



# PetraDiamonds

25 October 2022

LSE: PDL

## Petra Diamonds Limited

### Q1 FY 2023 Operating Update

#### Petra reports strong operating results for the first quarter of FY 2023

Richard Duffy, Chief Executive Officer of Petra, commented:

*“Petra continued its solid and safe operating performance into the first quarter of FY 2023. We maintain our production guidance for the year, although expect this will be towards the lower end of the range for Cullinan Mine and Finsch. We are very pleased with the successful tender offer for our bonds that has further strengthened our balance sheet through a reduction in gross debt of US\$143.6m over the quarter which will save Petra some US\$14m in annual interest payments.”*

#### Highlights

- LTIFR improved 48% YoY and 43% against Q4 FY 2022 to 0.16
- LTIs improved 40% YoY and 50% against Q4 FY 2022 to 3
- Ore processed increased 22% YoY due to the resumption of mining at Williamson in Tanzania and in line with Q4 FY 2022
- Production was down 13% YoY to 763,220 carats due to lower grades at Cullinan Mine and Finsch but 2% higher than Q4 FY 2022
- Guidance for FY 2023 remains unchanged, although production is now expected to be at the lower end of guidance as discussed below
- Revenue amounted to US\$104.3 million (Q1 FY 2022: US\$114.9 million, Q4 FY 2022 US\$179.8)
  - Revenue includes US\$1.4 million from Petra’s 50% share in the profit from the sale of polished stones cut from the 342.92 carat rough white diamond sold into a partnership for US\$10 million in August 2021
- Gross debt reduced by US\$143.6 million during the quarter, with a further US\$1.0 million shortly after period end through the successful tender offer to repurchase second lien notes

Safety, sales and production	Unit	FY 2023		FY 2022			
		Q1	Q4	Q3	Q2	Q1	TOTAL
<b>Safety</b>							
LTIFR	-	0.16	0.33	0.18	0.06	0.31	0.22
LTIs	Number	3	6	3	1	5	15
<b>Sales</b>							
Diamonds sold	Carats	<b>520,011</b>	1,205,240	735,225	1,017,665	578,186	3,536,316
Revenue <sup>1</sup>	US\$m	<b>102.9</b>	178.78	140.6	149.9	114.9	584.1
Contribution from exceptional stones	US\$m	<b>0.0</b>	5.7	5.5	27.7	50.2	89.1

Safety, sales and production (continued)	Unit	FY 2023	FY 2022				
		Q1	Q4	Q3	Q2	Q1	TOTAL
<b>Production</b>							
ROM tonnes	Tonnes	<b>3,042,017</b>	3,045,843	2,792,394	2,935,488	2,466,044	11,239,768
Tailings and other tonnes	Tonnes	<b>105,715</b>	65,628	112,414	122,699	115,593	416,334
Total tonnes treated	Tonnes	<b>3,147,731</b>	3,111,471	2,904,808	3,058,187	2,581,637	11,656,103
ROM diamonds	Carats	<b>733,014</b>	717,373	780,896	839,643	810,346	3,148,258
Tailings and other diamonds	Carats	<b>30,206</b>	28,417	49,560	61,370	66,065	205,412
Total diamonds	Carats	<b>763,220</b>	745,790	830,456	901,013	876,411	3,353,670

<sup>1</sup> Revenue reflects proceeds from the sale of rough diamonds and excludes revenue from profit share arrangements (as noted in the text above)

## Strong and safe production

- LTI and LTIFR continued to improve due to the ongoing focus on identifying and mitigating safety risks and behaviour-based intervention programmes
- Cullinan Mine mined and treated 1.1mt for the quarter. ROM grades were in line with those achieved in Q4 FY 2022 at 33.2cpt. This is attributable to a lower ROM grade resulting from the previously announced change in the ore make-up of the C-Cut block cave footprint as the production progresses from SW to NE due to cave maturity with a higher proportion of cave waste. Various options are being considered to mitigate this impact. Production guidance for the full year remains unchanged although this is now expected to be towards the lower end of the range.
- Finsch tonnes from underground were negatively impacted by a S54 stoppage notice (since been addressed) and lower tunnel availability on 73 and 75 levels. ROM grade benefited from enhanced drill, blast and draw controls previously reported on, as well as certain changes effected in the treatment plant. During the quarter, the implementation of the Business Re-engineering (BRE) Project at Finsch progressed to match our cost base to our revised production levels. Production guidance for the full year remains unchanged, although this is expected to be towards the lower end of the guidance range.
- Production at Williamson improved over the prior quarter (Q4 FY 2022), bolstered by an increase in tonnes treated and grade. Full year production guidance remaining unchanged.
- Petra has been exploring options for a responsible exit at Koffiefontein, as the mine approaches the end of its mine plan. The sales process announced in April 2022 however has not resulted in a potential buyer for the mine and Petra is therefore exploring alternative options in close consultation with its stakeholders. The impact on production guidance will be confirmed once a decision on the way forward has been reached.

## Balance sheet further strengthened through successful debt tender offer

- Balance Sheet as at 30 September 2022:
  - Consolidated net debt of US\$77.6 million (30 June 2022: US\$40.6 million), increasing in line with expectations due to the Company's tender cycle and resultant inventory build during the quarter
  - Gross cash of US\$154.0 million (30 June 2022: US\$288.2 million) and unrestricted cash of US\$138.2 million (30 June 2022: US\$271.9 million) reflecting the repurchase of the company's loan notes totalling US\$143.6 million during the Quarter, with a further US\$1.0 million shortly after period end.

## Outlook

We continue to benefit from the operational improvements we have made across the business which provide for greater stability and resilience. We will continue to seek to mitigate the impact of the recent challenges experienced at Cullinan Mine and Finsch and remain confident in our ability to generate cash to fund capex, allow further deleveraging and the payment of dividends.

While our operations have benefitted from a weaker Rand, we continue to closely monitor the current macro-economic uncertainties, particularly the impact of inflation on our cost base, and the impact of sanctions on Russian producers as well as the ongoing implications of COVID-19 on demand in China. The backdrop of structural changes to the supply and demand fundamentals in the diamond market remains unchanged and we anticipate it to remain supportive going forward, although we expect some short-term volatility driven largely by the ongoing lockdowns in China.

We have extended the closing of our second sales tender for FY 2023 for a portion of our gem and near gem quality goods, particularly in the +1ct to 5ct size ranges, as a result of unusual market conditions with some build up in inventory pre-Diwali. Pricing in other size categories are in line with expectations. We will confirm the sales results for this tender around mid-November. This extension is not currently expected to have any impact on the closing of our third sales tender.

## CONFERENCE CALLS

### 09:30am and 16:00 BST today

Petra's CEO, Richard Duffy, and CFO, Jacques Breytenbach, will host calls today to discuss this trading update at 09:30 and 16:00 BST.

Registration for calls:

United Kingdom	0800 640 6441
South Africa	087 550 8441
United States (Local)	1 646 664 1960
All other locations	+44 20 3936 2999

09:30: Access code: 511492

16:00: Access code: 342891

*Press \*1 to ask a question, \*2 to withdraw your question, or \*0 for operator assistance.*

Link for recording (available later today):

<https://www.petradiamonds.com/investors/results-reports/>

Investor Meet webcast at 11.30 BST

Petra will present the results on the Investor Meet Company platform, predominantly aimed at retail investors. To join: <https://www.investormeetcompany.com/petra-diamonds-limited/register-investor>

## FURTHER INFORMATION

### Please contact

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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. *LTI: lost time injuries*
  - d. *LTIFR: lost time injury frequency rate, calculated as the number of LTIs multiplied by 200,000 and divided by the number of hours worked*
  - e. *FY: financial year*
  - f. *Q: quarter of the financial year*
  - g. *ROM: run-of-mine (i.e. production from the primary orebody)*
  - h. *m: million*

**ABOUT PETRA DIAMONDS**

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 Mine 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. 226.6 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 loan 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](http://www.petradiamonds.com).

## Corporate and financial summary 30 September 2022

	Unit	As at 30 September 2022	As at 30 June 2022
Cash at bank – (including restricted amounts) <sup>1</sup>	US\$m	154.0	288.2
Diamond debtors	US\$m	4.2	37.4
Diamond inventories <sup>2,3</sup>	US\$m Carats	76.3 692,219	52.7 453,380
2026 US\$336.7m loan notes <sup>4</sup>	US\$m	235.8	366.2
Bank loans and borrowings <sup>5</sup>	US\$m	—	—
Consolidated Net debt <sup>6</sup>	US\$m	77.6	40.6
Bank facilities undrawn and available <sup>5</sup>	US\$m	55.1	61.5

**Note:** The following exchange rates have been used for this announcement: average for Q1 FY 2023 US\$1: ZAR17.02 (FY 2022: US\$1: ZAR15.22); closing rate as at 30 September 2022 US\$1: ZAR18.15 (30 June 2022: US\$1: ZAR16.27).

### Notes:

1. The Group's cash balances comprise unrestricted balances of US\$138.2 million, and restricted balances of US\$15.8m.
2. Recorded at the lower of cost and net realisable value.
3. Diamond inventories includes the Williamson 71,654.45 carat parcel of diamonds blocked for export during August 2017, with a carrying value of US\$12.5 million. Under the framework agreement reached with the Government of Tanzania, as announced on 13 December 2021, the proceeds from the sale of this parcel are required to be allocated to Williamson.
4. The 2026 US\$336.7m loan notes, originally issued following the capital restructuring (the "Restructuring") completed during March 2021, have a carrying value of US\$235.8 million which represents the outstanding principal amount of US\$211.1 million (after the early participation phase of the debt tender offer as announced on 27 September 2022) plus US\$38.7 million of accrued interest and net of unamortised transaction costs capitalised of US\$14.0 million. Post period end, as announced on 12 October 2022, a further US\$1.0 million was repurchased in the final phase of the tender offer comprising, US\$0.9 million (principal amount) and US\$0.1 million of accrued interest.
5. Bank loans and borrowings represent the Group's ZAR1 billion revolving credit facility which remains undrawn and available.
6. Consolidated Net Debt is bank loans and borrowings plus loan notes, less cash and diamond debtors.

**Mine-by-mine tables:**

**Cullinan Mine – South Africa**

	Unit	FY 2023	FY 2022				TOTAL
		Q1	Q4	Q3	Q2	Q1	
<b>Sales</b>							
Revenue	US\$m	56.9	81.0	73.7	74.9	92.8	322.4
Diamonds sold	Carats	267,728	617,677	409,030	500,008	372,296	1,899,011
Average price per carat	US\$	212	131	180	150	249	170
<b>ROM Production</b>							
Tonnes treated	Tonnes	1,110,912	1,090,897	1,053,631	1,099,644	1,207,343	4,451,515
Diamonds produced	Carats	368,796	362,249	404,473	411,236	431,967	1,609,925
Grade <sup>1</sup>	Cpht	33.2	33.2	38.4	37.4	35.8	36.2
<b>Tailings Production</b>							
Tonnes treated	Tonnes	77,572	62,844	112,414	122,699	115,593	413,550
Diamonds produced	Carats	26,790	28,056	49,560	61,369	66,065	205,050
Grade <sup>1</sup>	Cpht	34.5	44.6	44.1	50.0	57.2	49.6
<b>Total Production</b>							
Tonnes treated	Tonnes	1,188,484	1,153,741	1,166,045	1,222,343	1,322,936	4,865,065
Diamonds produced	Carats	395,586	390,305	454,033	472,605	498,032	1,814,975

**Note:** 1. Petra 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	FY 2023	FY 2022				TOTAL
		Q1	Q4	Q3	Q2	Q1	
<b>Sales</b>							
Revenue	US\$m	23.4	60.9	39.2	46.4	19.3	165.7
Diamonds sold	Carats	177,285	467,195	259,164	474,643	201,652	1,402,654
Average price per carat	US\$	132	130	151	98	96	118
<b>ROM Production</b>							
Tonnes treated	Tonnes	572,976	650,670	656,408	721,741	701,378	2,730,197
Diamonds produced	Carats	260,217	269,828	303,591	351,174	350,368	1,274,961
Grade	Cpht	45.4	41.5	46.3	48.7	50.0	46.7
<b>Tailings Production</b>							
Tonnes treated	Tonnes	17,305	2,785	-	-	-	2,785
Diamonds produced	Carats	3,160	362	-	-	-	362
Grade <sup>1</sup>	Cpht	18.3	13.0	-	-	-	13.0
<b>Total Production</b>							
Tonnes treated	Tonnes	590,281	653,454	656,408	721,741	701,378	2,732,982
Diamonds produced	Carats	263,377	270,190	303,591	351,174	350,368	1,275,323

**Note:** 1. Petra 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.

**Williamson - Tanzania**

	Unit	FY 2023	FY 2022				TOTAL
		Q1	Q4	Q3	Q2	Q1	
<b>Sales</b>							
Revenue	US\$m	21.2	22.4	55.7	20.2	-	75.9
Diamonds sold	Carats	71,295	110,386	60,759	26,611	-	197,756
Average price per carat	US\$	297	301	369	760	-	384
<b>ROM Production</b>							
Tonnes treated	Tonnes	1,309,359	1,231,082	1,005,901	988,978	365,138	3,591,099
Diamonds produced	Carats	100,750	80,194	65,003	68,453	14,420	228,070
Grade	Cpht	7.7	6.5	6.5	6.9	3.9	6.4
<b>Total Production</b>							
Tonnes treated	Tonnes	1,309,359	1,231,082	1,005,901	988,978	365,138	3,591,099
Diamonds produced	Carats	100,750	80,194	65,003	68,453	14,420	228,070

**Koffiefontein – South Africa**

	Unit	FY 2023	FY 2022				TOTAL
		Q1	Q4	Q3	Q2	Q1	
<b>Sales</b>							
Revenue	US\$m	1.4	5.0	5.4	8.3	2.8	21.5
Diamonds sold	Carats	3,703	10,043	6,269	16,400	4,238	36,950
Average price per carat	US\$	383	500	856	505	664	581
<b>ROM Production</b>							
Tonnes treated	Tonnes	48,770	73,194	76,453	125,126	192,184	466,957
Diamonds produced	Carats	3,253	5,101	7,829	8,780	13,592	35,302
Grade <sup>1</sup>	Cpht	6.7	7.0	10.2	7.0	7.1	7.6
<b>Tailings Production</b>							
Tonnes treated	Tonnes	10,837	-	-	-	-	-
Diamonds produced	Carats	255	-	-	-	-	-
Grade <sup>1</sup>	Cpht	2.4	-	-	-	-	-
<b>Total Production</b>							
Tonnes treated	Tonnes	59,607	73,194	76,453	125,126	192,184	466,957
Diamonds produced	Carats	3,508	5,101	7,829	8,780	13,592	35,302

**Note:** 1. Petra 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.