

G 2.1 Cost of Sales breakdown

	(A)	(B)	(C)	(D)	(E)	(F)
	Total on-mine cash cost (million)	Diamond royalties (Refer G2.3)	Diamond sorting fee	Diamond inventory and stockpile movements	Subtotal	Total Mining and processing costs (\$m)
Finsch	R 1,268	R xx	R xx	R xx	R xx	\$ xx
Cullinan	R 1,269	R xx	R xx	R xx	R xx	\$ xx
Koffiefontein	R 433	R xx	R xx	R xx	R xx	\$ xx
Williamson	\$62	\$ xx	\$ xx	\$ xx	\$ xx	\$ xx
	Centralised Cost of Sales (ca. \$21m)					xx
	Mining and Processing Costs (EBITDA purposes)					\$ xx
	Exploration (ca. \$0.5m)					xx
	Corporate overheads (ca. \$10m)					xx
	Total Cost of Sales (EBITDA purposes)					\$ xx

=(A)+(B)+(C)+(D)
 =(E)/Average R/\$ exchange rate
 =(E)/Average R/\$ exchange rate
 =(E)/Average R/\$ exchange rate

G2.2 Break-down of high-level income tax calculation for PDL Group Operations:

Indicative example on treatment of capital allowances/tax losses (using Cullinan as an example):

- (A) Profit before tax (PBT)
- Add back: (B) Depreciation
- Less: (C) Capital expenditure - current year
- (D) Taxable income for the year
- Less: (E) Capital allowances/assessed losses brought forward
- (F) Assessed Total**
- Thus: - If "Assessed Total (F)" >0; income tax due and payable at applicable tax rate
- If "Assessed Total (F)" <0; income tax capital allowances/assessed losses carried forward for set-off against future profits
- Taxation payable**

	FY2019	FY2020	FY2021
	ZARm	ZARm	ZARm
A	3500	4000	4500
B	500	500	500
C	-550	-550	-550
A + B - C = D	3450	3950	4450
E	-7000	-3550	400
D - E = F	-3550	400	4850
	0	112	1358

Note:

- ¹ Each mine's capital allowance / assessed loss is ring fenced to that specific mine. Refer to guidance doc: G1 for mine-by-mine capital allowances / assessed losses (tax shields).
- ² For Williamson, a 0.3 % tax on revenue should be catered for until the tax losses have been utilised.

G2.3 Royalty Guidance

Diamond royalties in South Africa

The royalty payable is derived from a formula based on the profitability of an operation, as follows:

- Royalty payable = gross sales x royalty rate
- Royalty rate = 0.5% + EBIT / (gross sales x 9)
- Minimum royalty payable = 0.5% / Maximum royalty payable = 7% of gross sales
- Unredeemed capex may be off-set against a positive EBIT balance and any unused balances can be carried forward for future calculations
- Tailings production (and all associated cost and revenue) are exempt from royalty

Example:

Revenue	ZARm	3 000
Operating costs	ZARm	(1 000)
Operating profit	ZARm	2 000
Unredeemed Capex b/forward	ZARm	(1 500)
Capex this year	ZARm	(550)
Adjusted EBIT (as defined in Royalty Act)	ZARm	(50)
Royalty rate = 0.5% + EBIT / (gross sales x 9)		0.5%
Royalty payable = royalty rate x revenue	ZARm	15

Diamond royalties in Tanzania (Williamson)

6% of Gross Revenue

G2.4 Effective Interest in South African Mines

Mine	Kago Diamonds interest in mines (%)	Increase in Petra's effective interest (via Kago holding) (%)	Petra's total effective interest (%)
Cullinan	14.0	4.4	78.4
Finsch	14.0	4.4	78.4
Koffiefontein	14.0	4.4	78.4
KEM JV	8.4	2.6	58.1

Petra's interest in Kago Diamonds = 31.46%