revenue	US\$M	20.2	4.6	+339%	4.6
Diamonds sold	Carats	26,611	30,339	-12%	30,339
Average price per carat	US\$	760	150	+407%	150
ROM Production					
Tonnes treated	Tonnes	1,354,116	0	n.a	0
Diamonds produced	Carats	82,873	0	n.a	0
Grade	Cpht	6.1	0	n.a	0
Total Production					
Tonnes treated	Tonnes	1,354,116	0	n.a	0
Diamonds produced	Carats	82,873	0	n.a	0