



15 August 2012

LSE: PDL

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

**Guidance Update**

Petra Diamonds Limited announces that it has today published updated analyst guidance for the year to 30 June 2013 ("FY 2013") and updated high level guidance for the period thereafter to FY 2019. Highlights of the updated guidance are below - the detailed guidance documents can be downloaded from Petra's website at <http://www.petradiamonds.com/investors/financial-reports-and-results/analyst-guidance-15-aug-12.aspx>.

Petra will announce its preliminary financial results for the year to 30 June 2012 on 24 September 2012.

**FY 2013 Guidance Highlights**

- Tonnes processed expected to be ca. 17 million tonnes ("Mt"), an increase of ca. 60% over FY 2012 actual (10.4 Mt). This increase is due to a full year's production at Finsch and Williamson, combined with contributions from Petra's other operations.
- Carat production target of ca. 2.85 million carats; an increase of ca. 30% on FY 2012 actual (2.2 million carats); this target is 0.25 million carats lower than previous guidance issued early FY 2012, being mainly due to the revision of the mining scope at Finsch and the slightly lower production levels at Williamson (both covered below).
- Petra's production target of 5 million carats pa by FY 2019 remains on track.
- Further to Petra taking over operation of Finsch in September 2011, a mining scope change will be applied at the mine to improve the long term economics and to optimise the production plan from a geotechnical and mining perspective. This will bring the added benefit of reducing expansion Capex on previous guidance by ca. ZAR336 million (ca. US\$42 million) for FY 2013 and by ca. ZAR570 million (ca. US\$71 million) for the combined period from FY 2013 to FY 2016 (in comparable FY 2013 money terms).
- Guidance for Williamson adjusted to ca. 2.5 Mtpa for FY 2013, climbing to 3.6 Mtpa by FY 2015. Petra still intends to significantly increase production above these levels and the Company will update the market on further expansion programmes in due course when internal studies are completed. The deferral of the Phase 2 expansion programme, due to electricity and water supply constraints, will reduce planned expansion Capex for FY 2013 by approximately US\$29 million (in comparable FY 2013 money terms).
- Diamond prices expected to remain flat for the rest of calendar year 2012, with increases expected in calendar year 2013 due to the effects of production decreases by major producers and the restocking of inventories in the pipeline, combined with a gradual improvement in global financial conditions. Whilst current rough prices remain under pressure, management continues to believe that the outlook is positive in the medium term.
- Unit operating costs in FY 2013 money slightly above previous guidance, mainly due to South African mining inflation running above the South African consumer price index (CPI). Costs remain well controlled and future increases will continue to be well managed by the Group.
- Expansion Capex for FY 2013 of ca. ZAR1,280 million (ca. US\$160 million) (South Africa) and US\$8.6 million (Tanzania), a decrease of ZAR213 million (ca. US\$27 million) (South Africa) and ca. US\$29 million (Tanzania) (as noted above) (in comparable FY 2013 money terms).

## **Conference Call**

Petra's CEO, Johan Dippenaar, and Finance Director, David Abery, will host a conference call at 9:30am BST today to discuss the updated guidance with investors and analysts. Participants are requested to access the detailed guidance documents from Petra's website and have them to hand before the call.

Participants may join the call by dialling one of the following three numbers shortly before the call:

From UK (toll free): 0800 368 1895

From South Africa (toll free): 0800 983 097

From rest of the world: +44 20 3140 0693

Participant passcode: 848298#

A replay of the conference call will be available on the following numbers from 12:00pm BST today:

Playback UK Number (toll free): 0800 376 5689

Playback Number from rest of the world: +44 20 7075 6589

Playback pin code: 386372#

## **Revision of Short Term Mining Approach at Finsch**

Petra assumed operation of Finsch in September 2011 and, as previously advised, it was expected that the development programme would be revised once management had the opportunity to reconsider the provisional plans arrived at during the due diligence period. Following a thorough technical review, driven by geotechnical and mining considerations, management has decided to amend the mining scope from FY 2013 to FY 2016. This change of scope has the combined benefit of improving the overall mining plan and reducing expansion Capex at Finsch by ca. ZAR570 million (ca. US\$71 million) (in comparable FY 2013 money terms) for the combined period FY 2013 to FY 2016.

Detailed studies and simulations carried out on mining the South West Precursor part of the orebody have highlighted increased levels of geotechnical risks to the current Block 4 cave. Petra originally planned to mine approximately 1.7 Mt from the South West Precursor between FY 2013 and FY 2017, whilst development of the 730 metre to 780 metre level ("mL") Block 5 sub level caves ("SLCs") and the Block 5 cave was underway.

The Company's geotechnical studies have concluded that Petra can enlarge the footprint of the 730 mL to 780 mL SLCs, thereby increasing tonnes to be mined from these levels from ca. 4 Mt to 10 Mt. Petra will gain first access to tonnages from the SLCs from FY 2014 as part of the development programme, with first production from FY 2015, ramping up to full production from FY 2016 to FY 2017. From FY 2017 to FY 2019, all the run-of-mine ("ROM") tonnages at Finsch will come from the undiluted Block 5 SLCs.

This change of scope will result in the deferral of the major Block 5 cave, which will now be established at 900 mL, rather than at 880 mL as previously planned, and will be operating at full capacity from FY 2020 (rather than FY 2017). The deferral of the Block 5 cave is more than compensated by accessing Block 5 SLC tonnages, which will provide earlier access to undiluted ore and which are therefore expected to operate at a similar grade to the Block 5 cave.

The revised development programme will deliver increased levels of production of undiluted ore from the SLCs. For FY 2013 and FY 2014, Block 4 ROM grades are expected to vary between 26 and 30 carats per hundred tonnes ("cpht") due to the dilution of this mature mining area, but Block 4 tonnages will be complemented during this period by higher grade material from the Block 4 Pillars area and the SLC tonnes, with an overall expected ROM grade at Finsch for FY 2013 and FY 2014 of ca. 30 cpht. As the main Block 4 production area gradually falls away and is replaced by the SLCs, grades are expected to increase to ca. 33 cpht and then to 40 cpht by FY 2016, increasing further to ca. 47 cpht when ROM ore is only drawn from the undiluted Block 5 SLCs.

A schematic of the Finsch kimberlite showing the South West Precursor relative to the main pipe, including Block 4, the Block 4 Pillars, the SLCs and Block 5, can be accessed on Petra's website at: <http://www.petradiamonds.com/investors/financial-reports-and-results/analyst-guidance-15-aug-12.aspx>

### Cullinan

As previously announced, Cullinan recorded a ROM grade for FY 2012 of 33 cpht, which was lower than FY 2011 due to the on-going dilution of the current mature working areas. The effect of the lower ROM grade was partially addressed by treating higher tonnages in FY 2012. For the period until FY 2016 the strategy at Cullinan is to continue to treat higher ROM tonnages (giving a cumulative increase from FY 2013 to FY 2016 of ca. 1 Mt) as ROM grades at Cullinan will remain between 34 and 36 cpht until production from the new C-Cut block cave is fully established from FY 2018, when management expects grades in excess of 50 cpht.

### Williamson

At Williamson, in line with Petra's previous statements, the Company continues to revisit the Phase 2 expansion project. The further expansion of the mine will be dependent upon appropriate water and electricity supply, as well as the results recorded from treatment by the current plant of main pit material over a medium term production period.

FY 2013 production guidance is ca. 2.5 Mt, increasing to ca. 4 Mt by FY 2017, following the introduction of a recrusher system into the plant circuit. Petra continues to consider approaches to further significantly increase production beyond 4 Mtpa and the Company will update the market in due course when internal studies are completed.

The deferral of the original Phase 2 expansion programme has resulted in expansion Capex savings in FY 2013 of ca. US\$29 million (in comparable FY 2013 money terms).

### Diamond Prices

As previously reported, rough diamond prices declined from July to December 2011; a temporary recovery was seen in Q3 FY 2012 to 31 March 2012, before prices weakened again, further to deteriorating global economic conditions. The rough diamond market is expected to remain under pressure in the short term, however Petra's view is that the medium to long term outlook for diamond prices remains positive due to the well reported medium term strong supply and demand fundamentals.

The table below sets out the per carat price assumptions that management is using as an annual average for FY 2013 business plans (following the recent announcement of the sale process, the Fissures Mines have not been included in the table below).

Mine	Weighted Average US\$/ct FY 2013	ROM US\$/ct FY 2013	Tailings/Other US\$/ct FY 2013	Actual Average US\$/ct FY 2012	Actual Average US\$/ct FY 2011
Finsch	129	155	80	138 (H1 129 : H2 141)	n/a
Cullinan	129	140	70	128 (H1 128 : H2 128)	148
Koffiefontein	475	600	375	487 (H1 426 : H2 526)	564
Kimberley Underground	300	300	n/a	320 (H1 308 : H2 329)	333
Williamson	220	220	n/a	236 (H1 298 : H2 229)	302 <sup>2</sup>

Note 1: the actual FY 2012 and FY 2011 prices above 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.

Note 2: due to the break in ROM production at Williamson during FY 2011, FY 2011 values are not directly comparable to FY 2012 values as they reflect results related to the sale of alluvial stones only.

## Capex

Petra's core strategy is to access the major, undiluted ore blocks at its Cullinan, Finsch and Koffiefontein operations, which the Company expects will deliver substantial increases in production grade. Whilst the initiatives outlined today have the effect of reducing shorter-term Group Capex requirements, Petra's growth strategy remains unchanged and the initiatives reflect operational factors rather than a response to current market conditions.

The Capex guidance on a mine by mine basis for FY 2013 is at the end of this announcement, and set out below is the Group's combined Capex guidance for the period to FY 2019. This remains in line with previous guidance (after the annual adjustment to FY 2013 money terms). All values are stated in FY 2013 money terms.

<b>Capex – South Africa</b>		<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Expansion Capex	ZAR M	1,277	1,324	846	416	462	310	234
Sustaining Capex	ZAR M	228	206	159	164	155	145	162
<b>Total Capex</b>	<b>ZAR M</b>	<b>1,505</b>	<b>1,530</b>	<b>1,005</b>	<b>580</b>	<b>617</b>	<b>455</b>	<b>396</b>
Previous guidance (Sept '11), adjusted to FY 2013 money terms	ZAR M	1,668	1,636	1,057	580	281	281	278

<b>Capex - Tanzania</b>		<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Expansion Capex	US\$ M	8.6	n/a	n/a	n/a	n/a	n/a	n/a
Sustaining Capex	US\$ M	2.8	3.5	3.7	3.9	4.1	4.2	4.4
<b>Total Capex</b>	<b>US\$ M</b>	<b>11.4</b>	<b>3.5</b>	<b>3.7</b>	<b>3.9</b>	<b>4.1</b>	<b>4.2</b>	<b>4.4</b>
Previous guidance (Sept '11), adjusted to FY 2013 money terms	US\$ M	44.8	7.0	6.7	6.4	6.0	5.7	5.4

## Key FY 2013 Operating and Capex Assumptions

(following the recent announcement of the sale process, the Fissures Mines have not been included in the table below)

	<b>Unit</b>	<b>Finsch</b>	<b>Cullinan</b>	<b>Koffiefontein</b>	<b>Kimberley Underground</b>	<b>Williamson</b>
<b>ROM</b>						
Tonnes	Mt	2.8	2.7	0.25	1.1	2.5
Grade	Cpht	30	34	9.3	14.3	5.5
Diamonds produced	Mcts	0.84	0.918	0.023	0.16	0.137
Operating cost	ZAR/t	205	200	400	160	US\$/t11

<b><u>Tailings/Other</u></b>						
Tonnes	Mt	2.8	2.7	1.5	n/a	0.5
Grade	Cpht	18.5	7	2.65	n/a	3
Diamonds produced	Mcts	0.52	0.19	0.04	n/a	0.015
Operating cost	ZAR/t	25	35	55	n/a	n/a
<b><u>Total production</u></b>						
Tonnes	Mt	5.6	5.4	1.75	1.1	3
Diamonds produced	Mcts	1.36	1.11	0.063	0.16	0.152
Operating cost	ZAR/t	116	116	106	160	US\$/t11
<b><u>Capex</u></b>						
Expansion Capex	ZARM	450	671	107	49	
Expansion Capex	US\$M					8.6
Sustaining Capex	ZARM	94	68	32	34	
Sustaining Capex	US\$M					2.8
Total Capex	ZARM	544	739	139	83	
Total Capex	US\$M					11.4

Note 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/financial-reports-and-results/analyst-guidance-15-aug-12.aspx>

An exchange rate of ZAR8:US\$1 was used for the calculations in this announcement.

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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 a highly focused exploration programme in Botswana.

Petra offers an exceptional growth profile, with a core objective to steadily increase annual production to ca. 5 million carats by FY 2019. The Group has a major resource base in excess of 300 million carats.

Petra conducts all its 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](http://www.petradiamonds.com).