



# PetraDiamonds

23 April 2014

LSE: PDL

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

### Interim Management Statement and Q3 FY 2014 Production and Sales Report

Petra Diamonds Limited announces its Interim Management Statement ("IMS") for the period from 1 January 2014 to 22 April 2014, covering production and sales from 1 January 2014 to 31 March 2014 ("Q3", "Q3 FY 2014" or the "Period").

#### HIGHLIGHTS

- Production for Q3 FY 2014 up 15% to 743,424 carats (Q3 FY 2013: 647,248 carats).
- Production for nine months to 31 March 2014 up 26% to 2,379,140 carats (nine months to 31 March 2013: 1,894,767 carats).
- Petra firmly on track to meet FY 2014 production target of ca 3.0 million carats.
- Revenue for Q3 FY 2014 up 55% to US\$163.9 million (Q3 FY 2013: US\$105.7 million), including the 29.6 carat blue diamond which sold for US\$25.6 million.
- Revenue is weighted towards the second half of the financial year ("H2") due to the usual seasonal timing of Petra's diamond sales; two more tenders are to take place between the date of this IMS and financial year-end.
- A strong start to the calendar year for the rough diamond market, with prices achieved by Petra up around 10%; Petra expects the market to consolidate around current price levels for the remainder of FY 2014.

#### Q3 Production and Sales – Summary<sup>1&2</sup>

	Unit	Q3 FY 2014	Q3 FY 2013	Variance	Nine months to 31 March 2014	Nine months to 31 March 2013	Variance
<b>Production</b>							
ROM diamonds	Carats	482,825	485,916	-1%	1,623,304	1,466,769	+11%
Tailings and alluvial diamonds	Carats	260,599	161,332	+62%	755,836	427,998	+77%
<b>Total diamonds</b>	<b>Carats</b>	<b>743,424</b>	<b>647,248</b>	<b>+15%</b>	<b>2,379,140</b>	<b>1,894,767</b>	<b>+26%</b>
<b>Sales</b>							
Diamonds sold	Carats	905,781	668,193	+36%	2,323,475	1,734,855	+34%
<b>Gross revenue</b>	<b>US\$M</b>	<b>163.9</b>	<b>105.7</b>	<b>+55%</b>	<b>349.4</b>	<b>262.0</b>	<b>+33%</b>

#### Notes:

1. For mine by mine production and sales data, please refer to the Appendix to this announcement.
2. The combined table above includes results from the Star and Sedibeng mines in the comparative periods and includes production from care and maintenance activities for FY 2014.

**Johan Dippenaar, Chief Executive Officer, commented:**

“Petra continues to deliver further production and revenue growth, and these results demonstrate that the Company is firmly on track to meet its full year target of circa 3 million carats. The diamond market has had an encouragingly strong start to 2014, further underpinning Petra’s positive outlook for the remainder of the 2014 financial year.”

**CONFERENCE CALL**

The Company will host a conference call on 23 April at 9:30am BST to discuss the IMS with investors and analysts. Participants may join the call by dialling one of the following three numbers shortly before the call:

From the UK (toll free): 0808 2370 040  
From South Africa (toll free): 0800 222 290  
From the rest of the world: +44 203 428 1542  
Participant passcode: 68520359#

A replay of the conference call will be available on the following numbers from 12:00pm BST on 23 April 2014:

From the UK (toll free): 0808 237 0026  
From South Africa and the rest of the world: +44 20 3426 2807  
Participant passcode: 647154#

**COMMENTARY**

**Production**

- Q3 production was up 15% to 743,424 carats (Q3 FY 2013: 647,248), primarily due to the strong run rate and increased contribution from Finsch. This Group result was achieved despite the higher than average rainfall during the Period in South Africa, which particularly impacted on ore treatment at both Finsch and Cullinan, and in Tanzania, which impacted on production at Williamson.
- Finsch recorded another strong quarter, with diamond production increasing 34% to 460,144 carats (Q3 FY 2013: 343,988). ROM tonnes were up 15% on Q3 FY 2013 despite the fact that underground production was impacted by wet ground conditions due to the aforementioned unseasonably high rainfall. The estimated ROM grade (see comment below) was in line with expectations, following the changes to the plant bottom cut as previously announced.
- Finsch’s tailings grade is estimated to have increased to 33.5 cpht (Q3 FY 2013: 20.9 cpht). It should be noted that the Company is not able to exactly measure the ROM / tailings grade split, as ore from both sources is processed through the same plant.
- Cullinan’s ROM grade of 24.9 cpht (Q3 FY 2013: 29.5 cpht) was below management expectations, although year to date (“YTD”) the ROM grade of 29.0 cpht remained in line with the comparative nine month period in FY 2013. The ROM grade achieved for April so far has recorded an improvement on the Q3 grade to ca. 29 cpht.
- As previously communicated, Petra is currently operating in highly diluted production areas at Cullinan, which will result in ROM grade volatility until the expansion programme opens up undiluted ore from the new C-Cut block cave. Plant efficiency is also affected by the C-Cut development work, as increased tonnages of development waste are included in the same treatment circuit as ore from the production areas.

- Petra has a number of initiatives in place to mitigate the diluted ROM grade at Cullinan, which have recently included the identification of high-waste draw points in the higher grade BB1 East, with the draw plan therefore modified accordingly to target draw points with a higher kimberlite content. ROM grades are expected to remain variable until FY 2016, when the C-Cut expansion programme provides access to the new block of undiluted ore, and management remains highly focused on managing this issue.
- Cullinan's tailings production increased by 52% to 28,728 carats (Q3 FY 2013: 18,955 carats). Tailing tonnes treated for FY 2014 will fall short of original guidance of ca. 2.7 Mt, with plant operations being affected by Eskom power interruptions.
- At Koffiefontein, the positive trend on carat production continued. Q4 FY 2014 ROM production is expected to increase to ca. 90,000 ROM tonnes treated, with ca. 40,000 ROM tonnes mined and stockpiled during Q3 to be processed. The treatment of recovery tailings, supplemented by ore from the Ebenhaezar satellite pit, delivered 8,479 carats (Q3 FY 2013: 4,337 carats) at a grade of 11.3 cpht (Q3 FY 2013: 1.5 cpht).
- At Kimberley Underground, ROM tonnes further increased to 237,323 tonnes (Q3 FY 2013: 182,211). Although the rate of ramp-up is less than originally planned, a further improvement in throughput is expected in Q4 FY 2014. Recovered grades were marginally below management's earlier expectations with the depletion of the Joint Shaft stockpile during the Period. The remaining Wesselton stockpile contains ca. 300,000 tonnes for future processing.
- At Williamson, ROM tonnes increased by 18% over the comparative period, continuing the upward trend. ROM grades reduced by 7%, due to the excessive rainfall during Q3 which led to higher grade production areas being made inaccessible, while power interruptions and plant modifications in process impacted plant performance. Q4 FY 2014 throughput is expected to reach ca 900,000 tonnes, giving an annualised equivalent production level of 3.6 Mtpa.
- At Helam, a business review process has commenced and further information will follow when Petra publishes its FY 2015 guidance update in August 2014.

## **Diamond market and sales**

- The rough diamond market had a strong start to the calendar year and remained firm throughout the Period, with prices achieved by Petra up around 10%; Petra expects the market to consolidate around these price levels for the remainder of the financial year.
- Revenue for Q3 was up 55% to US\$163.9 million (Q3 FY 2013: US\$105.7 million).
- Carats sold were up 36% to 905,781 carats (Q3 FY 2013: 668,193).
- Petra sold seven 'special' stones exceeding US\$1 million each during Q3 (five from Cullinan and two from Koffiefontein) for total revenue of US\$39.9 million, including the 29.6ct blue for Cullinan which, as previously reported, sold for US\$25.6 million.
- Two tenders took place during the Period and, as usual, revenue is weighted towards the full H2 period, with two more tenders to take place between the date of this IMS and financial year-end.
- The table below sets out the average diamond prices achieved for Q3 by mine against comparative periods and original FY 2013 guidance. Prices achieved year to date are in line with or, in some instances, above guidance.

Mine	Average <sup>1</sup>	Average <sup>1</sup>	Average <sup>1</sup>	Management guidance
	(US\$/ct)	(US\$/ct)	(US\$/ct)	(US\$/ct)
	Q3 FY 2014	H1 FY 2014	Nine months to 31 March 2014	FY 2014
Finsch	103	96	99	100
Cullinan	256 <sup>2</sup>	150 <sup>3</sup>	193 <sup>4</sup>	139
Koffiefontein	591	451	522	518
Kimberley Underground	312	297	313	301
Helam	147	155	153	145
Williamson (ROM only)	309	256	283	254

Notes:

1. All sales (both ROM and tailings) including 'specials' (stones above US\$1 million in value) were used to calculate the above average values.
2. Cullinan's Q3 average value included the 29.6 carat blue diamond that sold for US\$25.6 million; excluding this stone, the average value was US\$164/ct.
3. Cullinan's H1 average value included the 126.4 carat diamond that sold for US\$8.5 million; excluding this stone, the average value was US\$129/ct.
4. Cullinan's nine months to 31 March 2014 average value included the two 'special' stones mentioned in Notes 2 and 3 above; excluding these stones, the average value was US\$143 per carat.

## Financial

- As at 31 March 2014, Petra had cash at bank of US\$29.7 million (31 March 2013: US\$35.3 million), diamond debtors of US\$64.9 million (31 March 2013: US\$5.5 million) (increase in debtors due to timing of March 2014 tender) and diamond inventories of circa US\$35 million (404,210 carats) (31 March 2013: US\$40 million, 380,294 carats) (lower value mainly attributable to weakening of the ZAR against the US\$).
- Loans and borrowings as at 31 March 2014 were US\$155.0 million (31 March 2013: US\$122.9 million), comprising bank loans and borrowings of US\$147.7 million (31 March 2013: US\$122.4 million) and utilisation of US\$7.3 million (31 March 2013: US\$0.5 million) of foreign exchange settlement lines.
- Net debt as at 31 March 2014 of US\$118.0 million (31 March 2013: US\$87.1 million), (excluding foreign exchange settlement lines) is in line with expectations, and capital expansion plans remain fully funded; debt facilities (including the foreign exchange settlement lines) undrawn and available to the Group as at 31 March 2014 of US\$57.0 million (31 March 2013: US\$110.8 million).

## Health and safety

- Group lost time injury rate ("LTIFR") for Q3 improved to 0.39 (Q3 FY 2013: 0.43).
- Health and safety remains the number one priority for Petra and all of the Company's efforts and initiatives in this regard strive for a zero harm workplace.

Notes:

1. Exchange rates of R10.5225/US\$1 as at 31 March 2014 and R9.2251/US\$1 as at 31 March 2013 have been used for the purposes of this announcement.
2. The following definitions have been used in this announcement:
  - a. ct: carat
  - b. cpht: carats per hundred tonnes
  - c. Mt: million tonnes
  - d. Mtpa: million tonnes per annum
  - e. ROM: run-of-mine
3. Diamond inventory carrying values are stated at the lower of cost of production on the weighted average basis or estimated net realisable value.

**For further information, please contact:**

**Petra Diamonds, London**

Cathy Malins  
Cornelia Browne

Telephone: +44 20 7494 8203  
[cathy.malins@petradiamonds.com](mailto:cathy.malins@petradiamonds.com)  
[cornelia.browne@petradiamonds.com](mailto:cornelia.browne@petradiamonds.com)

**Buchanan**

(PR Adviser)  
Bobby Morse  
Louise Mason

Telephone: +44 20 7466 5000

[bobbym@buchanan.uk.com](mailto:bobbym@buchanan.uk.com)  
[louisem@buchanan.uk.com](mailto:louisem@buchanan.uk.com)

**RBC Capital Markets**

(Joint Broker)  
Matthew Coakes  
Jonathan Hardy

Telephone: +44 20 7653 4000

[matthew.coakes@rbccm.com](mailto:matthew.coakes@rbccm.com)  
[jonathan.hardy@rbccm.com](mailto:jonathan.hardy@rbccm.com)

**Canaccord Genuity Limited**

(Joint Broker)  
Ryan Gaffney  
Chris Fincken

Telephone: +44 20 7523 8000

[rgaffney@canaccordgenuity.com](mailto:rgaffney@canaccordgenuity.com)  
[cfincken@canaccordgenuity.com](mailto:cfincken@canaccordgenuity.com)

~ Ends ~

**About Petra Diamonds Limited**

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company has interests in six producing mines: five in South Africa (Finsch, Cullinan, Koffiefontein, Kimberley Underground and Helam) and one in Tanzania (Williamson). It also maintains an exploration programme in Botswana.

Petra offers an exceptional growth profile, with a core objective to steadily increase annual production to 5 million carats by FY 2019. The Group has a major resource base in excess of 300 million carats.

Petra conducts all operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process. Petra is quoted with a premium listing on the Main Market of the London Stock Exchange under the ticker 'PDL' and is a constituent of the FTSE 250. For more information, visit the Company's website at [www.petradiamonds.com](http://www.petradiamonds.com).

**APPENDIX – MINE BY MINE PRODUCTION AND SALES TABLES**

**Finsch – South Africa**

	Unit	Q3 FY 2014	Q3 FY 2013	Variance	Nine months to 31 March 2014	Nine months to 31 March 2013	Variance
<b><u>ROM Production</u></b>							
Tonnes treated	Tonnes	690,142	600,341	+15%	2,195,498	1,987,408	+10%
Diamonds produced	Carats	238,881	209,410	+14%	804,215	629,469	+28%
Grade	cpht	34.6	34.9	-1%	36.6	31.7	+16%
<b><u>Tailings Production</u></b>							
Tonnes treated	Tonnes	659,766	644,322	+2%	1,980,562	1,891,512	+5%
Diamonds produced	Carats	221,263	134,578	+64%	630,360	357,172	+77%
Grade	cpht	33.5	20.9	+60%	31.8	18.9	+68%

<b>Total Production</b>							
Tonnes treated	Tonnes	1,349,908	1,244,663	+9%	4,176,060	3,878,920	+8%
<b>Diamonds produced</b>	<b>Carats</b>	<b>460,144</b>	<b>343,988</b>	<b>+34%</b>	<b>1,434,575</b>	<b>986,641</b>	<b>+45%</b>
<b>Sales</b>							
Diamonds sold	Carats	511,555	355,332	+44%	1,374,874	896,060	+53%
Average price per carat	US\$	103	131	-21%	99	125	-21%
<b>Revenue</b>	<b>US\$M</b>	<b>52.6</b>	<b>46.4</b>	<b>+13%</b>	<b>135.8</b>	<b>112.3</b>	<b>+21%</b>

### Cullinan – South Africa

	Unit	Q3 FY 2014	Q3 FY 2013	Variance	Nine months to 31 March 2014	Nine months to 31 March 2013	Variance
<b>ROM Production</b>							
Tonnes treated	Tonnes	633,049	636,152	-1%	1,924,257	1,918,161	+0%
Diamonds produced	Carats	157,393	187,889	-16%	557,212	572,035	-3%
Grade	cpht	24.9	29.5	-16%	29.0	29.8	-3%
<b>Tailings Production</b>							
Tonnes treated	Tonnes	575,405	441,415	+30%	1,595,657	1,010,344	+58%
Diamonds produced	Carats	28,728	18,955	+52%	90,247	43,573	+107%
Grade	cpht	5.0	4.3	+16%	5.7	4.3	+33%
<b>Total Production</b>							
Tonnes treated	Tonnes	1,208,454	1,077,567	+12%	3,519,914	2,928,505	+20%
<b>Diamonds produced</b>	<b>Carats</b>	<b>186,121</b>	<b>206,844</b>	<b>-10%</b>	<b>647,459</b>	<b>615,608</b>	<b>+5%</b>
<b>Sales</b>							
Diamonds sold	Carats	275,555	202,623	+36%	684,672	566,456	+21%
Average price per carat	US\$	256	138	+86%	193	135	+43%
<b>Revenue</b>	<b>US\$M</b>	<b>70.6</b>	<b>27.9</b>	<b>+153%</b>	<b>131.9</b>	<b>76.5</b>	<b>+72%</b>

### Koffiefontein – South Africa

	Unit	Q3 FY 2014	Q3 FY 2013	Variance	Nine months to 31 March 2014	Nine months to 31 March 2013	Variance
<b>ROM Production</b>							
Tonnes treated	Tonnes	50,631	50,333	+1%	173,503	140,043	+24%
Diamonds produced	Carats	3,545	3,023	+17%	12,703	9,217	+38%
Grade	cpht	7.0	6.0	+17%	7.3	6.6	+11%
<b>Ebenhaezer / Tailings Production</b>							
Tonnes treated	Tonnes	75,031	283,318	-74%	354,693	982,118	-64%
Diamonds produced	Carats	8,479	4,337	+96%	27,322	16,672	+64%
Grade	cpht	11.3	1.5	+653%	7.7	1.7	+353%
<b>Total Production</b>							
Tonnes treated	Tonnes	125,662	333,651	-62%	528,196	1,122,161	-53%
<b>Diamonds produced</b>	<b>Carats</b>	<b>12,024</b>	<b>7,360</b>	<b>+63%</b>	<b>40,025</b>	<b>25,889</b>	<b>+55%</b>
<b>Sales</b>							
Diamonds sold	Carats	18,448	9,459	+95%	36,506	26,259	+39%
Average price per carat	US\$	591	381	+55%	522	416	+26%
<b>Revenue</b>	<b>US\$M</b>	<b>10.9</b>	<b>3.6</b>	<b>+203%</b>	<b>19.0</b>	<b>10.9</b>	<b>+74%</b>

## Kimberley Underground – South Africa

	Unit	Q3 FY 2014	Q3 FY 2013	Variance	Nine months to 31 March 2014	Nine months to 31 March 2013	Variance
<b>ROM Production<sup>1</sup></b>							
Tonnes treated	Tonnes	237,323	182,211	+30%	646,974	606,265	+7%
Grade	cpht	13.4	15.1	-11%	14.7	14.3	+3%
<b>Diamonds produced</b>	<b>Carats</b>	<b>31,792</b>	<b>27,592</b>	<b>+15%</b>	<b>95,228</b>	<b>86,896</b>	<b>+10%</b>
<b>Sales</b>							
Diamonds sold	Carats	35,996	37,982	-5%	90,051	83,758	+8%
Average price per carat	US\$	336	315	+7%	313	285	+10%
<b>Revenue</b>	<b>US\$M</b>	<b>12.1</b>	<b>12.0</b>	<b>+1%</b>	<b>28.2</b>	<b>23.9</b>	<b>+18%</b>

Note:

1. Petra only produces from ROM (underground) operations at Kimberley Underground.

## Williamson – Tanzania

	Unit	Q3 FY 2014	Q3 FY 2013	Variance	Nine months to 31 March 2014	Nine months to 31 March 2013	Variance
<b>ROM Production</b>							
Tonnes treated	Tonnes	840,545	713,520	+18%	2,377,962	1,995,979	+19%
Diamonds produced	Carats	43,348	39,873	+9%	123,879	112,662	+10%
Grade	cpht	5.2	5.6	-7%	5.2	5.6	-7%
<b>Alluvial Production</b>							
Tonnes treated	Tonnes	96,310	87,619	+10%	307,758	270,134	+14%
Diamonds produced	Carats	2,129	3,462	-39%	7,907	10,581	-25%
Grade	cpht	2.2	4.0	-45%	2.6	3.9	-33%
<b>Total Production</b>							
Tonnes treated	Tonnes	936,855	801,139	+17%	2,685,720	2,266,113	+19%
<b>Diamonds produced</b>	<b>Carats</b>	<b>45,477</b>	<b>43,335</b>	<b>+5%</b>	<b>131,786</b>	<b>123,243</b>	<b>+7%</b>
<b>Sales</b>							
Diamonds sold	Carats	52,306	42,426	+23%	103,084	114,598	-10%
Average price per carat	US\$	304	248	+23%	279	248	+13%
<b>Revenue</b>	<b>US\$M</b>	<b>15.9</b>	<b>10.5</b>	<b>+51%</b>	<b>28.8</b>	<b>28.4</b>	<b>+1%</b>

## Helam (Fissure Mine) – South Africa

	Unit	Q3 FY 2014	Q3 FY 2013	Variance	Nine months to 31 March 2014	Nine months to 31 March 2013	Variance
<b>ROM Production<sup>1</sup></b>							
Tonnes treated	Tonnes	11,783	15,770	-25%	48,373	60,086	-20%
Diamonds produced	Carats	7,866	12,814	-39%	28,927	40,644	-29%
Grade	cpht	66.8	81.3	-18%	59.8	67.6	-12%
<b>Sales</b>							
Diamonds sold	Carats	11,921	14,203	-16%	31,412	35,190	-11%
Average price per carat	US\$	149	150	-1%	153	136	+13%
<b>Revenue</b>	<b>US\$M</b>	<b>1.8</b>	<b>2.1</b>	<b>-14%</b>	<b>4.8</b>	<b>4.8</b>	<b>0%</b>

Note

1. Petra only produces from ROM (underground) operations at Helam.