



PetraDiamonds

29 January 2013

LSE: PDL

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

Trading Update – Six Months ended 31 December 2012

Further Production and Revenue Growth

Petra Diamonds Limited announces the following production and sales trading update (unaudited) for the six months ended 31 December 2012 (the "Period" and "H1 FY 2013"), ahead of the publication of the Company's interim results for the Period on 25 February 2013.

HIGHLIGHTS

- Production up 31% to 1,247,522 carats (H1 FY 2012: 953,553 carats).
- For the reasons noted under 'Production' below, Petra expects its previous FY 2013 production guidance of 2.85 million carats ("Mcts") to be lower by ca. 200,000 carats (approximately 7%); however, the medium term outlook of achieving continued production growth until the development plans deliver production from the new mining areas remains firmly intact. Petra's production target of 5 Mcts per annum by FY 2019 remains on track.
- Revenue up 54% to US\$156.3 million (H1 FY 2012: US\$101.4 million).
- Expansion programmes progressing well with capital expenditure ("Capex") of US\$92.1 million (H1 FY 2012: US\$56.7 million), within management expectations and in accordance with the roll out of the Group's expansion programmes.
- Cash at bank at 31 December 2012 of US\$38.8 million (H1 FY 2012: US\$45.1 million) and diamond inventories at 31 December 2012 of ca. US\$45.4 million (H1 FY 2012: ca. US\$38.1 million).
- Loans and borrowings at 31 December 2012 of US\$127.2 million (H1 FY 2012: US\$67.9 million); debt facilities undrawn at 31 December 2012 of US\$122.3 million.

H1 FY 2013 Sales, Production and Capex – Summary

	Unit	6 months to 31 Dec 2012 ("H1 FY 2013")	6 months to 31 Dec 2011 ("H1 FY 2012")	Variance	12 months to 30 Jun 2012 ("FY 2012")
Sales					
Revenue	US\$M	156.3	101.4	+54%	316.9
Diamonds sold	Carats	1,066,662	678,772	+57%	2,084,429
Production					
ROM diamonds	Carats	995,521	817,161	+22%	1,872,120
Tailings & alluvial diamonds	Carats	252,001	136,392	+85%	336,742
Total diamonds	Carats	1,247,522	953,553	+31%	2,208,862

Capex					
Expansion	US\$m	69.6	46.0	+51%	108.8
Sustaining	US\$m	22.5	10.7	+110%	30.0
Total	US\$m	92.1	56.7	+62%	138.8

Note:

1. For mine by mine sales, production and Capex data please refer to the appendix to this announcement.

Johan Dippenaar, Chief Executive Officer, commented:

“These results mark a further step change in production and revenues for the Group. Though we consider it prudent to revise full year production expectations, it is important to note that we still expect to report substantial production growth for FY 2013. Our production growth plans remain in place, with targeted output growing to 5 million carats by FY 2019.”

CONFERENCE CALL

Petra’s Chief Executive Officer, Johan Dippenaar, and Finance Director, David Abery, will host a conference call at 9:30am GMT today to discuss the Trading Update with investors and analysts. Participants may join the call by dialling one of the following three numbers shortly before the call:

From the UK (toll free): 0808 238 0673
 From the UK (local): 0844 871 9236
 From the rest of the world: +44 1452 569 335
 Participant passcode: 88293759

A replay of the conference call will be available later today on the following link:
<http://www.petradiamonds.com/investors/financial-reports-and-results/h1-fy2013-trading-update.aspx>.

COMMENTARY

Production

- H1 FY 2013 production increased 31% to 1,247,522 carats (H1 FY 2012: 953,553 carats), primarily due to Finsch being part of the portfolio for the full six months, Williamson’s start-up post the commissioning of the rebuilt plant and Kimberley Underground’s continued ramp-up to full production, offset by the issues covered below.
- As previously reported, the management of run-of-mine (“ROM”) grades, specifically at Finsch and Cullinan, remains a challenge due to the mature nature and dilution of the current mining areas. As a result, volatility in recovered ROM grades at these two operations can be expected until such time as new mining areas have been accessed and deliver undiluted ore to the production profile from FY 2015 onwards.
- As has been widely reported, the South African mining industry experienced a challenging labour relations environment in 2012. Petra’s South African operations were affected by brief work stoppages during October 2012, although these disruptions were not as significant as those experienced in the platinum and other sectors. The stoppages experienced by Petra, combined with the adverse effect on productivity during the periods before and after the labour disruptions, resulted in production losses during H1 FY 2013.
- Production levels have now normalised and labour relations are stable. Petra has a strong record of good labour relations and remains focused on the ongoing dialogue which the Company has always practised with the representative unions.

- In its Interim Management Statement released on 13 November 2012, the Company guided that efforts will be made to catch-up lost production as a result of the industrial action. However, due to the reasons set out above, management regards it as prudent to revise expectations for FY 2013 full year production to ca. 2.65 Mcts. The medium term outlook of delivering ongoing carat production growth, until the expansion programmes start delivering production from the new mining areas from FY 2015, remains firmly intact.
- At Finsch, a ROM grade of 31.3 carats per hundred tonnes (“cpht”) was recorded, slightly higher than guidance. The reduction in grade compared to the previous period is in line with expectations and, as previously advised, is due to the dilution of the Block 4 production areas.
- Tailings throughput at Finsch reached the intended levels of production for FY 2013 (circa 2.8 million tonnes per annum (“Mtpa”) annualised). The tailings grade of 16.7 cpht was marginally lower than anticipated due to scalping of oversize material during the ramp-up phase to cope with throughput build-up while plant modifications were undertaken. These modifications, to achieve Petra’s objective of recovery of the full value-spectrum of diamonds, will continue for at least another 12 months.
- At Cullinan, further ROM grade volatility was experienced during the latter part of H1 FY 2013, with an average of 30.0 cpht recorded for the Period. Petra continues to manage the volatile ROM grade in the current working areas by maximising ROM tonnages mined and treated by developing access to tonnages from other production areas across the orebody, whilst the development for the new block cave progresses.
- The commissioning phase of the new Cullinan modular dense media separation (“DMS”) tailings plant has progressed. The ramp-up of this plant will continue during the next quarter and once fully operational, management expects the initial commissioning grade of 4.3 cpht to rise to a steady state production grade of 6.5 to 7.5 cpht.
- At Koffiefontein, ROM production was below expectations due to ongoing caving restrictions in the 52 Recovery Level area. However, the improved ROM grade of 6.9 cpht, up 35% on H1 FY 2012’s 5.1 cpht, has been maintained throughout the Period and should improve further depending on the ability to extract more tonnes from the higher grade 52 Recovery Level. Underground production from the Koffiefontein main pipe is expected to be subdued until the development programme delivers production from the new mining areas towards the latter half of FY 2014. ROM tonnages continue to be supplemented by increased production from surface resources (the satellite Ebenhaezer open pit and tailings). Waste stripping at the Ebenhaezer pit, as well as the enlargement of the Ebenhaezer receiving section at the treatment plant, was completed during the Period, which will allow mining of this resource to be ramped up during H2.
- At Kimberley Underground, production from underground is steadily increasing to planned levels, the initial plant commissioning set-backs having now been resolved. Treatment has stabilised and is exceeding the 3,000 tonnes per day (“tpd”) (750,000 tonnes per annum (“tpa”)) level and is planned to steadily increase to the intended levels of 4,000 tpd (1 million tpa). ROM stockpiles of over 500,000 tonnes are available for treatment until underground production delivers at plant treatment rates from FY 2015 onwards, as previously guided. Recovered grades increased to 14.0 cpht during the Period, a level which is expected to be maintained going forward.
- At Williamson, commissioning of the rebuilt treatment plant was completed and the plant is now running at planned levels of throughput (2.5 Mtpa). ROM grade of 5.7 cpht achieved during the Period was slightly above guidance of 5.5 cpht. Ongoing refinements to the plant process flow will steadily increase the capacity to over 3 Mtpa from early FY 2014 and eventually to 3.6 Mtpa over the next two years.
- Limited production and sales activities at the Fissure Mines are a result of the ongoing disposal process of these mines. Petra will provide an update to the market when appropriate.

Cash Operating Expenses

- Cash operating unit costs per tonne have remained flat in comparison to those achieved in FY 2012, with inflationary pressures (including above-inflation electricity and wage increases) offset by increased volumes. The weakening of the South African Rand against the US Dollar over the Period (averaging R8.4593 vs. H1 FY 2012 R7.6048), will have a favourable impact on US Dollar reported costs for the Period.

Diamond Market and Sales

- The rough diamond market was essentially flat for the majority of H1 FY 2013, with the market firming up and prices increasing slightly towards the end of the Period.
- Petra expects the market to remain firm at around current pricing for the remainder of FY 2013.
- Revenue for H1 FY 2013 was up 54% to US\$156.3 million (H1 FY 2012: US\$101.4 million).
- Carats sold were up 57% to 1,066,662 carats (H1 FY 2012: 678,772).
- Carat sales were lower than carats produced due to the seasonal timing of Petra's tenders; as usual, Petra held three tenders in H1 (equating to five months production) and will hold five tenders in H2 (equating to seven months production).
- During H1 FY 2013, a total of five stones exceeding US\$1 million each were sold yielding US\$8.0 million in sales revenues. The highest value stones were both from Cullinan: a 68.6 carat white stone which sold for US\$3.45 million, and a 39.9 carat rough stone which yielded a 13.2 carat high quality white polished stone (manufactured by Petra) and sold for US\$1.48 million.
- Prices achieved for H1 FY 2013 were largely in line with Petra's guidance for FY 2013, as demonstrated in the table below:

Mine	Actual (US\$/ct) H1 FY 2013	Management Guidance (US\$/ct) FY 2013	Actual (US\$/ct) H1 FY 2012	Actual (US\$/ct) FY 2012
Finsch	122	129	129	138
Cullinan	134	129	128	128
Koffiefontein	435	475	426	487
Kimberley Underground	260	300	308	320
Fissures	169	n/a	255	255
Williamson ²	248	220	298	236

Notes:

1. All sales (both ROM and tailings/alluvials/Ebenhaezer) including specials (stones above US\$1 million in value) were used to calculate the above average values.
2. Due to the break in ROM production at Williamson during FY 2011 and FY 2012, values are not directly comparable to results achieved in H1 FY 2012, as these values reflect results related to the sale of alluvial stones.

Expansion projects

- The Group's expansion projects at Finsch, Cullinan, Koffiefontein and Kimberley Underground are progressing well.
- At Finsch and Cullinan, development of the declines and access tunnels (as well as the shaft preparation work at Cullinan) is progressing in line with expectations.

- At Finsch, the Company is at an advanced stage of adopting a change in the ore-handling system to transfer 710 – 780 metre level (“mL”) sub level cave material to the existing loading and hoisting infrastructure on 650 mL by implementation of the Deebor Rail Veyor® system, a proprietary technology successfully implemented at other mining industry operations. Further details of the revised schedule and capital estimates will follow once a final decision has been made. It is expected to enable the Company to defer capital outflows and yield capital savings on the previously announced shaft sinking programme.

Health and Safety

- Group lost time injury rate (“LTIFR”) for H1 FY 2013 was 0.84, an improvement on the 0.91 of H1 FY 2012.
- The health and safety of all employees is of the utmost importance to the Company and Petra is highly focused on delivering its objective of zero harm.

Exploration (Botswana)

- The mini bulk sample from kimberlite KX36 is currently being processed through Petra’s dedicated sampling plant. First pass treatment and concentration of sampled material was completed at the end of December 2012. Samples are currently being re-processed on a hole by hole basis, after which the results will be modelled in conjunction with the microdiamond and diamond breakage study information, in order to come to an initial diamond grade estimate. Sample re-processing is expected to be complete by the end of January 2013 and an update will be provided with the Company’s interim results on 25 February 2013.

Financial

- Cash at bank at 31 December 2012 of US\$38.8 million (H1 FY 2012: US\$45.1 million) and diamond inventories at 31 December 2012 of ca. US\$45.4 million (H1 FY 2012: ca. US\$38.1 million).
- On 19 November 2012, Petra finalised new debt facilities with FirstRand Bank Limited (acting through Rand Merchant Bank and First National Bank divisions), Absa Corporate and Investment Banking and IFC. The new facilities increased the Group’s debt and working capital facilities (at a 31 December 2012 rate of US\$1:R8.4512) by ca. US\$111 million, from ca. US\$138 million to ca. US\$249.5 million.
- Loans and borrowings at 31 December 2012 of US\$127.2 million (H1 FY 2012: US\$67.9 million); facilities undrawn at 31 December 2012 and available to the Group of US\$122.3 million.

Corporate

- As previously announced, Petra and its black economic empowerment partners are currently conducting a sales process with regards to the Fissure Mines (Helam, Sedibeng and Star), which are no longer core to the Group’s portfolio. The disposal process is progressing and the Company will provide a further update when appropriate.

Notes

1. The following exchange rates have been used for this announcement: average for the Period US\$1:R8.4593; 31 December 2012 US\$1: R8.4512.

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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 eight producing mines: seven in South Africa (Finsch, Cullinan, Koffiefontein, Kimberley Underground, Helam, Sedibeng and Star) and one in Tanzania (Williamson). It also maintains an exploration programme in Botswana.

The Company has recently commenced a disposal process in respect of the Helam, Sedibeng and Star mines (the Fissure Mines), which are no longer core to the Group's portfolio.

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

APPENDIX – MINE BY MINE PRODUCTION TABLES

Finsch – South Africa

(Petra 74% / BEE Partners 26%)

	Unit	H1 FY 2013	H1 FY 2012 ¹	Variance	FY 2012
Sales					
Revenue	US\$M	65.9	28.3	+133%	136.9
Diamonds sold	Carats	540,728	219,408	+146%	989,101
Average price per carat	US\$	122	129	-5%	138
ROM Production					
Tonnes treated	Tonnes	1,387,067	790,715	+75%	2,260,842
Diamonds produced	Carats	434,726	305,215	+42%	832,396
Grade	Cpht	31.3	38.6	-19%	36.8
Tailings Production					
Tonnes treated	Tonnes	1,247,190	642,090	+94%	1,600,170
Diamonds produced	Carats	207,928	109,348	+90%	272,222
Grade	Cpht	16.7	17.0	-2%	17.0
Total Production					
Tonnes treated	Tonnes	2,634,257	1,432,805	+84%	3,861,012
Diamonds produced	Carats	642,654	414,563	+55%	1,104,618
Capex					
Expansion Capex	US\$M	14.8	0.7	n/a	8.7
Sustaining Capex	US\$M	6.0	0.7	n/a	3.3
Total Capex	US\$M	20.8	1.4	n/a	12.0

¹ The acquisition of Finsch completed on 14 September 2011 and results for H1 FY 2012 therefore represent the 3½ months to 31 December 2011.

Cullinan – South Africa

(Petra 74% / BEE Partners 26%)

	Unit	H1 FY 2013	H1 FY 2012	Variance	FY 2012
Sales					
Revenue	US\$M	48.6	48.6	0%	112.0
Diamonds sold	Carats	363,833	379,894	-4%	876,384
Average price per carat	US\$	134	128	+5%	128
ROM Production					
Tonnes treated	Tonnes	1,282,009	1,225,117	+5%	2,504,137
Diamonds produced	Carats	384,146	426,757	-10%	833,285
Grade	Cpht	30.0	34.8	-14%	33.3

Tailings Production					
Tonnes treated	Tonnes	568,929	370,344	+54%	668,534
Diamonds produced	Carats	24,618	17,283	+42%	34,495
Grade	Cpht	4.3	4.7	-9%	5.2
Total Production					
Tonnes treated	Tonnes	1,850,938	1,595,461	+16%	3,172,671
Diamonds produced	Carats	408,764	444,040	-8%	867,780
Capex					
Expansion Capex	US\$M	39.3	18.1	+117%	46.9
Sustaining Capex	US\$M	5.3	3.0	+77%	7.5
Total Capex	US\$M	44.6	21.1	+111%	54.4

Koffiefontein – South Africa
(Petra 74% / BEE Partners 26%)

	Unit	H1 FY 2013	H1 FY 2012	Variance	FY 2012
Sales					
Revenue	US\$M	7.3	6.5	+12%	18.9
Diamonds sold	Carats	16,800	15,196	+11%	38,798
Average price per carat	US\$	435	426	+2%	487
ROM Production					
Tonnes treated	Tonnes	89,710	285,466	-69%	498,412
Diamonds produced	Carats	6,194	14,364	-57%	24,569
Grade	Cpht	6.9	5.1	+35%	4.9
Tailings / Ebenhaezer Production					
Tonnes treated	Tonnes	698,800	474,124	+47%	967,538
Diamonds produced	Carats	12,335	7,174	+72%	15,548
Grade	Cpht	1.8	1.5	+20%	1.6
Total Production					
Tonnes treated	Tonnes	788,510	759,590	+4%	1,465,950
Diamonds produced	Carats	18,529	21,538	-14%	40,117
Capex					
Expansion Capex	US\$M	5.3	3.0	+77%	6.1
Sustaining Capex	US\$M	4.8	1.8	+167%	5.4
Total Capex	US\$M	10.1	4.8	+110%	11.5

Kimberley Underground – South Africa

(Petra 74% / BEE Partners 26%)

	Unit	H1 FY 2013	H1 FY 2012	Variance	FY 2012
Sales					
Revenue	US\$M	11.9	8.1	+47%	19.8
Diamonds sold	Carats	45,776	26,395	+73%	61,895
Average price per carat	US\$	260	308	-16%	320
Total Production (all ROM)					
Tonnes treated	Tonnes	424,054	287,187	+48%	587,065
Diamonds produced	Carats	59,304	34,751	+71%	68,422
Grade	Cpht	14.0	12.1	+16%	11.7
Capex					
Expansion Capex	US\$M	13.7	-	+100%	15.4
Sustaining Capex	US\$M	2.8	2.5	+12%	5.6
Total Capex	US\$M	16.4	2.5	+556%	21.0

Fissure Mines – South Africa

(Helam: Petra 74% / BEE Partners 26%; Sedibeng: Petra 74.5% / BEE Partners 25.5%; Star: Petra 74% / BEE Partners 26%)

	Unit	H1 FY 2013	H1 FY 2012	Variance	FY 2012
Sales					
Revenue	US\$M	4.6	8.4	-45%	17.6
Diamonds sold	Carats	27,352	32,835	-17%	69,097
Average price per carat	US\$	169	255	-34%	255
Total Production					
Tonnes treated	Tonnes	90,704	92,031	-1%	175,997
Diamonds produced	Carats	38,361	36,074	+6%	70,874
Grade	Cpht	42.3	39.2	+8%	40.3
Capex					
Expansion Capex	US\$M	-	-	-	-
Sustaining Capex	US\$M	2.0	1.6	+25%	5.8
Total Capex	US\$M	2.0	1.6	+25%	5.8

Williamson – Tanzania

(Petra 75% / Government of United Republic of Tanzania 25%)

	Unit	H1 FY 2013	H1 FY 2012	Variance	FY 2012
Sales					
Revenue	US\$M	17.9	1.5	n/a	11.6
Diamonds sold	Carats	72,172	5,044	n/a	49,153
Average price per carat	US\$	248	298	-17%	236

ROM Production					
Tonnes treated	Tonnes	1,282,459	-	+100%	826,699
Diamonds produced	Carats	72,790	-	+100%	42,855
Grade	Cpht	5.7	-	+100%	5.2
Alluvial Production					
Tonnes treated	Tonnes	182,515	59,774	+205%	278,328
Diamonds produced	Carats	7,120	2,587	+175%	14,195
Grade	Cpht	3.9	4.3	-9%	5.1
Total Production					
Tonnes treated	Tonnes	1,464,974	59,774	n/a	1,105,027
Diamonds produced	Carats	79,910	2,587	n/a	57,050
Capex					
Expansion Capex	US\$M	3.7	16.6	-78%	20.6
Sustaining Capex	US\$M	1.0	0.9	+11%	1.6
Total Capex	US\$M	4.7	17.5	-73%	22.2

Capex reconciliation

Capex		H1 FY 2013	H1 FY 2012	FY 2012
Finsch	US\$M	20.8	1.4	12.0
Cullinan	US\$M	44.6	21.1	54.4
Koffiefontein	US\$M	10.1	4.8	11.5
Kimberley Underground	US\$M	16.4	2.5	21.0
Williamson	US\$M	4.7	17.5	22.2
Fissures	US\$M	2.0	1.6	5.8
Subtotal – Capex charged to operations	US\$M	98.5	48.9	126.9
Petra internal projects division – Capex under construction / invoiced to operations	US\$M	(7.0)	7.6	11.1
Corporate / exploration	US\$M	0.6	0.2	0.8
Total Group Capex	US\$M	92.1	56.7	138.8

Notes:

1. Petra operates an internal projects / construction division and although this division's spend is reported in the Group's total Capex, it is policy not to account for it on a specific mine's Capex until the project is completed and delivered. During the Period, Petra internal projects invoiced US\$22.5 million (H1 FY 2012: US\$0.8 million) to operations and incurred US\$15.5 million (H1 FY 2012: US\$8.4 million) on further project spend.
2. Capex for the Period includes US\$10.0 million (H1 FY 2012: US\$3.1 million) of capitalised borrowing costs, which is also included in the applicable mine by mine tables above.
3. Petra's annual Capex guidance is cash based and excluded capitalised borrowing costs. Given that the majority of Petra's debt funding is in relation to its expansion and development programmes, Petra guidance is to assume that the majority of interest and financing fees will be capitalised and not expensed through the income statement.