12 August 2013 LSE: PDL

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

Guidance Update

Petra Diamonds Limited announces its updated analyst guidance for the year to 30 June 2014 ("FY 2014") and updated high level guidance for the period thereafter to FY 2019.

Highlights of the material updates to prior guidance are below. The detailed revised guidance documents can be downloaded from the 'Analyst Guidance' page of Petra's website at: http://www.petradiamonds.com/investors/analysts/analyst-guidance.

FY 2014 Guidance Highlights

Summary

- Updates to operating parameters and refinements to Capex (following detailed Group review to further maximise benefits of Capex spend) result in cash flow expectations remaining within Petra's Group facilities and an overall improvement to internal discounted cash flow ("DCF") valuations.

Production and costs

- FY 2014 carat production of ca. 3 million carats ("Mcts"), an increase of ca. 12% on FY 2013 actual (2.67 million carats).
- Longer term production target of ca. 5 Mcts pa by FY 2019 remains on track.
- FY 2014 total tonnes treated ca. 17.5 million tonnes ("Mt"), an increase of 18% over FY 2013 actual (14.8 Mt). Split as follows:
  - ROM tonnes treated ca. 10.7 Mt, an increase of 18% over FY 2013 actual (9.1 Mt), mainly due to increased ROM tonnes throughput at Cullinan, Williamson and Kimberley Underground.
  - Tailings and Ebenhaezer ca. 6.8 Mt, an increase of 19% over FY 2013 actual (5.7 Mt), mainly due to a full year's production at the new Cullinan tailings plant.
- Total operating costs will remain well controlled, but certain cost categories (labour and electricity) are expected to increase above the South African consumer price index ("CPI"), due to South African mining inflation running above CPI and the weakening ZAR resulting in increases associated with imported cost components.

Diamond prices

- Although Petra's price guidance is prudent for planning purposes, Petra expects pricing to be supported by constrained supply and a firmer US market (the world's major market for polished diamonds), as well as continued growth in China (albeit at a lower rate than over recent years) and the seasonal increase in demand for polished due to the traditional festive periods. Detailed guidance on expected prices per mine is provided below.

Capex

- Expansion Capex across South African operations for FY 2014 of ca. ZAR1,545 million, an increase of ca. ZAR115 million (ca. 8%) against previous guidance (ZAR1,430 million, in comparable FY 2014 money terms[1]). This increase is due to timing differences in Capex from FY 2013 to FY 2014 (ZAR166 million) and detailed planning revisions at Cullinan, Koffiefontein and Kimberley Underground (ZAR156 million). This was partially offset by a decrease in Finsch Capex (ZAR207 million) as a result of revisions to the ore-handling system, as announced in Petra's H1 FY 2013 Trading Update of 29 January 2013.
- Updated guidance for the period FY 2015 onwards and the related explanations are covered in detail below.

Funding

- Maximum draw on debt facilities (at a FY 2014 foreign exchange rate of ZAR9/US$) is estimated to occur towards the end of Q4 FY 2014, remaining within the current debt facilities.
- Due to multiple sources of available reserves, management has optionality around the timing of installing the new block caves, as well as the quantum of associated capital.
- Petra has built up substantial cash flows from its operations. Petra's solid record of delivering on annual production growth, and ability to flex capital development programmes if required, gives balance sheet and funding flexibility.

Note

[1]An inflation increase of 8% in ZAR terms has been applied to all Capex to update from FY 2013 money terms to FY 2014 money terms. All Capex changes are therefore given in inflation adjusted comparable FY 2014 money terms.

FY 2014 Analyst Guidance Conference Call

Petra's CEO, Johan Dippenaar, and Finance Director, David Abery, will host a conference call at 12:00pm BST on Monday 12 August 2013 to discuss the updated guidance with investors and analysts.

Detailed guidance documents are available on Petra's dedicated analyst guidance webpage - http://www.petradiamonds.com/investors/analysts/analyst-guidance. Participants are requested to access these documents and have them to hand before the call. Please note that management will cover the highlights and headline matters on the call, but any detailed questions relating to modelling should be addressed to Andre Pienaar by email (andrep@petradiamonds.com), cc Cathy Malins (cathym@petradiamonds.com).

Participants may join the call by dialling one of the following three numbers shortly before the call:
From UK (toll free): 0808 237 0040
From South Africa (toll free): 0800 222 290
From rest of the world: +44 203 428 1542
Participant passcode: 22092733#

A replay of the conference call will be available on the following numbers from 2:00pm BST today:

Playback UK Number (toll free): 0808 237 0026
Playback Number from rest of the world: +44 20 3426 2807
Playback pin code: 641217#

Finsch

As noted in the 30 July 2013 Trading Update, Petra lowered the plant bottom cut-off at Finsch in Q4 FY 2013 (in order to capture the high quality smaller stones produced by the orebody), and an increase in grade was therefore reported for Q4 FY 2013. This higher ROM grade is expected to continue for FY 2014 at ca. 32 – 33 carats per hundred tonnes ("cpht"). Although this plant change is expected to result in a lower average value per carat (management guidance FY 2014 US$113/carat) associated with the increased volumes of the smaller diamonds, it is expected to increase both gross revenues and contained revenue per tonne.

ROM throughput is guided at 2.83 Mt for FY 2014 with an expected ramp-up to 3.2 Mtpa by FY 2016 (whilst mining the Block 5 sub level cave ("SLC")), continuing at this level to FY 2019.

As the mine's production profile gradually changes from diluted to undiluted ore, the ROM grade is expected to increase to ca. 36 cpht by FY 2015, to ca. 43 cpht by FY 2016 and to ca. 56 cpht by FY 2017 (up from previous guidance of 47 cpht, assisted by the plant changes mentioned above), when full production is sourced from undiluted ore.

Treatment of the 'Pre 79 Tailings' is planned at 2.65 Mt for FY 2014 and expected to be mined for a further 2 – 3 years (including FY 2014) at a grade of ca. 21 – 22 cpht (increased from prior year guidance as a result of the abovementioned plant changes). In line with previous guidance, treatment of the 'Post 79 Tailings' will commence once the 'Pre 79 Tailings' have been depleted.

FY 2014 expansion Capex reduces to ca. ZAR512 million (ca. 29% reduction on previous guidance of ZAR719 million[1]) due to the previously announced revisions to the ore-handling system, whereby the 710 – 780 metre level ("mL") SLC material will be transferred to the existing loading and hoisting infrastructure on 650 mL by implementation of an appropriate conveyor system.

For the period FY 2013 to FY 2019, the total expansion Capex increased from previous guidance by ca. ZAR350 million (in comparable FY 2014 money terms[1]) due to the following reasons:

- the weakening ZAR (resulting in increases associated with imported cost components) is estimated to add ca. ZAR200 million to previously guided expansion Capex;
- the revisions to the ore-handling system, resulting in a net saving of ca. ZAR300 million;
- the further enlarged footprint of the Block 5 SLC, resulting in an increase of ca. ZAR250 million for the period FY 2014 to FY 2019, but allowing the Company to defer to FY 2016 the commencement of the Capex spend required for the main Block 5 block cave; and
- the doubling up of crusher capacity to complement the enhanced ore-handling and engineering infrastructure planned at the Block 5 SLC and main Block 5 block cave (originally planned on the Block 5 block cave elevation only), leading to an increase in expansion capital of ca. ZAR200 million.

The benefits of the revisions noted above are:

- Capex has been reduced in the short term, as evidenced by a net reduction of ca. ZAR350 million in total expansion Capex over previous guidance to FY 2015;
- improved production flexibility and the ability to more efficiently manage grades, due to a more focused draw control strategy and the ability to mine higher grade pillars on the Block 4 elevation; and
- the earlier decommissioning of Block 4 automated ore-handling infrastructure, resulting in long term savings in working costs, as well as the added benefit of production efficiencies.

A ca. ZAR48 million increase on prior FY 2014 guidance for sustaining Capex to ZAR133 million (up from previously guided ZAR85 million[1]) relates to partial replacement of the automated truck fleet on the underground truck loop.

The cash operating unit cost is guided at ca. ZAR243 per ROM tonne treated and ZAR35 per tailings tonne treated. The increase from previous guidance is as a result of the direct and indirect impact of the weakened ZAR against the US$, as well as current mining inflation which is running above South African CPI. As a result of the improved ore-handling systems and higher volumes, a reduction in the cash operating unit cost is expected from FY 2016.

Cullinan
Cullinan recorded a ROM grade for FY 2013 of 30.7 cpht. For FY 2014, the ROM grade will be supported by mining Block B pillar tonnes and accessing higher grade undiluted tonnes on the BA5 645 mL. Given this approach to managing ROM grade, guidance for FY 2014 is ca. 2.75 Mt at a grade of ca. 31 – 32 cpht. As at Finsch, the ROM grade is expected to increase in future years to ca. 35 cpht by FY 2015, ca. 37 cpht by FY 2016 and to in excess of 50 cpht by FY 2019, when Cullinan's C-Cut phase 1 block cave is in full production.

Cullinan's FY 2014 tailings production is guided at ca. 2.7 Mtpa at a grade of ca. 5 – 6 cpht. Prior guidance was for tailings production to ramp up to ca. 4 Mtpa from FY 2015 onwards. Early production results and grades achieved were below expectations and further investment in tailings treatment facilities have been put on hold whilst further analysis is undertaken. Revised guidance is for tailings production to continue at ca. 2.7 Mtpa from FY 2015, with grades expected to increase to 7.5 cpht due to continuous plant improvements, including re-crush facilities.

Overall expansion Capex for FY 2014 is guided at ZAR765 million. After adjusting for timing differences in Capex from FY 2013 to FY 2014 of ZAR105 million, this equals an increase of ca. ZAR60 million for FY 2014 over previously guided expansion Capex.

For the period FY 2013 to FY 2019, the total expansion Capex increased from previous guidance by ca. ZAR980 million[1], mainly due to the following:

- The expected sustained weakening of the ZAR against the US$, which is estimated to add ca. ZAR250 million to the Capex programme.
- Additional ca. ZAR100 million relating to the mining of higher grade tonnages from the BA5 645 mL. The BA5 mining area has a historically proven higher frequency of high value stones, which bodes well for future diamond price expectations.
- Mine plan refinements for C-Cut Phase 1 (which will allow increased flexibility in delivery of the project), include:
  - progress with detailed planning, design and costing work, which has resulted in additional capital to cater for enhanced engineering requirements (increase of ca. ZAR160 million), specifically:
    - the upgrading of support specifications to cater for the anticipated longer life of the cave; and
    - the inclusion of a permanent batching plant to deliver concrete to shaft and production infrastructure, freeing up shaft time and reducing potential production disruptions.
  - Optimisation of the 880 mL ore-handling systems (including crushers, conveyors and the shaft barrel from 581 mL to 930 mL) (increase of ca. ZAR340 million), allowing for potential future production ramp-ups utilising the entire C-Cut footprint; and
  - other related scope changes (increase of ca. ZAR130 million).

Williamson
FY 2014 guidance is ca. 3.6 Mt, steadily ramping up to ca. 5 Mtpa by FY 2017. This is an increase from previous guidance of 3.6 Mtpa (steady state) through to FY 2017, due to a focus on the plant design to deliver energy efficiency and water recovery circuit improvements, resulting in the ability to increase throughput. The Capex associated with these improvements amounts to ca. US$22 million up to FY 2017.

Kimberley Underground
Planned ROM tonnes mined for FY 2014 and FY 2015 are 800 Kt and 900 Kt respectively. Planned plant throughput for FY 2014 and FY 2015 is 1.1 Mt. Underground ROM tonnes are planned to ramp-up to 1 Mtpa by FY 2016 (the surveyed stockpiles at Kimberley Underground are ca. 500 Kt as at 30 June 2013).

FY 2014 expansion Capex is guided at ca. ZAR96 million, a ca. ZAR75 million[1] increase on previous guidance due to changes to Kimberley Underground's short term mine design. Further expansion Capex increases are expected for the period FY 2015 to FY 2017 of ZAR97 million, following the inclusion of Bultfontein 760 mL RIM extension and Bultfontein 865 mL SLC mining areas.

Koffiefontein

ROM throughput of 0.33 Mt is planned for FY 2014, consistent with H2 FY 2013 ROM production. ROM grade is guided at ca. 9 – 10 cpht, due to an increased contribution of tonnages from higher grade areas. ROM throughput is expected to increase to 1.1 Mt by FY 2017.

Surface mining of the Ebenhaezer satellite pit will continue in FY 2014 with ca. 1.2 Mt planned to be treated at a grade of ca. 2.7 cpht. Mining of the Ebenhaezer pit is expected to continue for 2 – 3 years (including FY 2014), so as to supplement underground ROM tonnes.

A change in mine design leads to ca. 450 kt more tonnes being accessible from the Koffiefontein SLC, as well as an increase in the average grade from 8.7 cpht to ca. 9 – 10 cpht (due to the focus on higher grade areas). The new targeted areas are expected to produce a significant number of Type II diamonds (for which Koffiefontein is well known), which should have a positive impact on the average US$/carat values. These mine design changes result in FY 2014 expansion Capex of ca. ZAR171 million (a ca. ZAR82 million increase[1]) and to an increase of ca. ZAR96 million for the period FY 2015 to FY 2017.

The FY 2014 cash operating unit cost is guided at ca. ZAR365 per ROM tonne treated and ZAR75 per Ebenhaezer tonne treated. The reduction in the guided ROM cash operating unit cost from previous guidance is mainly due to the ramp-up of ROM production, with further reductions expected as volumes increase in future years.

Note:

[1]An inflation increase of 8% in ZAR terms has been applied to all Capex to update from FY 2013 money terms to FY 2014 money terms. All Capex changes are therefore given in inflation adjusted comparable FY 2014 money terms.

Fissure Mines

As announced in the 30 July 2013 Trading Update, the Fissure Mines results will be reported within ongoing operations of the Group for FY 2013 financial reporting purposes.

From FY 2014, Helam will continue be operated on an ongoing commercial basis, whereas Sedibeng and Star are being placed onto care and maintenance. More details on Helam's production can be found at http://www.petradiamonds.com/investors/analysts/analyst-guidance. Care and maintenance costs associated with Star and Sedibeng (combined) are expected to amount to ca. ZAR1.2 million per month.

Diamond Prices

The table below sets out the per carat price assumptions that management is using as an annual average for FY 2014.

The price assumptions below, as with prior guidance, exclude revenue from "specials" (+US$5 million stones). Such stones have added in excess of US$16 million per annum consistently over the last five years (guidance - to be assigned to Cullinan).

Mine	Guidance Weighted Average US$/ct FY 2014	Guidance ROM US$/ct FY 2014	Guidance Tailings / Other US$/ct FY 2014	Actual Weighted Average[1] US$/ct FY 2013
Finsch	113[2]	140	60	120
Cullinan	139	150	67	163[3]
Koffiefontein	518	650	380	471
Kimberley	301	301	n/a	295
Helam	145	145	n/a	140
Williamson	254	255	190	254

Notes:

1. *The actual FY 2013 prices are the average of the mix of ROM and tailings production, as Petra tenders production from each mine on a mixed ROM / tailings parcel basis.*
2. *The average expected value at Finsch is guided lower due to the increase in recovery of smaller diamonds as noted above.*
3. *The FY 2013 average value at Cullinan includes the 25.5 carat blue diamond sold for US$16.9 million; the average value for FY 2013 excluding this stone was US$142 per carat.*

Key FY 2014 Operating and Capex Assumptions

	Unit	Finsch	Cullinan	Koffiefontein	Kimberley	Helam	Williamson
ROM tonnes							
Tonnes treated	Mt	2.83	2.75	0.33	1.11	0.11	3.61
Grade	Cpht	32 - 33	31 - 32	9 - 10	14 -15	64 - 65	5 - 6
Operating cost	ZAR/t	243	217	365	208	762	US$10.5
Tailings/Other tonnes							
Tonnes treated	Mt	2.65	2.71	1.16	n/a	n/a	0.25
Grade	Cpht	21 - 22	5 – 6	2 – 3	n/a	n/a	2 - 3
Operating cost	ZAR/t	35	38	75	n/a	n/a	n/a
Total production							
Tonnes treated	Mt	5.48	5.46	1.49	1.11	0.11	3.86
Operating cost	ZAR/t	142	128	139	208	762	US$10.5
Capex							
Expansion Capex	ZARM	512	765	171	96		
Expansion Capex	US$M						8.2
Sustaining Capex	ZARM	133	81	25	28	10	
Sustaining Capex	US$M						5.9
Total Capex	ZARM	645	847	196	130	10	
Total Capex	US$M						14.1

Notes:

1. *For further commentary and detail on the figures above, please download the full analyst guidance sheet from the Company's website here at: http://www.petradiamonds.com/investors/analysts/analyst-guidance.*
2. *All Capex numbers in this announcement exclude capitalised borrowing costs, in line with previous guidance.*

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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, 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 member of the FTSE 250.

For more information, visit the Company's website at www.petradiamonds.com