



PetraDiamonds

12 November 2013

LSE: PDL

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

Interim Management Statement and Q1 FY 2014 Production and Sales Report

Petra Diamonds Limited announces its Interim Management Statement ("IMS") for the period from 1 July 2013 to 11 November 2013, covering production and sales from 1 July 2013 to 30 September 2013 ("Q1 FY 2014" or "Q1").

HIGHLIGHTS

- Strong production run rate for Q1 FY 2014, up 25% to 816,735 carats (Q1 FY 2013: 654,690 carats); Petra maintains its production guidance of circa 3 million carats for the year to 30 June 2014 ("FY 2014").
- Revenue for Q1 FY 2014 up 27% to US\$65.1 million (589,233 carats) (Q1 FY 2013: US\$51.1 million; 318,700 carats).
- The Group's second tender of FY 2014 closed in Q2 FY 2014 and recorded revenue of US\$55.7 million (442,566 carats); cumulative revenues for FY 2014 to date now stand at US\$120.8 million.
- Two exceptional white stones of 126.4 carats and 91.5 carats were recently recovered at Cullinan; both stones are examples of the sizeable Type IIa diamonds that the Cullinan mine is known for and are considered to be of top colour and quality. The Company has also recovered a number of other high quality stones in Q2 FY 2014, and these 'specials' will enhance the average prices achieved at the Company's late November tender. To view pictures of these special diamonds, visit www.petradiamonds.com/media/image-library/diamonds.
- The diamond market exhibited weaker price performance in the post summer period, but Petra now expects a firmer market through to calendar year end and in H2 FY 2014. Further to the increased recovery of higher value stones in Q2 (as noted above), combined with improved market conditions, Petra maintains its overall guidance for average prices for full year FY 2014.
- At Finsch (due to the plant changes previously announced) grades are exceeding guidance, resulting in a lower average price per carat due to the increased recovery of smaller goods, but importantly an increased overall revenue per tonne, in line with management's strategy.

Production and Sales – Summary

	Unit	Q1 FY 2014	Q1 FY 2013	Variance	FY 2013
Production					
ROM diamonds	Carats	577,161	530,376	+9%	2,038,115
Tailings and alluvial diamonds	Carats	239,574	124,314	+93%	630,190
Total diamonds	Carats	816,735	654,690	+25%	2,668,305

Sales					
Diamonds sold	Carats	589,233	318,700	+85%	2,539,844
Gross revenue	US\$M	65.1	51.1	+27%	402.7

Note:

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

Johan Dippenaar, Chief Executive Officer, commented:

“These results demonstrate the continued delivery of growth in accordance with our stated expansion plans. Having a well-diversified portfolio is important in terms of our ability to manage production risk across the Group and this, combined with the quality and tenacity of our team, places us in a strong position to meet our targets.

“Our mines produce a significant and growing volume of the commercial, mass market goods which form the mainstay of the diamond market, but they also regularly produce high quality, and at times world-class, diamonds. We are delighted to have recovered a range of such special stones in our second quarter, including two exceptional white Cullinan diamonds, which we expect to generate substantial interest at our next sales tender in late November.”

CONFERENCE CALL

Petra’s CEO, Johan Dippenaar, and Finance Director, David Abery, will host a conference call at 9:30am GMT today to discuss the IMS 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 2370 030
 From South Africa (toll free): 0800 222 290
 From the rest of the world: +44 20 3139 4830
 Participant passcode: 12539938#

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

From UK (toll free): 0808 2370 026
 From South Africa and the rest of the world: +44 20 3426 2807
 Playback passcode: 643597#

COMMENTARY

Production

- Q1 production up 25% to 816,735 carats (Q1 FY 2013: 654,690 carats); this strong production rate was achieved despite the challenging labour conditions in South Africa and associated work stoppages in Q1 as previously announced, and is testament to the strength and perseverance of Petra’s operations team, which continues to deliver on the Company’s growth plans. The labour situation at Petra’s South African operations has remained stable since the end of the industrial action.
- Finsch, as the only South African operation unaffected by the industrial action in Q1, increased carat production by 61% to 517,667 carats (Q1 FY 2013: 320,614 carats). Both ROM (up 9% to 751,459 tonnes) and tailings (up 19% to 675,276 tonnes) production increased in line with planned throughput levels (Q1 FY 2013 ROM: 686,680 tonnes; Q1 FY 2013 tailings: 566,902 tonnes).
- The full impact of the plant changes at Finsch (lowering the cut-off) implemented towards the end of FY 2013 were witnessed during Q1, with the ROM grade (Q1 FY 2014: 41.7 cpht; Q1 FY 2013: 33.6 cpht) and the tailings grade (Q1 FY 2014: 30.3 cpht; Q1 FY 2013: 20.6 cpht) increasing substantially and surpassing earlier management estimations and guidance. Although this has resulted in a finer overall diamond size frequency with a subsequent reduction in the average value per carat (refer ‘Diamond market and sales’

section below), it has been more than offset by the higher recovered grades with, importantly, overall revenues and the contained revenue per tonne benefiting by between 6% and 10% as a result.

- Cullinan's diamond production reduced 9% year on year, delivering 217,400 carats (Q1 FY 2013: 239,115 carats), primarily due to the work stoppages mentioned above. Management maintains guidance for FY 2014 production, with initiatives having been implemented to make up the lost production. Both the ROM grade (Q1 FY 2014: 31.2 cpht; Q1 FY 2013: 32.9 cpht) and the tailings grade (Q1 FY 2014: 6.4 cpht; Q1 FY 2013: 6.2 cpht) are in line with guidance.
- Koffiefontein's output was also hampered by the aforementioned work stoppages. Limited available ROM tonnes resulted in a reduction of ROM production to 2,293 carats in Q1 FY 2014 (Q1 FY 2013: 3,723 carats) while the Ebenhaezer pit, supplemented by recovery tailings treated during the strike period, delivered 5,485 carats at an average grade of 3.4 cpht (Q1 FY 2013: 6,421 carats at a grade of 1.8 cpht).
- Kimberley Underground's throughput was adversely impacted by the strike action, but production was still up 5% on the comparative period to 27,523 carats (Q1 FY 2013: 26,150 carats), due to the recent ramp up of the mine. The average ROM grade of 14.2 cpht (Q1 FY 2013: 12.0 cpht) was in line with management expectations. Final plant changes are currently being implemented in order to deliver Kimberley Underground's guided throughput for the remainder of FY 2014.
- Williamson's diamond production decreased 10% to 34,976 carats (Q1 FY 2013: 38,780 carats), due to planned downtime to implement certain changes to the treatment plant. Williamson's full year production forecast remains in line with guidance.
- Helam's production of 10,231 carats (Q1 FY 2013: 14,022 carats) and ROM grade of 68.9 cpht (Q1 FY 2013: 62.1 cpht) were largely in line with management expectations, notwithstanding throughput also being hampered by the industrial action.

Diamond market and sales

- The diamond market exhibited weaker price performance in the post summer period, with average prices achieved at Petra's Q1 tender around 7% below those achieved in Petra's H2 FY 2013 (January to June 2013).
- In addition to seasonal weakness, the market was further impacted by liquidity constraints in the Indian market, which is the world's most significant diamond cutting and polishing centre and which has been affected by a sustained period of weakness in the Rupee. However prices for Petra's product offering, which is underpinned by significant volumes of commercial, mass market goods, showed a degree of resilience.
- Petra is now seeing firmer market conditions, in line with the usual seasonal pick-up towards the festive period, and anticipates a stronger calendar year end and H2 FY 2014. The Company's overall price guidance for full year FY 2014 therefore remains unchanged (other than the grade/value and revenue per tonne benefits recorded at Finsch).
- Revenue for Q1 FY 2014 was up 27% to US\$65.1 million (Q1 FY 2013: US\$51.1 million), though sales volumes were up 85% to 589,233 carats (Q1 FY 2013: 318,700 carats). Revenue growth was affected by weaker prices, as well as by the product mix (increased volumes of finer diamonds from Finsch, as explained above, combined with increased lower-value tailings production).
- In October 2013, Petra closed sales for both its South African and Tanzanian production, recording combined revenue of US\$55.7 million for 442,566 carats sold; Petra will publish overall tender results for Q2 FY 2014 with its half yearly Trading Update in late January 2014.
- In line with Petra's standard sales cycle, one tender was held in Q1 FY 2014, two tenders will take place in Q2 and four tenders are scheduled for H2.

- The table below gives the Company's average prices for Q1 in comparison to management guidance for FY 2014 and to actual prices achieved in FY 2013.
- Evaluating price performance on a quarter by quarter basis can be misrepresentative further to product mix and special stone recoveries; please refer to the 'Highlights' section with regards to the special stone recoveries post Q1 and management's guidance for the full year remaining in place.

Mine	Average ¹ (US\$/ct)	Management guidance (US\$/ct)	Average ¹ (US\$/ct)
	Q1 FY 2014	FY 2014	FY 2013
Finsch	90	113	120
Cullinan	100	139	163 ²
Koffiefontein	456	518	471
Kimberley Underground	294	301	295
Helam	169	145	140
Williamson ³	244	254	254

Notes:

1. Unless stated, the average values above include all sales; i.e. ROM, tailings, other (e.g. Ebenhaezer satellite pipe) and special stones.
2. The FY 2013 average value at Cullinan includes the 25.5 carat blue diamond sold for US\$16.9 million; the average value for FY 2013 excluding this stone was US\$142 per carat.
3. Williamson ROM sales results only.

Financial:

- As at 30 September 2013, Petra had cash at bank of US\$55.3 million (30 June 2013: US\$26.2 million), diamond inventories of ca. US\$43.2 million (ca. 483,557 carats) (30 June 2013: ca. US\$31.5 million (ca. 348,403 carats)) and diamond debtors of US\$2.1 million (30 June 2013: US\$74.8 million).
- Loans and borrowings as at 30 September 2013 were US\$172.0 million (30 June 2013: US\$147.0 million), comprising bank loans and borrowings of US\$167.4 million and utilisation of US\$4.6 million of foreign exchange settlement lines; facilities undrawn and available to the Group at 30 September 2013 of US\$47.6 million.
- Loans drawn down, and therefore remaining facilities, are in line with management's plans and expectations.

Health and safety:

- The Group's lost time injury frequency rate ("LTIFR") for Q1 FY 2014 was 0.43 (Q1 FY 2013: 1.11).
- This safety performance is a further improvement on the 0.67 LTIFR achieved by the Group in FY 2013 and demonstrates management's keen focus on this area.
- Finsch was recognised for its efforts in this regard when it was chosen as best in class in the MineSAFE Awards 2013 for the South African diamond sector on 24 October 2013. For further information on this award win, visit www.petradiamonds.com/about-us/awards-won-by-petra-diamonds.

Notes:

1. Exchange rates of R10.0278/US\$1 as at 30 September 2013 and R9.8800/US\$1 as at 30 June 2013 have been used for the purposes of this announcement.
2. The following definitions have been used in this announcement:
 - a. ct: carat
 - b. cpht: carats per hundred tonnes
 - c. ROM: run-of-mine

3. Diamond inventory carrying values are stated at the lower of cost of production on the weighted average basis or estimated net realisable value.

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

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

	Unit	Q1 FY 2014	Q1 FY 2013	Variance	FY 2013
<u>ROM Production</u>					
Tonnes treated	Tonnes	751,459	686,680	+9%	2,609,935
Diamonds produced	Carats	313,393	220,008	+42%	890,360
Grade	cpht	41.7	32.0	+30%	34.1
<u>Tailings Production</u>					
Tonnes treated	Tonnes	675,276	566,902	+19%	2600,611
Diamonds produced	Carats	204,274	100,606	+103%	522,106
Grade	cpht	30.3	17.7	+70%	20.1
<u>Total Production</u>					
Tonnes treated	Tonnes	1,426,735	1,253,582	+14%	5,210,546
Diamonds produced	Carats	517,667	320,614	+61%	1,412,465
<u>Sales</u>					
Diamonds sold	Carats	359,741	155,934	+131%	1,336,418
Average price per carat	US\$	90	133	-32%	120
Revenue	US\$M	32.3	20.7	+56%	160.6

Cullinan – South Africa

	Unit	Q1 FY 2014	Q1 FY 2013	Variance	FY 2013
<u>ROM Production</u>					
Tonnes treated	Tonnes	610,945	682,557	-10%	2,595,004
Diamonds produced	Carats	190,409	224,861	-15%	795,370
Grade	cpht	31.2	32.9	-5%	30.7
<u>Tailings Production</u>					
Tonnes treated	Tonnes	422,416	230,400	+83%	1,485,889
Diamonds produced	Carats	26,991	14,255	+89%	73,605
Grade	cpht	6.4	6.2	+3%	5.0
<u>Total Production</u>					
Tonnes treated	Tonnes	1,033,361	912,957	+13%	4,080,893
Diamonds produced	Carats	217,400	239,116	-9%	868,975
<u>Sales</u>					
Diamonds sold	Carats	170,971	114,133	+50%	816,611
Average price per carat	US\$	100	151	-34%	163 ¹
Revenue	US\$M	17.0	17.2	-1%	133.0

Note:

1. The FY 2013 average value at Cullinan includes the 25.5 carat blue diamond sold for US\$16.9 million; the average value for FY 2013 excluding this stone was US\$142 per carat.

Koffiefontein – South Africa

	Unit	Q FY 2014	Q1 FY 2013	Variance	FY 2013
<u>ROM Production</u>					
Tonnes treated	Tonnes	50,790	53,950	-6%	239,161
Diamonds produced	Carats	2,293	3,723	-38%	14,356
Grade	cpht	4.5	6.9	-35%	6.0
<u>Tailings/Ebenhaezer Production</u>					
Tonnes treated	Tonnes	163,504	359,570	-55%	1,242,360
Diamonds produced	Carats	5,485	6,421	-15%	20,444
Grade	cpht	3.4	1.8	+88%	1.6
<u>Total Production</u>					
Tonnes treated	Tonnes	214,294	413,520	-48%	1,481,521
Diamonds produced	Carats	7,778	10,144	-23%	34,800
<u>Sales</u>					
Diamonds sold	Carats	5,404	5,730	-6%	35,168
Average price per carat	US\$	456	566	-19%	471
Revenue	US\$M	2.5	3.2	-24%	16.6

Kimberley Underground – South Africa

	Unit	Q1 FY 2014	Q1 FY 2013	Variance	FY 2013
<u>ROM Production¹</u>					
Tonnes treated	Tonnes	193,740	217,021	-11%	804,725
Diamonds produced	Carats	27,523	26,150	+5%	115,400
Grade	cpht	14.2	12.0	+18%	14.3
<u>Sales</u>					
Diamonds sold	Carats	22,328	15,681	+42%	113,383
Average price per carat	US\$	294	236	+25%	295
Revenue	US\$M	6.6	3.7	+77%	33.4

Note:

1. Petra only produces from ROM (underground) operations at Kimberley Underground.

Williamson – Tanzania

	Unit	Q1 FY 2014	Q1 FY 2013	Variance	FY 2013
<u>ROM Production</u>					
Tonnes treated	Tonnes	585,438	632,877	-7%	2,730,133
Diamonds produced	Carats	32,152	35,748	-10%	150,342
Grade	cpht	5.5	5.6	-3%	5.5
<u>Alluvial Production</u>					
Tonnes treated	Tonnes	92,761	86,530	+7%	385,186
Diamonds produced	Carats	2,824	3,032	-7%	14,035
Grade	cpht	3.0	3.5	-13%	3.6
<u>Total Production</u>					
Tonnes treated	Tonnes	678,199	719,407	-6%	3,115,319
Diamonds produced	Carats	34,976	38,780	-10%	164,376

Sales					
Diamonds sold	Carats	21,891	27,119	-19%	165,324
Average price per carat					
- ROM	US\$	244	243	+0.4%	261
- Alluvials	US\$	179	165	+8%	187
Revenue	US\$M	5.2	6.2	-17%	41.9

Helam – South Africa

	Unit	Q1 FY 2014	Q1 FY 2013	Variance	FY 2013
ROM Production¹					
Tonnes treated	Tonnes	14,850	22,588	-34%	77,358
Diamonds produced	Carats	10,231	14,022	-27%	52,011
Grade	cpht	68.9	62.1	+11%	67.2
Sales					
Diamonds sold	Carats	8,896	-	+100%	52,350
Average price per carat	US\$	169	-	+100%	140
Revenue	US\$M	1.5	-	+100%	7.3

Note:

1. Production only from ROM (underground) during the periods referred to above.

Star & Sedibeng – South Africa

	Unit	Q1 FY 2014 ²	Q1 FY 2013	Variance	FY 2013
ROM Production¹					
Tonnes treated	Tonnes	4,701	28,384	-83%	83,220
Diamonds produced	Carats	1,160	5,864	-80%	20,276
Grade	cpht	24.7	20.7	+19%	24.4
Sales					
Diamonds sold	Carats	2	104	-98%	20,591
Average price per carat	US\$	600	325	+85%	475
Revenue	US\$M	0.00129	0.03	-96%	9.8

Note:

1. Production only from ROM (underground) during the periods listed above.
2. Low levels of production during July/August 2013 in anticipation of placing the mines on care and maintenance programme during Q1 FY 2014.