



PetraDiamonds

20 April 2022

LSE: PDL

Petra Diamonds Limited

Trading Update for the three and nine months ended 31 March 2022

Petra Diamonds Limited ("Petra", the "Company" or the "Group") announces its unaudited Trading Update for the three months ended 31 March 2022 (the "Quarter", "Q3 FY 2022" or "Q3") and the nine months to 31 March 2022 ("9M FY 2022", "Year to Date" or "YTD").

Richard Duffy, Chief Executive of Petra Diamonds, commented:

"Petra has benefitted from strong diamond prices during the Quarter underpinned by strong operational, cost and safety performance. The 43% increase in the YTD revenue to US\$405.4 million was driven by Exceptional Stones sales contributing US\$83.3 million YTD, coupled with the upward trend in diamond prices. This culminated in the significant like-for-like 37.6% price increase we saw in the 4th Tender in March compared to the preceding December 2021 tender. Petra's production of Exceptional Stones in the Year to Date in part reflects our investment in throughput as part of Project 2022. This Project is now integrated throughout our business and is expected to deliver net free cash of over US\$200 million for the three years to June 2022, a significant improvement over our target of US\$100-150 million. We also confirm our production, cost and capex guidance as announced at the Investor Day held in February 2022.

"Petra's balance sheet strengthened further during the Quarter with net debt of US\$107.0 million and unrestricted cash balances totalling US\$233.2 million at Period end after settling the Group's first lien facilities of US\$88.9 million (including interest) during the Quarter.

"Although we anticipate some pull back in diamond prices from the elevated March tender levels as a result of the economic impact of the war in Ukraine, the structural shift in the diamond market continues to provide positive momentum. This, coupled with our operational improvements driving margin and cash generation, supports a positive outlook for the business with the potential for further reductions in our debt levels."

HIGHLIGHTS

Strong performance with quarterly revenue growth of 33%

- Strong YTD safety performance
 - Lost Time Injury Frequency Rate ("LTIFR") down 62% to 0.18 (9M FY 2021: 0.47)
 - Total injuries, including LTIs, down 20% to 24 (9M FY 2021: 30)
- Q3 revenue up 33% to US\$140.6 million (Q3 FY 2021: US\$106.0 million) driven by:
 - Strong prices achieved in the 4th Tender in March 2022 with like-for-like prices up 37.6% compared to the preceding December 2021 tender
 - The sale of one Exceptional Stone in the Quarter, a 157.88ct Type IIa white stone from Cullinan for US\$5.5 million
- Notwithstanding the revenue increase, carats sold were down 31% and 16% in the Quarter and YTD respectively, given that there was only one sales tender in Q3. However, no impact is foreseen on expected sales volumes for the full year with further tenders in April and June 2022

- Quarterly production up 18% to 830,456 carats (Q3 2021: 704,498 carats) with YTD production up 7% to 2,607,880 carats (9M FY 2021: 2,445,360 carats), largely attributable to Williamson's resumption of production following a period of care and maintenance. In addition, the remedial steps taken at Finsch following waste ingress in Q2 FY 2021 positively affected the quarterly comparison
- Balance Sheet as at 31 March 2022:
 - Consolidated net debt of US\$107.0 million (31 December 2021: US\$152.3 million)
 - Gross cash of US\$249.2 million (31 December 2021: US\$272.3 million) and unrestricted cash of US\$233.2 million (31 December 2021: US\$256.7 million) following settlement of the ZAR404.6 million (US\$27.7 million) revolving credit facility ("RCF") and ZAR893.2 million (US\$61.2 million) term loan under the first lien facilities during the Quarter. The agreements for the new ZAR1 billion (c. US\$68 million) RCF with Absa Bank, as announced in February, are in the process of being finalised with the new facility expected to become effective during April 2022
 - Diamond debtors of US\$nil (31 December 2021: US\$0.4 million)
 - Diamond inventory valued at US\$98.1 million (31 December 2021: US\$79.6 million)

Q3 Diamond Production up 18% with the resumption of production at Williamson

Production and sales summary

	Unit	Q3 FY 2022	Q3 FY 2021	Var.	9M FY 2022	9M FY 2021	Var.	FY 2021 ¹
Ore processed	Mt	2.9	1.8	+61%	8.6	6.1	+41%	8.1
Diamonds recovered	MCts	830,456	704,498	+18%	2,607,880	2,445,360	+7%	3,240,312
Diamonds sold	MCts	735,225	1,069,205	-31%	2,331,076	2,782,002	-16%	3,960,475
Revenue	US\$M	140.6	106.0	+33%	405.4	284.2	+43%	406.9

Note 1: For comparative purposes the FY 2021 figures have been restated to include Williamson as it is no longer a discontinued operation

Credit rating upgrades

On 23 March, Moody's Investor Services upgraded Petra's Corporate Family Rating (CFR) and its second lien bond rating from Caa1 to B3, taking the outlook from Positive to Stable. This reflects "Petra's stronger financial and business outlook". On 26 February, S&P Global Ratings upgraded its outlook for Petra's bonds to positive "reflecting the recovery in the diamond market and improved liquidity" while maintaining its B rating.

Guidance reiterated

Key operational guidance

	Unit	FY22E	FY23E	FY24E	FY25E
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	\$m	300 - 310	300 – 320	300 – 320	300 - 320
Expansion capex ¹	\$m	47 – 50	105 – 115	125 – 135	115 - 120
Sustaining capex ¹	\$m	28 – 30	30 -32	30 – 32	26 - 28

Note 1: Opex and Capex guidance is stated in FY 2022 real terms and based on an exchange rate of ZAR15 / USD1.

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

- Petra reiterates the detailed operational guidance provided for the FY 2022 to 2025 period and the guidance for expansion capital expenditure, of US\$61 million, beyond the FY 2025

guidance period.

- Petra does not provide guidance on diamond pricing. However, it should be noted that Exceptional Stones have contributed an average of US\$47 million per annum over the last three years, and US\$37 million per annum over the last five years, to Group revenue.

Outlook

Our confidence in the outlook for Petra is supported by the structural changes in diamond market supply and demand which continue to underpin prices, despite some expected softening from the highs seen in the March tender as a result of the economic uncertainty arising from the war in Ukraine. The supportive structural market dynamic, coupled with the operational improvements we have made to drive margin and cash generation, give the potential for both improved financial performance and further reduction in our debt.

CONFERENCE CALLS

09:30am and 16:00 BST today

Petra's Chief Executive, Richard Duffy, and Finance Director, 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	1 646 664 1960
All other locations	+44 20 3936 2999

09:30: Access code: 122879

16:00: Access code: 853531

*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

Please contact

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REVIEW

Q3 and 9M FY 2022 production and sales summary

	Unit	Q3 FY 2022	Q3 FY 2021	Variance	9M FY 2022	9M FY 2021	Variance
Revenue	US\$M	140.6	106.0	+33%	405.4	284.2	+43%
Exceptional Stones	US\$M	5.5	12.2	-55%	83.4	52.5	+59%
Total production	Mt	2.9	1.8	+61%	8.6	6.1	+41%
Total diamonds	Carats	830,456	704,498	+18%	2,607,880	2,445,360	+7%

Strong YTD revenue growth in a robust diamond market

The 43% increase in revenue for the nine months to 31 March 2022 to US\$405.4 million (9M FY 2021: US\$284.2 million) was driven in part by the sale of Exceptional Stones totalling US\$83.4 million (9M FY 2021: US\$52.5 million) comprising the following:

- 39.34 carat blue diamond from the Cullinan mine which sold for US\$40.2 million
- 342.92 carat Type IIa white diamond from the Cullinan mine which sold for US\$10 million (the Company has retained a 50% interest in the profit uplift of the polished proceeds, after costs, of the 342.92 carat white diamond, as well as an 18.30 carat Type IIb blue diamond which sold for US\$3.5 million)
- 32.32 carat pink diamond from the Williamson mine which sold for US\$13.8 million
- 295.79 carat white diamond from the Cullinan mine which sold for US\$13.9 million
- 157.88 carat white diamond from Cullinan mine which sold for US\$5.5 million

Revenue also benefited from a 37.6% like-for-like rise in realised diamond prices in the 4th tender as compared to the preceding tender which closed in December 2021.

YTD carats sold reduced by some 16% compared to the comparative period 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, while sales in Q3 FY 2022 were limited to one tender during the Quarter. Two further sales tenders are planned in this last quarter, in April and June, as previously announced. The higher diamond inventory at the end of Q3 is expected to unwind to normal year-end levels during the fourth quarter.

Production benefiting from operational improvements and good safety performance

Health and safety

The Lost Time Injury Frequency Rate ("LTIFR") for 9M FY 2022 decreased to 0.18 (9M FY 2021: 0.47). The LTIs during the Period continued to be of low severity and mostly behavioural in nature. The various remedial actions and behaviour-based intervention programmes previously announced have assisted in achieving the strong improvement in the safety trend. The total number of injuries during 9M FY 2022, which includes LTIs, decreased to 24 (9M FY 2021: 30). Petra continues to target a zero-harm working environment.

COVID-19 remains a risk to the health and safety of the Group's workforce. Petra has implemented systems and strategies across all of its operations aimed at preventing and/or containing the spread of the virus with an ongoing drive to vaccinate its employees. In South Africa, 2,479 employees have been fully vaccinated (58.4% of the workforce) and 244 partially vaccinated (6% of the workforce), while at Williamson the roll-out has been slower with 173 employees fully vaccinated (14% of the workforce).

Production

9M FY 2022 production was in line with guidance, totalling 2,607,880 carats (9M FY 2021: 2,445,360 carats). Williamson resumed production during the period, having been on care and maintenance since April 2020. The previously reported waste ingress at Finsch has been largely mitigated through the implementation of enhanced drill and blast and draw controls. The convergence of tunnel 41 at Cullinan has been remediated and will continue to be monitored in terms of re-accessing the tunnel.

The Business Re-engineering Projects at Finsch and Koffiefontein concluded in transition plans with recommended deliverables and due dates.

- The cost savings and production improvement initiatives at Finsch, to enhance margins and ensure a long-term sustainable operation, are being implemented as part of the annual three year planning cycle.
- While the conclusion for Koffiefontein reaffirmed running the mine to closure by 2025 as well as exploring other alternatives in parallel, we have been considering options to curtail the negative cash flow. To this end, we have been engaging with the Future Forum, comprising organised labour and management, with the intention of aligning the operations to a reduced tonnage profile and improved efficiencies. Regrettably, this is expected to result in job losses.

Production ramp-up at Williamson commenced during the first half and 2.4 Mt ROM was processed in 9M FY2022, yielding 147,876 carats, including the exceptional 32.32 carat pink stone sold during H1 FY 2022.

The diamond market

The strength of the diamond market was evident in the sales results from Petra's 4th Tender in March. Strong demand for rough diamonds, with resultant price increases, was seen across all size and quality categories. Like-for-like rough diamond prices increased by 37.6% on Tender 3, which closed in December 2021.

The much stronger diamond market has been evident since mid-2021 with Q3 pricing for rough driven by strong sales of polished and increased demand from the manufacturing centres, bolstered by record sales during the festive season. We believe this market dynamic reflects the structural change in underlying supply and demand, which we expect to continue to be supportive. However, the effects of the current conflict in Ukraine have led to some uncertainty as to the impact on the global economy, which we expect will result in some softening in prices from the highs seen in Q3 FY 2022.

Petra is closely monitoring the impact of the war in Ukraine and sanctions on Russian companies. We also continue to monitor COVID-19 and the impact it may have on clients' ability to attend tenders and we will remain flexible in our approach to planning upcoming sales events. The final sales for FY 2022 are planned for April and June, bringing the number of tenders to six for FY 2022.

Strong cash generation supported by Project 2022

Project 2022, a three-year project that commenced in July 2019, is now in its final three months. It has successfully increased cash generation through increased production levels and reduced operating and capital expenditure. The benefits are particularly reflected in the improving operating performance at Cullinan and Finsch. Having achieved net free cash flow of US\$182 million for the thirty months to 31 December 2021, we are confident that the Project will deliver over US\$200 million in net free cash flow for the three years to end June 2022, comfortably exceeding its US\$100 to US\$150 million target.

Continuous business improvement processes are now embedded in the Company's Operating Model and Organisational Design and is expected to continue to drive future performance improvement.

Williamson Mine – Human Rights update

As previously announced, Petra has implemented remedial initiatives and is putting in place the Independent Grievance Mechanism (“IGM”) as well as community programmes to address the historical allegations of human rights abuses at the Williamson mine in Tanzania. The Government of Tanzania gave its approval to proceed with local stakeholder engagement on the IGM in February 2022 and the first phase commenced during March. Further engagement will take place before the IGM is launched. Following delays in the necessary stakeholder engagements, the current target is for the IGM to become operational during Q4 of this calendar year.

A number of other projects 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. The Gender Based Violence project completed all planned activities in the first quarter of this calendar year and the next step is to confirm community action plans with the district commissioner. The medical services project continues to provide physiotherapy services and further services are being considered. Feasibility studies for the income generating projects (agri business and artisanal mining) are also progressing.

More information on this 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. *cpht: carats per hundred tonnes*
 - c. *Kcts: thousand carats*
 - d. *Kt: thousand tonnes*
 - e. *LOM: life of mine*
 - f. *LTI: lost time injury*
 - g. *LTIFR: lost time injury frequency rate*
 - h. *Mcts: million carats*
 - i. *Mt: million tonnes*
 - j. *FY: financial year*
 - k. *Q: quarter of the financial year*
 - l. *ROM: run-of-mine (i.e. production from the primary orebody)*
 - m. *SLC: sub level cave*
 - n. *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 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 31 March 2022

	Unit	As at 31 March 2022	As at 31 December 2021	As at 30 June 2021	As 31 March 2021
Cash at bank – (including restricted amounts) ¹	US\$m	249.2	272.3	173.0	153.8
Diamond debtors	US\$m	—	0.4	38.3	2.6
Diamond inventories ^{2,3}	US\$m Cts	98.1 914,402	79.6 819,252	56.5 637,676	75.5 1,020,973
US\$336.7m loan notes (issued March 2021) ⁴	US\$m	356.2	346.4	327.3	338.7
Bank loans and borrowings ⁵	US\$m	—	78.6	103.0	108.4
Consolidated Net debt ⁶	US\$m	107.0	152.3	228.2	290.7
Bank facilities undrawn and available ⁵	US\$m	24.5	0.6	7.7	10.8

Note: The following exchange rates have been used for this announcement: average for 9M FY 2022 US\$1: ZAR15.10 (9M FY 2021: US\$1: ZAR15.84, FY 2021: US\$1: ZAR15.41); closing rate as at 31 March 2022 US\$1: ZAR14.60 (31 March 2021 US\$1: ZAR14.77, 30 June 2021: US\$1: ZAR14.27).

Notes:

- Cash at bank and diamond inventories include balances at Williamson as at 31 March 2022 following the Company entering into the MoU with Caspian during December 2021. Comparatives for 31 December 2021, 30 June 2021 and 31 March 2021 have been adjusted to include balances attributable to Williamson.
- Recorded at the lower of cost and net realisable value.
- Diamond inventories includes the Williamson 71,654.45 carat parcel of diamonds blocked for export during August 2017, with a carrying value of US\$10.6 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.
- The US\$336.7 million loan notes have a carrying value of US\$356.2 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.
- Bank loans and borrowings represent amounts drawn under the Group’s refinanced South African bank facilities as part of the Restructuring and comprise the term loan and revolving credit facility. Under the revolving credit facility, ZAR358.4 million (US\$24.5 million) remains undrawn and available. During the Period, the Group settled the revolving credit facility of ZAR404.6 million (US\$27.7 million) (capital plus interest) and the term loan of ZAR893.2 million (US\$61.2 million) (capital plus interest). The revolving credit facility remains available for drawdown with the term loan being cancelled upon settlement.
- Consolidated Net Debt is bank loans and borrowings plus loan notes, less cash and diamond debtors.

Q3 and 9M FY 2022 production and sales summary

Group

	Unit	Q3 FY 2022	Q3 FY 2021	Variance	9M FY 2022	9M FY 2021	Variance
Sales							
Diamonds sold	Carats	735,225	1,069,205	-31%	2,331,076	2,782,002	-16%
Revenue	US\$m	140.6	106.0	+33%	405.4	284.2	+43%
Production							
ROM tonnes	Mt	2.8	1.7	+65%	8.2	5.8	+41%
Tailings & other ¹ tonnes	Mt	0.1	0.1	n.a.	0.4	0.3	+33%
Total tonnes treated	Mt	2.9	1.8	+61%	8.6	6.1	+41%
ROM diamonds	Carats	780,896	656,461	+19%	2,430,885	2,301,307	+6%
Tailings & other ¹ diamonds	Carats	49,560	48,037	+3%	176,995	144,053	+23%
Total diamonds	Carats	830,456	704,498	+18%	2,607,880	2,445,360	+7%

Cullinan – South Africa

	Unit	Q3 FY 2022	Q3 FY 2021	Variance	9M FY 2022	9M FY 2021	Variance
Sales							
Revenue	US\$M	73.7	62.9	+17%	241.4	170.2	+42%
Diamonds sold	Carats	409,030	651,268	-37%	1,281,334	1,546,026	-17%
Average price per carat	US\$	180	97	+86%	188	110	+71%
ROM production							
Tonnes treated	Tonnes	1,053,631	1,054,978	-0%	3,360,618	3,394,451	-1%
Diamonds produced	Carats	404,473	388,666	+4%	1,247,675	1,302,292	-4%
Grade ¹	cpht	38.4	36.8	+4%	37.1	38.4	-3%
Tailings production							
Tonnes treated	Tonnes	112,414	105,825	+6%	350,706	327,210	+7%
Diamonds produced	Carats	49,560	48,037	+3%	176,995	144,053	+23%
Grade ¹	cpht	44.1	45.4	-3%	50.5	44.0	+15%
Total production							
Tonnes treated	Tonnes	1,166,045	1,160,803	+0%	3,711,324	3,721,661	+0%
Diamonds produced	Carats	454,033	436,703	+4%	1,424,670	1,446,345	-1%

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	Q3 FY 2022	Q3 FY 2021	Variance	9M FY 2022	9M FY 2021	Variance
Sales							
Revenue	US\$M	39.2	31.4	+25%	104.9	86.2	+22%
Diamonds sold	Carats	259,164	391,921	-34%	935,459	1,160,568	-19%
Average price per carat	US\$	151	80	+89%	112	74	+51%
ROM production							
Tonnes treated	Tonnes	656,408	460,057	+43%	2,079,527	1,783,057	+17%
Diamonds produced	Carats	303,591	253,607	+20%	1,005,134	948,915	+6%
Grade ¹	cpht	46.3	55.1	-16%	48.3	53.2	-9%
Total production							
Tonnes treated	Tonnes	656,408	460,057	+43%	2,079,527	1,783,057	+17%
Diamonds produced	Carats	303,591	253,607	+20%	1,005,134	948,915	+6%

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	Q3 FY 2022	Q3 FY 2021	Variance	9M FY 2022	9M FY 2021	Variance
Sales							
Revenue	US\$M	5.4	11.7	-54%	16.5	22.9	-28%
Diamonds sold	Carats	6,269	26,007	-76%	26,907	44,951	-40%
Average price per carat	US\$	856	451	+90%	612	509	+20%
ROM production							
Tonnes treated	Tonnes	76,453	130,494	-41%	393,763	624,155	-37%
Diamonds produced	Carats	7,829	14,188	-45%	30,200	50,101	-40%
Grade	cpht	10.2	10.9	-6%	7.7	8.0	-4%
Total production							
Tonnes treated	Tonnes	76,453	130,494	-41%	393,763	624,155	-37%
Diamonds produced	Carats	7,829	14,188	-45%	30,200	50,101	-40%

Williamson – Tanzania

	Unit	Q3 FY 2022	Q3 FY 2021	Variance	9M FY 2022	9M FY 2021	Variance
Sales							
Revenue	US\$M	22.4	0	n.a	42.6	4.6	n.a
Diamonds sold	Carats	60,759	0	n.a	87,370	30,339	n.a
Average price per carat	US\$	369	0	n.a	488	150	n.a
ROM production							
Tonnes treated	Tonnes	1,005,901	0	n.a	2,360,017	0	n.a
Diamonds produced	Carats	65,003	0	n.a	147,876	0	n.a
Grade	cpht	6.5	0	n.a	6.3	0	n.a
Total production							
Tonnes treated	Tonnes	1,005,901	0	n.a	2,360,017	0	n.a
Diamonds produced	Carats	65,003	0	n.a	147,876	0	n.a