



PetraDiamonds

19 July 2022

LSE: PDL

Petra's Q4 FY 2022 and FY 2022 Trading Update

Strong revenue growth and continued improvement in balance sheet

Petra announces its unaudited Trading Update for the fourth quarter ("Quarter" or "Q4 FY 2022") and financial year ending 30 June 2022 ("Year" or "FY 2022"). Petra will host calls at 09:30 and 16:00 BST today, details of which can be found at the end of this statement.

Richard Duffy, Chief Executive Officer of Petra, commented:

"This year's performance completes the successful turnaround of Petra and includes the implementation of our new operating model, incorporating continuous improvement, following the conclusion of Project 2022 which has delivered improved efficiency, capital discipline and strong cash generation. Progress on these fundamentals has enabled us to expand our focus to executing our value-led growth strategy, including the two projects at Cullinan Mine and Finsch, while incorporating our recently developed sustainability framework.

"We continued to deliver safe, robust operating performance into the fourth quarter, recovering over 3.35Mcts for the year, in line with guidance, while reducing our LTIFR by 52%. Total revenue increased to US\$585.2 million, benefiting from a combination of supportive diamond market fundamentals and a 41.5% increase in like-for-like diamond prices year on year, the reopening of the Williamson mine and the recovery and sale of US\$89.1 million of Exceptional Stones. The subsequent strong free cash flow generated in FY 2022 highlights the successful conclusion of Project 2022 and has delivered an 82% reduction in Consolidated Net Debt to US\$40.6 million.

"We reaffirm our production and cost guidance through to FY 2025. An increase in the lead-time for some capital items will shift some FY 2022 capex to FY 2023 with no expected impact on the anticipated project timing or overall capex spend. We are monitoring cost increases in our operations very closely, but our relatively low fuel consumption, disciplined cost management, three-year labour agreements to June 2024 and exposure to a weaker South African Rand will assist us in better absorbing these cost pressures. Petra's enhanced operating model provides a platform for greater stability and resilience, enabling further cash generation to fund our capex requirements and support further deleveraging."

HIGHLIGHTS

Improved safety, production and sales

	Unit	Q4 FY 22	Q4 FY 21	Variance	FY 22	FY 21 ¹	Variance
LTIFR	-	0.28	0.35	20%	0.21	0.44	52%
LTIs	Number	5	5	-	14	25	44%
Ore processed	Mt	3.1	2.0	55%	11.7	8.1	44%
Diamonds recovered	Carats	745,790	794,952	(6%)	3,353,670	3,240,312	3%
Diamonds sold	Carats	1,205,240	1,178,474	2%	3,536,316	3,960,475	(11%)
Revenue from diamond sales	US\$m	178.8	122.8	46%	584.1	406.9	44%

Note 1: For comparative purposes the FY 21 production and revenue figures have been restated to include Williamson as it is no longer a discontinued operation

Strong revenue growth with improved safety

- LTIFR improved 20% to 0.28 for the Quarter and 52% to 0.21 for the Year
- LTIs flat for the Quarter at 5 and improved 44% to 14 for the Year
- Production for the Quarter was down 6% to 745,790 carats largely due to lower tonnes treated at Cullinan Mine following depletion of the current CC1E mining area and the makeup of kimberlite in the C-Cut, while production for the Year increased 3% to 3,353,670 carats, largely owing to the resumption of mining at Williamson
- FY 2022 total revenue amounted to US\$585.2 million (FY 2021: US\$406.9 million), comprising revenue from diamond sales of US\$584.1 million (FY 2021: US\$406.9 million) and additional revenue from profit share agreements of US\$1.1 million (FY 2021: nil)
- FY 2022 revenue from diamond sales 44% higher at US\$584.1 million driven by:
 - Improved rough diamond market fundamentals, with like-for-like prices increasing 41.5% compared to FY 2021 as a result of record jewellery retail demand out of the US following the easing of COVID-19 restrictions
 - The sale of a high number of Exceptional Stones¹ recovered from Cullinan Mine and one from Williamson which contributed a record US\$89.1 million compared to US\$62.0 million in FY 2021; this compares to an average contribution from Exceptional Stones of US\$50.7 million and US\$39.2 million over 3 and 5 years, respectively
- During the Quarter, polished stones cut from the 18.30ct Type II blue partnership stone were sold, with the most notable stone being a 7.09ct radiant cut stone which sold for US\$5.8 million. Petra sold the 18.30ct rough diamond in August 2021 into a partnership for US\$3.5 million, while retaining a 50% share of profits. The final polished stones realised a net profit to the partnership of US\$2.13 million, contributing additional revenue of US\$1.065 million for Petra's 50% profit share recognised in Q4 FY 2022 and FY 2022

Balance sheet further strengthened

- Balance Sheet as at 30 June 2022:
 - Consolidated net debt² of US\$40.6 million (31 March 2022: US\$107.0 million), reflecting strong free cash flow generation over the Quarter
 - Gross cash of US\$288.2 million (31 March 2022: US\$249.2 million) and unrestricted cash of US\$271.9 million (31 March 2022: US\$233.2 million)

Diamond debtors and inventory

- Diamond debtors of US\$37.4 million (31 March 2022: US\$nil) with the increase reflecting the timing of Tender 6 at the end of the Year. The outstanding debtor balances were received shortly after year-end
- Diamond inventory valued at US\$53.5 million (31 March 2022: US\$98.1 million)

Production and cost guidance reiterated

Key operational guidance

	Unit	FY 22	FY 23E	FY 24E	FY 25E
Total carats recovered	Mcts	3.3 – 3.6	3.3 – 3.6	3.3 – 3.6	3.6 – 3.9
Cash on-mine costs and G&A ¹	US\$m	300 – 310	300 – 320	300 – 320	300 – 320
Expansion capex ¹	US\$m	34 – 36	115 – 125	125 – 135	115 – 120
Sustaining capex ¹	US\$m	17 – 19	33 – 36	30 – 32	26 – 28

Note 1: Opex and Capex guidance is stated in FY 22 real terms and based on an exchange rate of ZAR15 / USD1.

More detailed guidance is available on Petra's website at <https://www.petradiamonds.com/investors/analysts/analyst->

¹ Petra classifies 'Exceptional Stones' as rough diamonds that sell for US\$5 million or more each

² Stated after cash and diamond debtors

[guidance/](#)

- Petra reiterates the detailed guidance provided for the FY 2023 to FY 2025 period
- Delivery of certain capital items planned for FY 2022 was deferred largely due to increased lead-times. As a result, around US\$12 million of capex that was due to be incurred in FY 2022 is now expected to be incurred in FY 2023. A corresponding adjustment has been made to expansion and sustaining capex guidance for FY 2023 with no expected impact on the anticipated project timing or overall capex spend

Outlook

The operational improvements we have made provide a platform for greater stability and resilience, enabling further cash generation to fund capex and supporting further deleveraging.

We closely monitor the current macro-economic uncertainties, particularly the impact of inflation on our cost base, the war in Ukraine and sanctions on Russian producers, as well as the ongoing implications of COVID-19. 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 there may be some volatility in the short to medium term.

CONFERENCE CALLS

09:30 and 16:00 BST today

Petra's Chief Executive, Richard Duffy, and Chief Financial Officer, 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
United Kingdom (Local)	020 3936 2999
United States (Local)	1 646 664 1960
All other locations	+44 20 3936 2999

09:30: Access code: 763203

16:00: Access code: 834604

*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/>

FURTHER INFORMATION

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REVIEW

Q4 and FY 2022 production and sales summary

	Unit	Q4 FY 22	Q4 FY 21	Variance	FY 22	FY 21	Variance
Sales							
Diamonds sold	Carats	1,205,240	1,178,474	+2%	3,536,316	3,960,475	-11%
Revenue	US\$m	178.8	122.8	+46%	584.1	406.9	+44%
Contribution from Exceptional Stones	US\$m	5.7	9.5	-40%	89.1	62.0	+44%
Production							
ROM tonnes	Mt	3.0	1.9	+58%	11.3	7.7	+47%
Tailings & other tonnes	Mt	0.1	0.1	-	0.4	0.4	-
Total tonnes treated	Mt	3.1	2.0	+55%	11.7	8.1	+44%
ROM diamonds	Carats	717,373	756,553	-5%	3,148,258	3,057,860	+3%
Tailings & other diamonds	Carats	28,417	38,399	-26%	205,412	182,452	+13%
Total diamonds	Carats	746,790	794,952	-6%	3,353,670	3,240,312	+3%

Strong revenue growth in a robust diamond market

The 44% growth in revenue from diamond sales to US\$584.1 million for FY 2022 (FY 2021: US\$406.9 million) was driven in part by the increased number of Exceptional Stones sold, totalling US\$89.1 million (FY 2021: US\$62.0 million). Revenue also benefited from a 41.5% increase in like-for-like diamond prices in FY 2022.

Production benefiting from operational improvements and good safety performance

Health and safety

Petra continued to improve safety performance through remedial actions and behaviour-based intervention programmes and the Lost Time Injury Frequency Rate (LTIFR) decreased 52% to 0.21 for the year (FY 2021: 0.44). Lost Time Injuries (LTIs) were of low severity and mostly behavioural in nature and Petra continues to target a zero-harm working environment.

Petra has implemented systems and strategies across all of its operations aimed at preventing and containing the spread of COVID-19 and continues its roll-out of vaccinations for employees. In South Africa, 64% of the workforce have received vaccinations, while at Williamson 15% of the workforce have been vaccinated.

Production and operations

FY 2022 production was in line with guidance, totalling 3,353,670 carats (FY 2021: 3,240,312 carats). The number of carats sold reduced by some 11% compared to FY 2021 when significantly higher volumes were sold, mostly off-tender, following the inventory build-up witnessed late in FY 2020 after the initial COVID-19 outbreak.

Cullinan Mine continued its robust performance through FY 2022. Whilst the Q4 FY 2022 ROM production at Cullinan Mine was largely in-line with the previous quarter, diamonds produced were 22% below the very strong Q4 FY 2021. This is attributable to a lower ROM grade resulting from the higher grade CC1E not contributing to Q4 FY 2022 production and a 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. However, production guidance for FY 2023 to FY 2025 remains unchanged.

Whilst the previously reported waste ingress at Finsch has been largely mitigated through the implementation of enhanced drill and blast and draw controls, this requires continuous management.

This saw steady production between Q3 and Q4 of FY 2022, with some reduction in ROM grade. The 24% reduction in Q4 FY 2022 ROM grade against Q4 FY 2021 is largely attributed to the significantly lower levels of ROM tonnes mined introduced in Q4 FY 2021 to manage the waste ingress and improve grade. As previously mentioned we are implementing the Business Re-engineering (BRE) Project at Finsch to match our cost base to our revised production levels.

The BRE Project at Koffiefontein, which is independent of the disposal process mentioned below, aims to provide for sustainable operations until the mine's closure and has resulted in a labour reduction process to align the operation with the reduced tonnage profile. This process was concluded and the mine started on a new shift configuration with the reduced labour structure on 30 June 2022.

Production includes Williamson's throughput, having resumed production in the first half of the year after an 18-month period of care and maintenance since April 2020.

The recent increase in load shedding in South Africa is currently having minimal impact on our operations. Our excess processing capacity at both Cullinan Mine and Finsch allows us to reduce our processing energy draw to meet the prescribed load curtailment requirements whilst maintaining mining at full production and catching up on processing when conditions return to normal.

Project 2022 has significantly exceeded its target of delivering over US\$100-150 million in net free cashflow between July 2019 and June 2022. Current indications are that we have generated in excess of US\$200 million of net free cashflow. More importantly, the initiatives are now fully embedded in our operating model to ensure that throughput, operational and capital cost efficiencies and organisational design benefits are part of our culture of continuous improvement. Although Project 2022 is now concluded, we expect to continue to deliver improvements.

The diamond market

Despite significant global economic uncertainties resulting from the war in Ukraine, like-for-like rough diamond prices increased 41.5% for the full year to 30 June 2022, driven in particular by record jewellery retail demand in the US. The most recent tender in June highlighted the strength of demand across Petra's product mix, both in white and coloured gem-quality stones, with some increased demand for smaller diamonds. This growth in demand is driven by mid-stream inventory restocking and continued strong jewellery retail sales associated with a delayed wedding boom and a growing trend in diamonds being given as meaningful gifts post COVID-19. While the diamond market is strong, macroeconomic uncertainties caused by the rise in inflation are a potential dampener of demand.

Strategic updates on Williamson Mine and Koffiefontein Mine

Williamson

As previously announced, the Framework Agreement between Petra and the Government of Tanzania will become effective after a number of conditions are satisfied, including obtaining various government approvals. The agreement, which will result in the reduction of Petra's indirect shareholding in Williamson Diamonds Limited (WDL) from 75% to 63% and establish a sustainable future for Williamson, is progressing and is now expected to become effective in the first half of FY 2023.

Petra expects to further reduce its indirect shareholding in WDL from 63% to 31.5% via a sale to Caspian Limited but with Petra retaining a controlling interest in WDL. The transaction remains subject to the parties first agreeing definitive transaction agreements and then obtaining all necessary government, regulatory and lender approvals which are also expected to be obtained in the first half of FY 2023.

These agreements are in line with Petra's objective of reducing its exposure in Tanzania while retaining control and sharing in the upside.

Koffiefontein

In April, it was announced that Petra is seeking a responsible exit from its investment in Koffiefontein. Petra has received non-binding, expressions of interest from several interested parties which it is in the process of evaluating.

In the event that a suitable buyer is not identified through this disposal process, Petra remains committed to operate the mine responsibly in accordance with its current life of mine plan, before proceeding with a decommissioning, rehabilitation and closure programme.

Update on the Independent Grievance Mechanism and community projects at Williamson

Petra has implemented remedial programmes and initiatives and is establishing the Independent Grievance Mechanism (IGM) to address the historical allegations of human rights abuses at Williamson. Engagements with the Government of Tanzania and local stakeholders on the IGM are due to be completed in the coming weeks and the focus will then shift to appointing the various organs that will make up the IGM, with the current target for the IGM to become operational remaining Q4 of CY 2022.

A number of other initiatives are being put in place to provide sustainable benefits to the communities located close to the mine funded by the one million pounds escrow account established by Petra. Having completed all planned activities in Q1 CY 2022, the Gender Based Violence initiative is now looking to implement various community action plans once they have been reviewed by the District Commissioner. The medical services project has been expanded to provide further services (beyond physiotherapy). Feasibility studies for income generating projects (agriculture businesses and artisanal mining) are also progressing and a radio programme to improve awareness and understanding of the IGM and community projects amongst the local community has been set up.

More information on the IGM, the community projects and illegal incursions into the Williamson mine lease area can be found on Petra's website at: <https://www.petradiamonds.com/our-operations/our-mines/williamson/allegations-of-human-rights-abuses-at-the-williamson-mine/>.

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. *cph: carats per hundred tonnes*
 - c. *LTIs: 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. *Mcts: million carats*
 - f. *Mt: million tonnes*
 - g. *FY: financial year*
 - h. *Q: quarter of the financial year*

- i. ROM: run-of-mine (i.e. production from the primary orebody)*
- j. SLC: sub level cave*
- k. m: million*
- l. C-Cut: the 'Centenary Cut' located beneath the B block of the Cullinan orebody*
- m. CC1E: the CC1 East area of the Cullinan orebody*

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. 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 and financial summary 30 June 2022

	Unit	As at 30 June 2022	As at 31 March 2022	As at 31 December 2021	As 30 June 2021
Cash at bank – (including restricted amounts) ¹	US\$m	288.2	249.2	272.3	173.0
Diamond debtors	US\$m	37.4	—	0.4	38.3
Diamond inventories ^{2,3}	US\$m Cts	53.5 453,380	98.1 914,402	79.6 819,252	56.5 637,676
US\$336.7m loan notes (issued March 2021) ⁴	US\$m	366.2	356.2	346.4	327.3
Bank loans and borrowings ⁵	US\$m	—	—	78.6	103.0
Consolidated Net debt ⁶	US\$m	40.6	107.0	152.3	228.2
Bank facilities undrawn and available ⁵	US\$m	61.5	24.5	0.6	7.7

Note: The following exchange rates have been used for this announcement: average for FY 2022 US\$1: ZAR15.22 (FY 2021: US\$1: ZAR15.41); closing rate as at 30 June 2022 US\$1: ZAR16.27 (30 June 2021: US\$1: ZAR14.27).

Notes:

1. Cash at bank and diamond inventories include balances at Williamson as at 30 June 2022 and 31 March 2022 following the Company entering into the MoU with Caspian during December 2021. Comparatives for 31 December 2021 and 30 June 2021 have been adjusted to include balances attributable to Williamson.
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\$11.8 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 US\$336.7 million loan notes have a carrying value of US\$366.2 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. Bank loans and borrowings represent amounts drawn under the Group's refinanced South African bank facility with ABSA, completed in June 2022. The new facility with ABSA comprises a ZAR1 billion (US\$61.5 million) revolving credit facility which remains undrawn and available at 30 June 2022. During the Period, the South African banking facilities held with the Group's previous consortium of South African lenders were settled and cancelled, comprising of the revolving credit facility of ZAR404.6 million (US\$24.9 million) (capital plus interest) and the term loan of ZAR893.2 million (US\$54.9 million) (capital plus interest).
6. Consolidated Net Debt is bank loans and borrowings plus loan notes, less cash and diamond debtors.

Q4 and FY 2022 production and sales by mine

Cullinan Mine – South Africa

	Unit	Q4 FY 22	Q4 FY 21	Variance	FY 22	FY 21	Variance
Sales							
Revenue	US\$m	80.0	80.4	-1%	321.3	250.6	+28%
Diamonds sold	Carats	617,677	715,032	-14%	1,899,011	2,261,058	-16%
Average price per carat	US\$	129	112	+15%	169	111	+53%
ROM production							
Tonnes treated	Tonnes	1,090,897	1,220,351	-11%	4,451,515	4,614,802	-4%
Diamonds produced	Carats	362,249	459,198	-21%	1,609,925	1,761,490	-9%
Grade ¹	cpht	33.2	37.6	-12%	36.2	38.2	-5%
Tailings production							
Tonnes treated	Tonnes	62,844	118,327	-47%	413,550	445,538	-7%
Diamonds produced	Carats	28,056	38,399	-27%	205,050	182,452	+12%
Grade ¹	cpht	44.6	32.5	+38%	49.6	41.0	+21%
Total production							
Tonnes treated	Tonnes	1,153,741	1,338,678	-14%	4,865,065	5,060,339	-4%
Diamonds produced	Carats	390,305	497,597	-22%	1,814,975	1,943,942	-7%

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	Q4 FY 22	Q4 FY 21	Variance	FY 22	FY 21	Variance
Sales							
Revenue	US\$m	60.9	37.3	+63%	165.7	123.4	+34%
Diamonds sold	Carats	467,195	441,744	+6%	1,402,654	1,602,312	-12%
Average price per carat	US\$	130	84	+54%	118	77	+53%
ROM production							
Tonnes treated	Tonnes	650,670	528,139	+23%	2,730,197	2,311,195	+18%
Diamonds produced	Carats	269,828	288,305	-6%	1,274,961	1,237,219	+3%
Grade ¹	cpht	41.5	54.6	-24%	46.7	53.5	-13%
Tailings production							
Tonnes treated	Tonnes	2,784	0	+100%	2,785	0	+100%
Diamonds produced	Carats	362	0	+100%	362	0	+100%
Grade ¹	cpht	13.0	0	+100%	13.0	0	+100%
Total production							
Tonnes treated	Tonnes	653,454	528,139	+24%	2,732,982	2,311,195	+18%
Diamonds produced	Carats	270,190	288,305	-6%	1,275,323	1,237,219	+3%

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.

Koffiefontein – South Africa

	Unit	Q4 FY 22	Q4 FY 21	Variance	FY 22	FY 21	Variance
Sales							
Revenue	US\$m	5.0	5.1	-1%	21.5	27.9	-23%
Diamonds sold	Carats	10,043	21,698	-54%	36,950	66,650	-45%
Average price per carat	US\$	500	233	115%	581	419	39%
ROM production							
Tonnes treated	Tonnes	73,194	130,214	-44%	466,957	754,369	-38%
Diamonds produced	Carats	5,102	9,050	-44%	35,302	59,151	-40%
Grade	cpht	7.0	7.0	0%	7.6	7.8	-4%
Total production							
Tonnes treated	Tonnes	73,194	130,214	-44%	466,957	754,369	-38%
Diamonds produced	Carats	5,102	9,050	-44%	35,302	59,151	-40%

Williamson – Tanzania

	Unit	Q4 FY 22	Q4 FY 21	Variance	FY 22	FY 21	Variance
Sales							
Revenue	US\$m	33.3	0	+100%	75.9	4.6	1,564%
Diamonds sold	Carats	110,386	0	+100%	197,756	30,339	552%
Average price per carat	US\$	301	0	+100%	384	150	155%
ROM production							
Tonnes treated	Tonnes	1,231,082	0	+100%	3,591,099	0	100%
Diamonds produced	Carats	80,194	0	+100%	228,070	0	100%
Grade	cpht	6.5	0	+100%	6.4	0	100%
Total production							
Tonnes treated	Tonnes	1,231,082	0	+100%	3,591,099	0	100%
Diamonds produced	Carats	80,194	0	+100%	228,070	0	100%