



PetraDiamonds

# H1 FY 2018 Interim Results

Six Months to 31 December 2017

19 February 2018

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**LISTED**  
**PREMIUM**



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# H1 FY 2018 Operational Performance

## Solid operational performance

- Production +10% to 2.2 Mcts; 10 Mt treated
- ROM carats represented 81% of carat profile (H1 FY 2017: 66%)
- Adj. EBITDA<sup>1</sup> margin of 36% despite strengthening Rand

## Expansion programmes on track

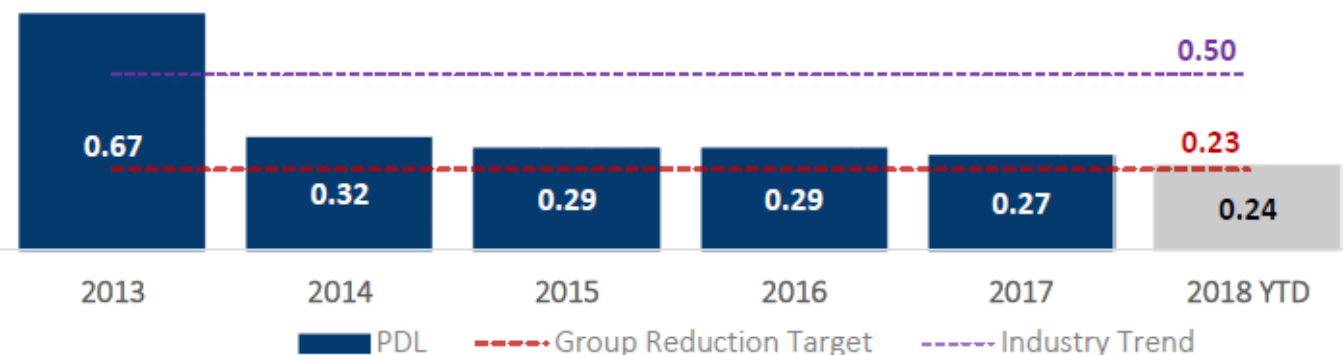
- New Cullinan Plant processed 1 Mt ROM in Q2 and assessed to have reached nameplate capacity (4 Mt ROM + 2 Mt tailings)
- Undiluted ore from Finsch and Cullinan on track to more than double in FY 2018



Cullinan: underground infrastructure now largely in place and new plant reaches nameplate capacity

## Improving safety performance

### GROUP AGGREGATE LTIFR TREND FY'13 - FY'18 (YTD)



Zero harm remains our goal

<sup>1</sup> See slide 5 for definition of Adjusted EBITDA

# H1 FY 2018 – KPIs

Key:

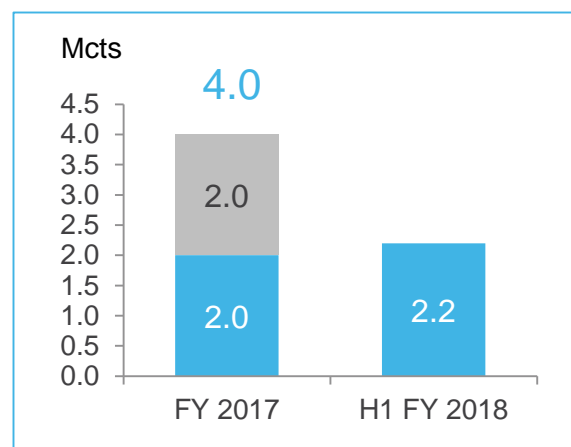
H2

H1

## PRODUCTION

Million carats

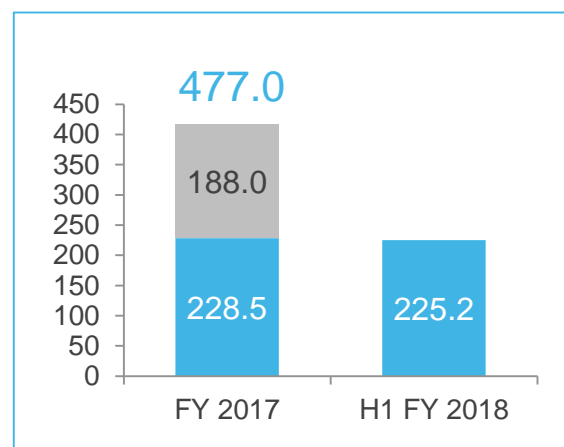
Guidance  
c.4.6 – 4.7



- Production +10% to 2.2 Mcts
- Strong production from Finsch and Williamson, and improving performance from Cullinan, offset by underperformance from Koffiefontein and KEM JV and impact of labour disruption in Q1 (ca. 60,000 ROM carats)

## REVENUE

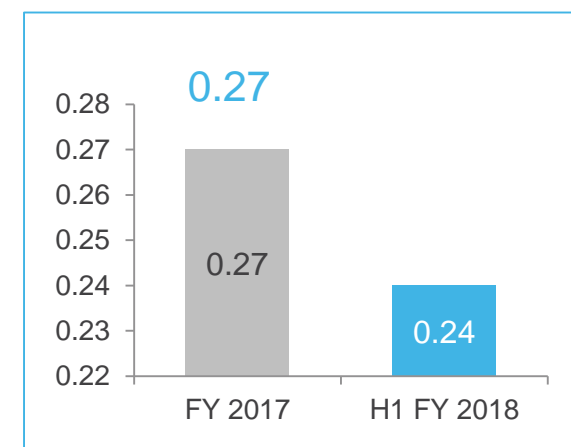
US\$ (million)



- Revenue -1% to US\$225.2m
- Carats sold -5% to 1.8 Mcts, negatively impacted by the blocked Williamson parcel (ca. 71,000 cts)
- Seasonally weaker diamond market with prices down ca. 3.5% in H1

## SAFETY

LTIFR



- Improving LTIFR trend
- Intensified focus on safety
- Targeting zero harm workplace

# H1 FY 2018 – KPIs

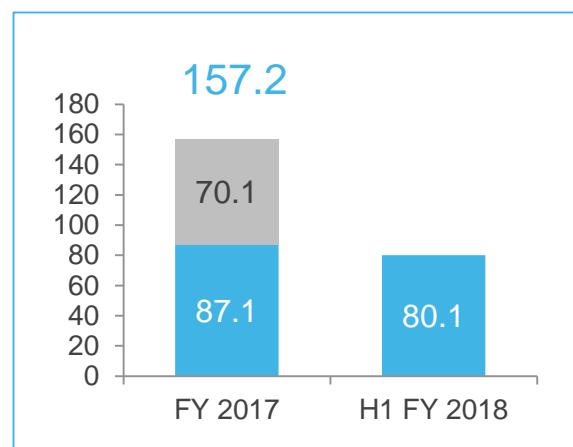
Key:

H2

H1

## ADJUSTED EBITDA<sup>1</sup>

US\$ (million)

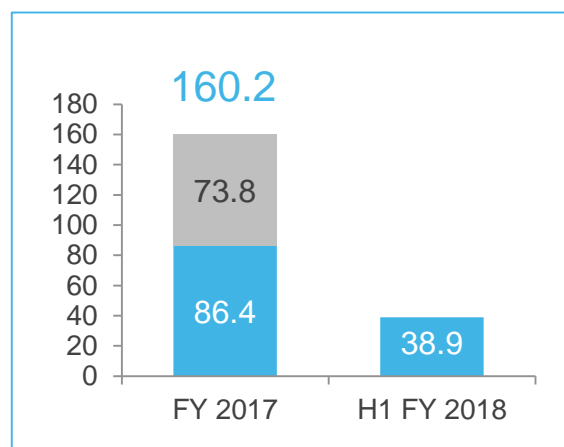


- Adj. EBITDA -8% impacted by strike action, the blocked Williamson parcel and the stronger Rand

<sup>1</sup> Adjusted EBITDA is stated before depreciation, share-based expense, net finance expense (excluding net unrealised foreign exchange gain), tax expense, KEM JV fair value adjustment, impairment charge, net unrealised foreign exchange gains and losses, taxation charge on reduction of unredeemed Capex benefits and bond redemption premium and acceleration of unamortised cost

## OPERATING CASHFLOW

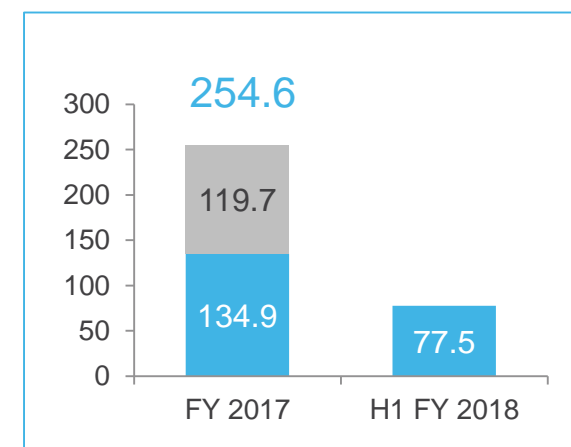
US\$ (million)



- Operating cashflow -55% impacted by US\$42.3 million build in diamond inventories, in line with the higher production run rate and the blocked Williamson parcel

## CAPEX<sup>2</sup>

US\$ (million)



- Capex -43% in line with declining Capex trend
- H2 Capex expected to remain in line with H1 in Dollar terms, due to impact of stronger Rand
- Peak Capex spend passed in H2 FY 2016

<sup>2</sup> Capex is Operational Capex, excluding capitalised borrowing costs

# Financial Position

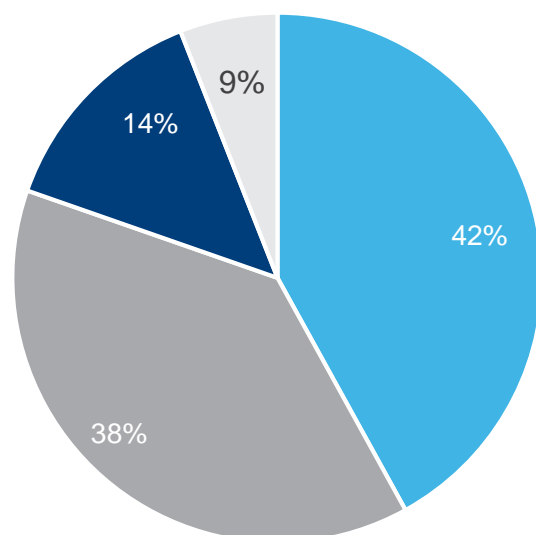
- The Group's forecasts show that Petra has sufficient liquidity to meet its working capital and capital development requirements (assuming an average exchange rate of ZAR12:USD1 and the sale of the blocked Williamson parcel in H2), although headroom remains sensitive to diamond prices, FX rates and production
- Waiver received from lender group for EBITDA-related bank facility covenants for the December 2017 measurement period, and a re-set received for the June and December 2018 measurement periods – see slide 42

	Unit	31 Dec 2017	30 June 2017	31 Dec 2016
<i>Closing exchange rate used for conversion</i>		<i>R12.38:US\$1</i>	<i>R13.05:US\$1</i>	<i>R13.73:US\$1</i>
Cash at bank	US\$m	119.1	203.7	49.0
Diamond debtors	US\$m	7.5	41.5	1.9
Diamond inventories	Carats	961,220	570,264	673,031
	US\$m	92.5	50.2	56.6
US\$300 million loan notes (issued May 2015)	US\$m	-	-	300.0
US\$650 million loan notes (issued April 2017)	US\$m	650.0	650.0	-
Bank loans and borrowings	US\$m	113.8	109.0	210.5
Net debt <sup>1</sup>	US\$m	644.7	555.3	465.4
Bank facilities undrawn and available	US\$m	7.4	5.6	57.1

1. Net debt is the US\$ loan notes and bank loans and borrowings net of cash at bank (including restricted cash)

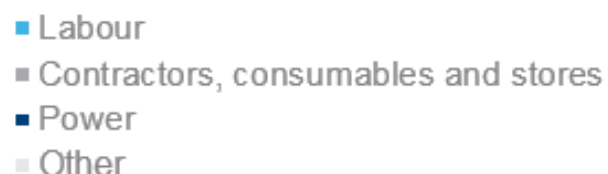
# Operating Costs

H1 FY 2018 On-mine cash cost breakdown  
(South Africa operations)



Group on-mine US\$ cash costs increased 16% due to:

- increased volumes treated, mainly due to commissioning of the Cullinan Plant coupled with the ongoing ramp-up of underground production across the operations (5% increase)
- inflationary increases, including the impact of labour costs (7% increase)
- the effect of translating South African operations' ZAR denominated costs at stronger ZAR/USD exchange rates (4% increase)



	On-mine cash costs US\$m	Diamond royalties US\$m	Diamond inventory and stockpile movement US\$m	Group technical, support and marketing costs US\$m	Adjusted mining and processing costs US\$m	Depreciation US\$m	Share based expense US\$m	Total mining and processing costs (IFRS) US\$m
H1 FY 2018	160.5	1.9	(34.4)	12.0	140.0	42.3	-	182.3
H1 FY 2017	138.0	2.6	(13.4)	10.5	137.7	28.1	0.2	166.0
FY 2017	287.3	4.7	(2.6)	21.9	311.3	78.7	0.1	390.1

# Impact of Strong ZAR on Petra

## USD to ZAR Chart

15 Feb 2017 00:00 UTC - 15 Feb 2018 14:40 UTC USD/ZAR close: **11.65869** low: **11.60764** high: **14.47007**



- 70 – 80% of Petra's operating costs are ZAR based
- H1 FY 2018 averaged R13.40/US\$1; Petra now assuming R12.00/US\$1 for H2 FY 2018 and average of R12.70/US\$1 for FY 2018
- Movement of R1/US\$1 from base case of R12/US\$1 would see ca. US\$20 million on FY EBITDA and ca. US\$20 million on Petra's consolidated net debt position



# H1 FY 2018 – Summary of Results

	H1 FY 2018 (US\$m)	H1 FY 2017 (US\$m)	FY 2017 (US\$m)
Revenue	225.2	228.5	477.0
Adjusted mining and processing costs <sup>1</sup>	(140.0)	(137.7)	(311.3)
Other direct income	0.4	1.4	2.8
<b>Profit from mining activities<sup>1</sup></b>	<b>85.6</b>	<b>92.2</b>	<b>168.5</b>
Exploration expense	(0.4)	(0.3)	(0.6)
Corporate overhead	(5.1)	(4.8)	(10.7)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>80.1</b>	<b>87.1</b>	<b>157.2</b>
Depreciation	(42.7)	(28.6)	(79.6)
Share-based expense	(0.1)	(2.1)	0.1
Net finance expense	(17.4)	(15.9)	(22.9)
Tax expense	(14.6)	(16.4)	(25.8)
<b>Adjusted net profit after tax<sup>1</sup></b>	<b>5.3</b>	<b>24.1</b>	<b>29.0</b>
KEM JV fair value adjustment <sup>1</sup>	-	4.1	4.1
Impairment charge <sup>1</sup>	(118.0)	-	-
Net unrealised foreign exchange gain	2.9	7.0	9.9
Taxation charge on reduction of unredeemed Capex benefits	(7.9)	-	-
Bond redemption premium and unamortised costs <sup>1</sup>	-	-	(22.3)
<b>Net (loss) / profit after tax</b>	<b>(117.7)</b>	<b>35.2</b>	<b>20.7</b>
<b>Earnings per share attributable to equity holders of the Company:</b>			
<b>Basic (loss) / profit per share – US\$ cents</b>	<b>(17.55)</b>	<b>5.27</b>	<b>3.47</b>
<b>Adjusted profit per share – US\$ cents<sup>1</sup></b>	<b>0.35</b>	<b>3.45</b>	<b>5.04</b>

# Sustainability

## Labour Relations

- Labour disruption experienced in September 2017 at the South African operations (except Cullinan) prior to finalisation of new three year wage agreement
- Disruption contained to less than two weeks due to the concerted effort of Petra's management to engage with all levels of NUM
- Labour relations are currently stable and three year agreement bodes well for a more stable environment during this period

## Training and Development

- Ca. \$4m spent on training & development programmes in H1 FY 2018

## Communities

- Enterprise Development Centres established at all South African operations to develop local businesses
- Education identified as the best way for Petra to contribute to the upliftment of its local communities and to South Africa as a whole
  - Early learning initiatives
  - School, scholarship and bursary programmes
  - Focus on development of technical skills – maths and science

## Environment – continued focus on efficiencies

- All expansion programmes designed for improvements in energy, water and carbon emitted per tonne
- Ongoing initiatives to reduce energy usage, including continual investigation of renewable energy sources



The Enterprise Development Centre at Finsch trains and provides business support and assistance to local entrepreneurs



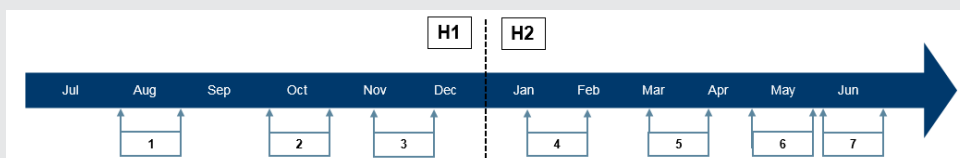
One of the multi-sports facilities constructed by Cullinan at three local primary schools

# Stable Diamond Market and Prices

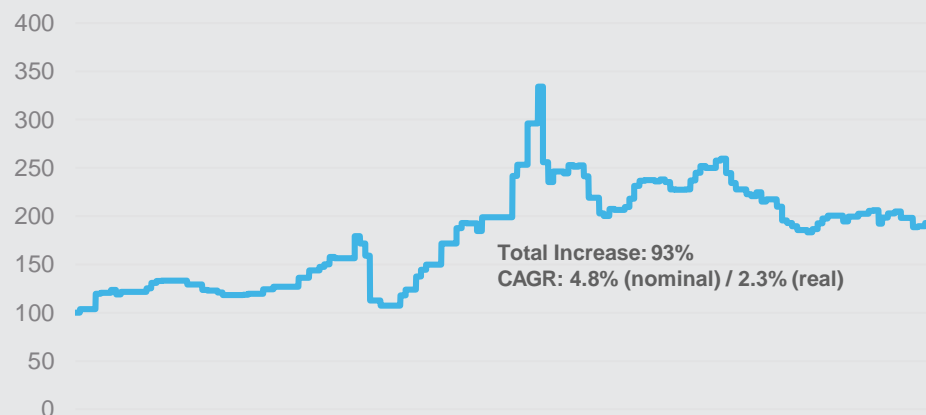
## Calendar 2017 Market

- Stable rough market – pricing up ca. 2% in H1; pricing saw seasonal weakness in Jul to Oct (down ca. 5%) and recovered ca. +1.5% in December
- Steady demand and price performance experienced across all diamond size ranges
- Higher average ROM prices achieved Jul to Dec for Finsch, Cullinan and Koffiefontein despite weaker market due to expected improvement in product mix

## Petra Sales Timing – FY 2018



## Rough Diamond Index (Jan 2004 to Jan 2018)



## Calendar 2018 Outlook

- Market started to strengthen in December 2017 due to positive momentum around the festive selling season; pricing up 3-4% at Petra's first tender of H2
- Initial Christmas results are generally positive, with buoyant sales in the US and continued growth in China and Hong Kong
- Petra guiding for flat diamond pricing for FY 2018, but continued improvement in product mix expected for Finsch and Cullinan (less tailings contribution and increasing volumes of undiluted ore)

Petra – Rough Diamond Prices	Actual Weighted Average US\$/ct H1 FY 2018	Revised Guidance <sup>1</sup> Weighted Average US\$/ct <sup>1</sup> FY 2018	Actual Weighted Average US\$/ct FY 2017
<b>Finsch</b>	104	101 – 106	101
<b>Cullinan</b>	140	140 – 160 <sup>2</sup>	120
<b>Koffiefontein</b>	511	525 – 550	506
<b>KEM JV</b>	111	105 – 115 <sup>3</sup>	100
<b>Williamson</b>	233	214 – 224	258

1. Revised guidance now includes Exceptional Diamonds
2. Guidance increased from US\$113 – 119 (excluding Exceptional Diamonds)
3. Guidance decreased from US\$120 – 125 due to higher percentage of tailings in product mix

# DPA increases Budget to US\$70 million for 2018

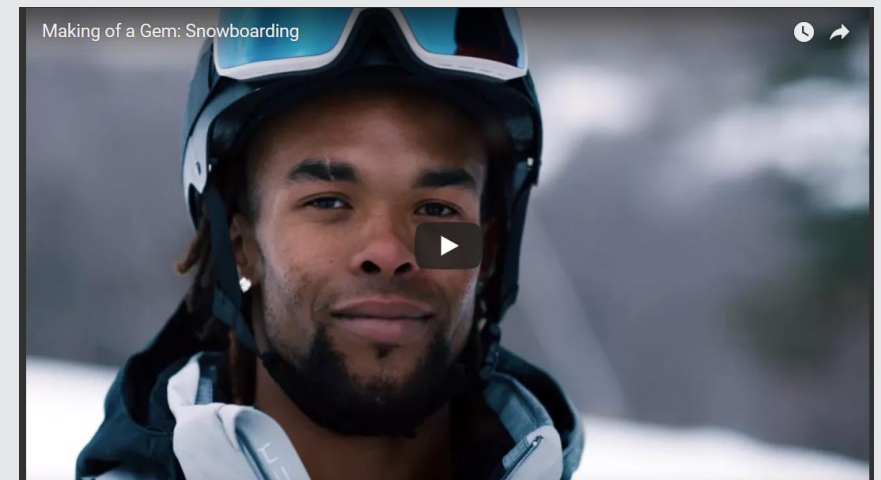
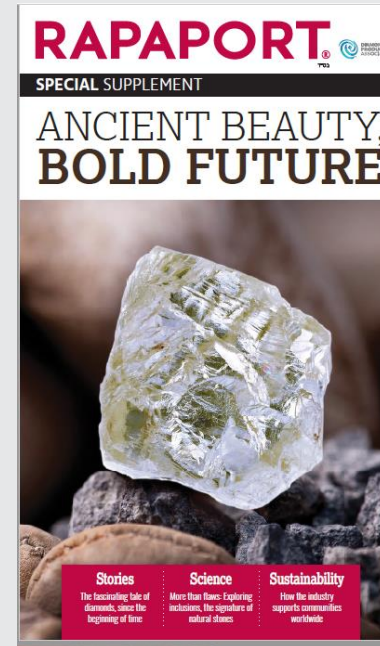
Diamond Producers Association comprises De Beers, ALROSA, Rio Tinto, Dominion, Petra, Lucara, Gem – together 75% of world supply by value

The DPA seeks to actively influence sustainable consumer demand by:

- Promoting the integrity of the diamond industry and maintaining consumer confidence
- Providing generic marketing support, ensuring diamonds remain relevant to the next generation of consumers

## DPA budget increases to US\$70 million in 2018

- Continued focus on major US market; comprises multi-channel advertising, innovative digital programmes, high-impact PR around the 'Real is Rare. Real is a Diamond' campaign
- 2018 will mark first full year of marketing in India and marketing will launch in China in April 2018
- Industry advocacy and trade programmes to support the pipeline, plus challenging misleading synthetics industry narrative and language





# Finsch – Development Programme

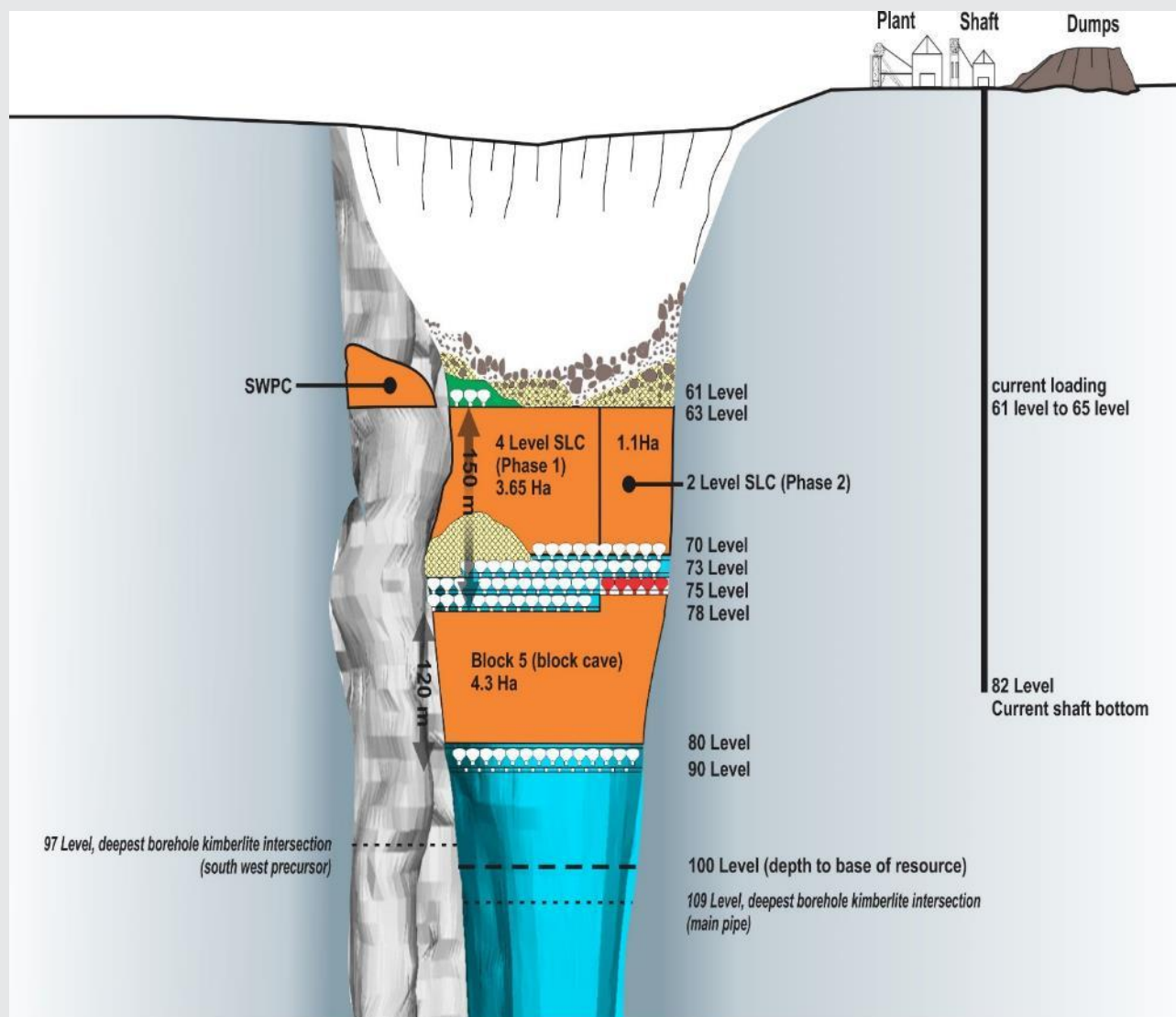
## Expansion Plan

- **Expansion plan to take production to ca. 2.0 Mctpa (ROM) by FY 2018**
- Sub level cave
  - tunnelling in host rock complete
  - All 22 tunnels in production – first 2 levels
- New Block 5 Block Cave to be installed at 900m / 1000m

## Key Milestones

- Production from SLC – **from H2 FY 2016**
- Dedicated ore-handling infrastructure (to transfer SLC ore to existing infrastructure at 650m) – **end FY 2016**
- Mining of South West Precursor from 610m to 630m – **H1 FY 2017**
- 2<sup>nd</sup> crusher commissioned - **end H1 FY 2018**
- Decommissioning of Block 4 automated ore-handling system – **H2 FY 2018**
- Pre 79 Tailings treated – **end FY 2018**
- Steady state ROM production – **FY 2018**
- Mining of overburden dumps – **continue to FY 2019 / FY 2020**
- Block 5 Block Cave at 900m – **from FY 2024 / FY 2025**

FY 2017 Development: Waste: 1,523 metres; Raiseboring: 427 metres; Kimberlite 3,733 metres



# Cullinan – Development Programme

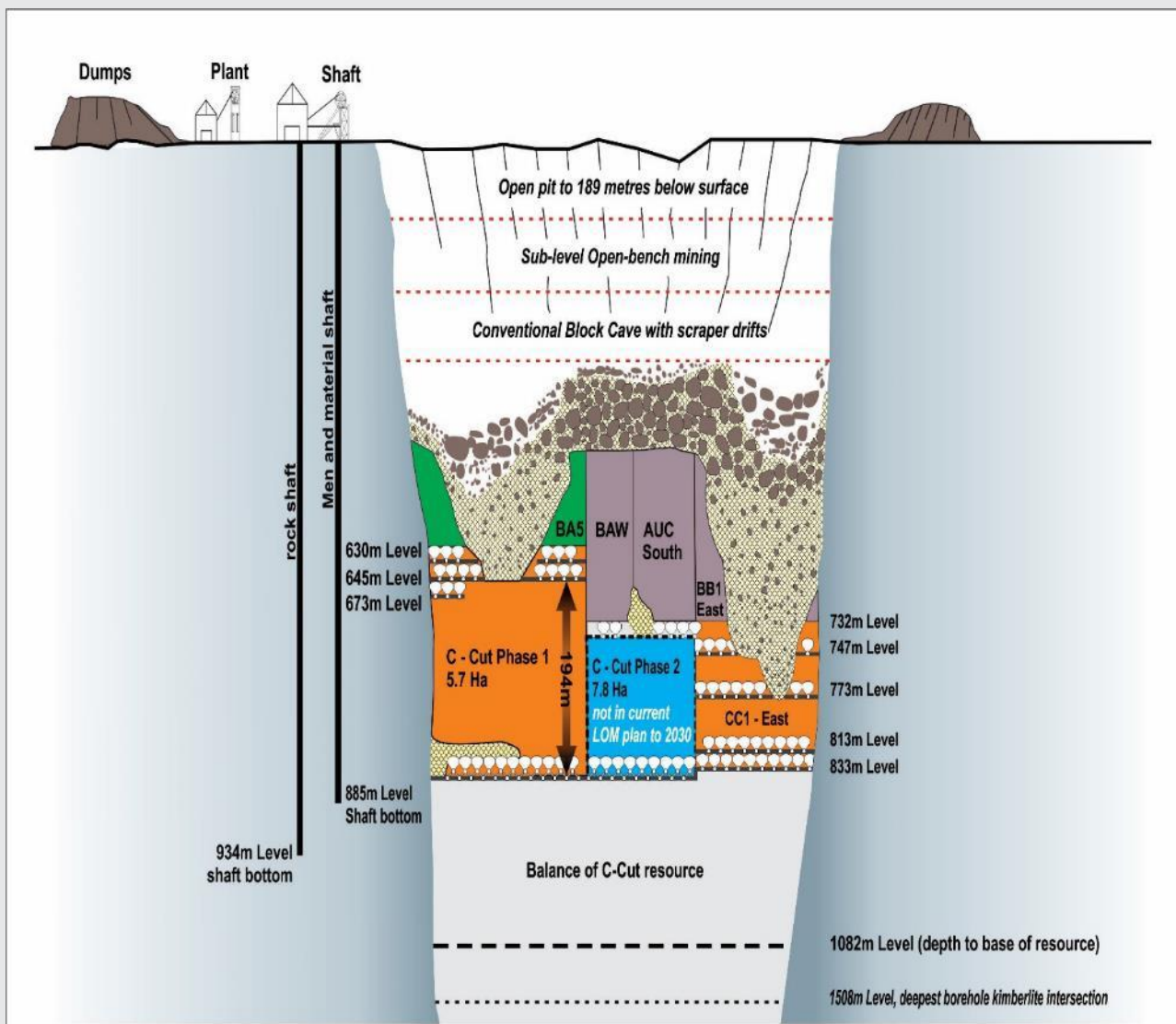
## Expansion Plan

- **Expansion plan:** to take production to ca. 1.7 Mcts by FY 2019 (1.6 ROM & 0.1 tailings) based on Jan 2018 grade estimates
- **C-Cut Phase 1:** New block cave being established on the western side of the orebody
- **CC1 East:** New SLC on the eastern side

## Key Milestones

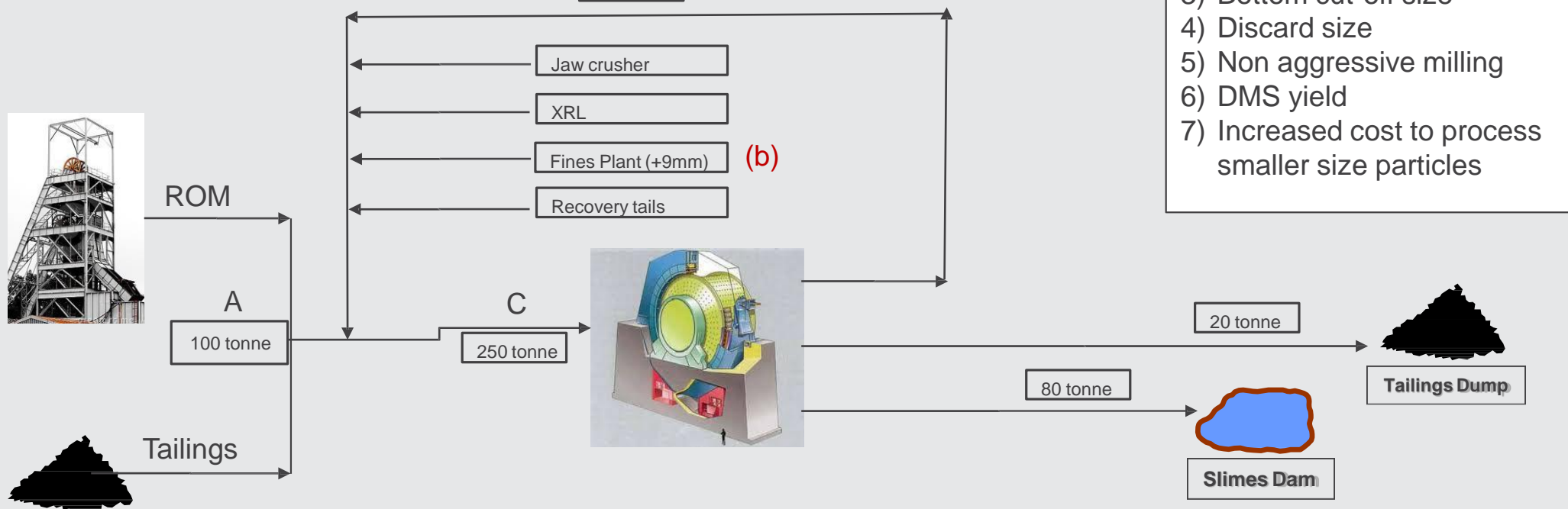
- First blue development commenced – **April 2014**
- First rings in the undercut blasted – **June 2015**
- New production levels established at 839m and shaft to 930m commissioned – **FY 2016**
- 1425m ore-handling system, allowing for future ramp-ups to utilise full C-Cut footprint – **FY 2017**
- Initial production from new C-Cut cave – **H2 FY'16;**
  - **FY 2017:** 0.815 Mt
  - **H1 FY 2018:** 0.830 Mt
- Ore shaft completed and commissioned – **H1 FY'17**
- New Cullinan plant reaches ROM nameplate capacity – **Nov 2017**
- Steady state ROM production (4 Mtpa) – **FY 2019**

**FY 2017 Development:** Waste: 1,049 metres; Raiseboring: 673 metres; Kimberlite: 2,530 metres



# New Cullinan Plant – Simplified Process Flow Diagram

**Annual capacity of 6 Mtpa:**  
4 Mtpa ROM and 2 Mtpa Tailings



A = New feed (ROM revenue per tonne ca. US\$58; Tailings revenue per tonne ca. US\$4 - 5)

B = Recirculating load (estimated contained value of ca. US\$2 per tonne) (b)

C = Total mill feed design capacity (A+B = 250 tonne)

Increasing recirculating load (B) to recover additional finer diamonds, will displace new feed capacity (A)

# New Plant Designed to Match Cullinan's Unique Characteristics

- Each kimberlite orebody has its own unique fingerprint
- Characteristics specific to the Cullinan ore:
  - Prevalence of large diamonds
  - Historically C-Cut area produced low-luminescent Type II diamonds, including high value blue diamonds
- All -55mm material only exposed to autogenous milling (comminution via attrition, not crushing) and all further liberation through High Pressure Grinding Rolls (HPGR); inter-particle crushing, thereby moving away from high impact cone crushing



574 carats



356 carats



281 carats



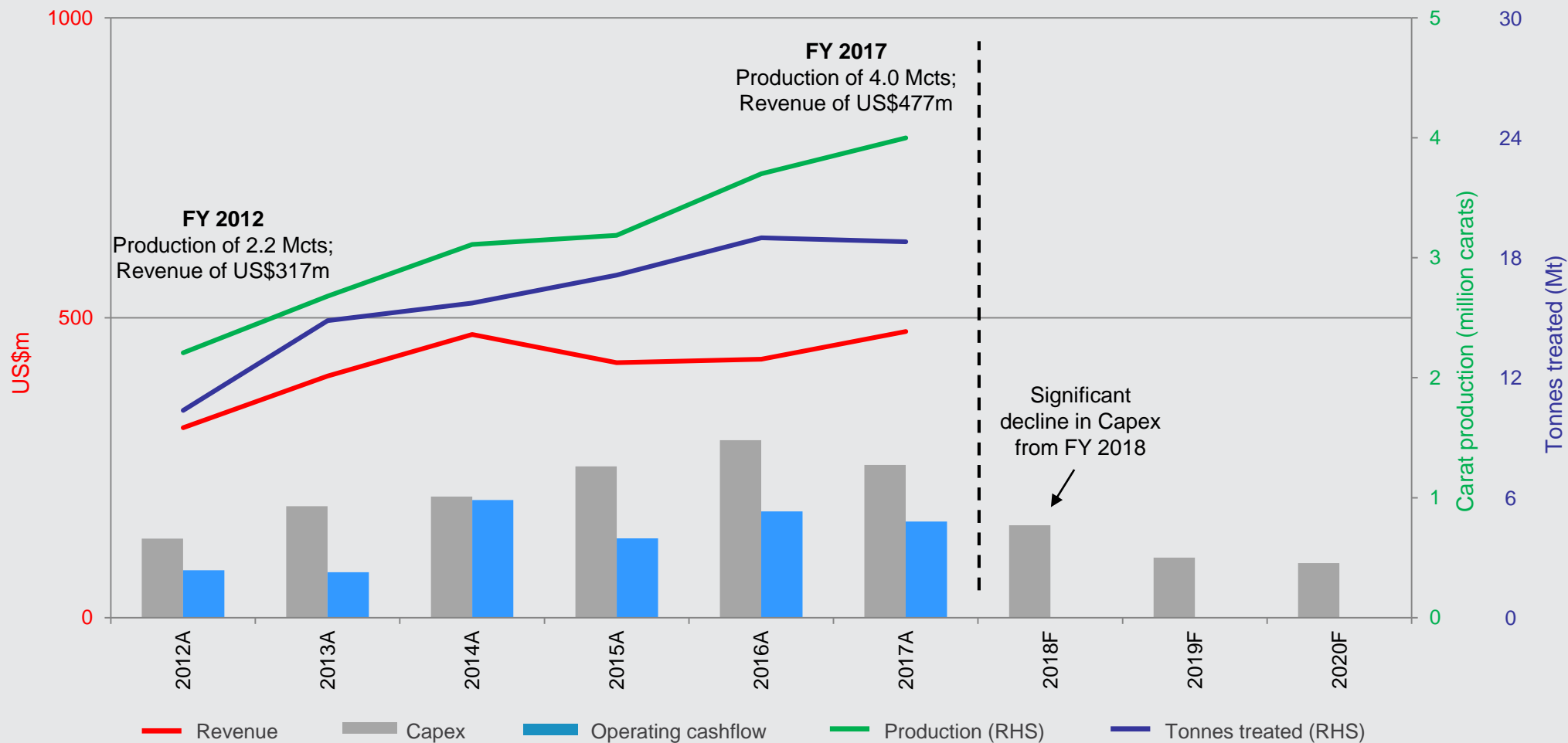
# Impact of New Cullinan Value and Grade Guidance

Contribution to overall average US\$/ct price per size class FY 2017 vs H1 FY 2018				
Size Class	Cumulative US\$/ct FY 2017		Cumulative US\$/ct H1 FY 2018	% Increase
+10.8ct	120	ca. 80% of value from ca. 10 cpht (ca. 25% volume)	140	16.6%
-10ct +5ct	77		86	11.5%
-5ct +2ct	57		64	12.8%
3 - 6 Grainers	41		47	13.7%
Melee	25		28	11.2%
-9	8		9	3.2%

Stones with a weight of 100 cts or more recovered during H1 FY 2018	
Weight	Description
574	Clivage
356	Brown Gem
281	Boart
147	Poor Clivage
100	Poor Clivage

- Diamond population recovered in H1 FY 2018 realised average diamond price of US\$140/ct (versus guidance of US\$113 – 119/ct)
- Substantial improvement in overall prices across entire diamond profile realised, despite weaker diamond market in H1 FY 2018 (like-for-like prices down ca. 3.5%)
- Historical average price of US\$148/ct realised for ca. 7.0 Mcts sold from FY 2010 to H1 FY 2018
- Diamond price guidance for H2 FY 2018 increased to US\$140 – 160/ct; supported by higher contribution from the Western side of the orebody, which is historically associated with a higher incidence of large and special stones, including blue diamonds
- Diamond grade guidance for H2 FY 2018 of 37 – 42 cpht (increased ore from undiluted areas, depletion of lower grade ROM stockpile)
- Impact on Petra outlook for FY 2018: Revenue guidance remains in line with current consensus  
: Production guidance reduces to 4.6 – 4.7 Mcts (from 4.8 – 5.0 Mcts previously)

# Completion of Heavy Investment Phase



# H2 FY 2018 Outlook

## Transformation continues

- Delivery of guidance of 2.4 – 2.5 Mcts in H2 supported by:
  - Increasing mining footprints of new production areas
  - Undiluted ore expected to double from two major projects on full year basis
  - Addition of new ore handling systems and new Cullinan Plant in full operation (with optimisation ongoing)

## Positive Diamond Market

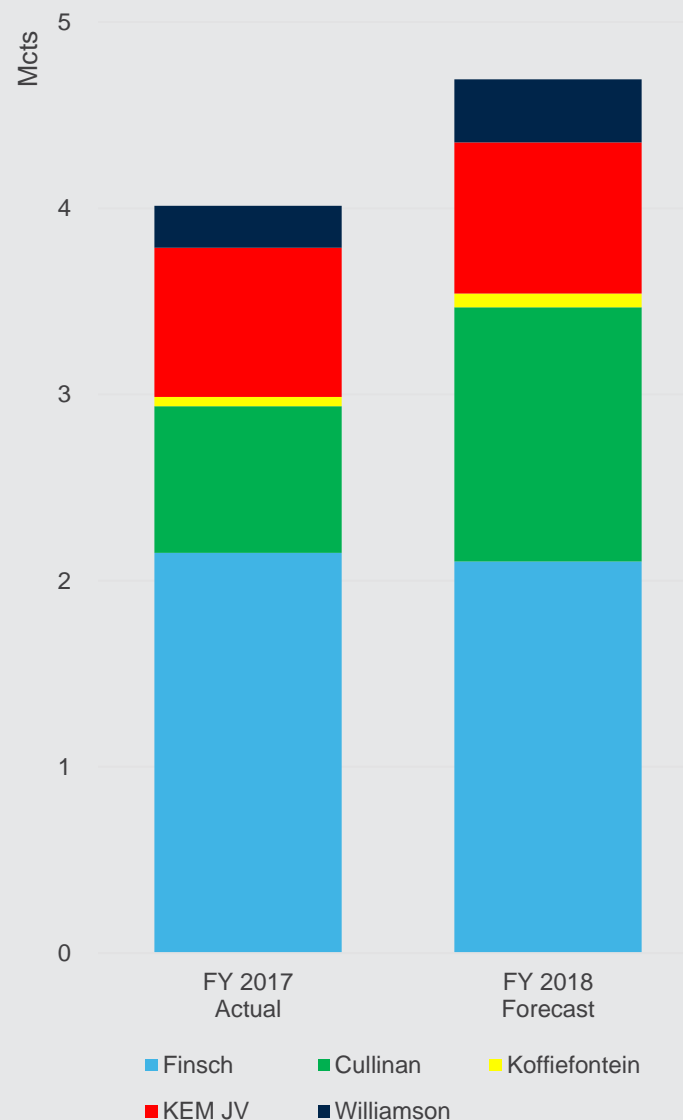
- January to April is seasonally the strongest time for the rough market; Petra sales weighted to H2 due to higher number of tenders

## Financial Management Objectives

- Increasing volumes against Petra's fixed cost base (ca. 70%)
- Capital review has identified deferrals of non-essential projects that will not impact on short to medium term production plans
  - Reductions of ca. US\$10 million in FY 2018, US\$20–25 million in FY 2019, US\$25-30 million in FY 2020
- Net debt expected to fall to ca. US\$600 million by June 2018
- Challenge of the strong Rand has sharpened focus on operating and capital expenses

## Risks to Outlook and Guidance

- All forecasts carried out assuming ZAR12:US\$1 and the sale of the blocked Williamson parcel in H2; risks also relate to potential variability in grade and value while production ramp up continues







## Appendix

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# Capital Structure

Share Price (1 year to 15 Feb 2018) vs  
FTSE 250



## As at 15 February 2018

	Number of voting rights	% ISC
BlackRock Investment (UK) Limited	69,987,534	13.1%
Standard Life Aberdeen plc	31,535,532	5.9%
Prudential (incorporating M&G Group Limited)	28,175,972	5.3%
T. Rowe Price Associates	25,956,589	4.9%
Directors	20,009,953	3.8%

## Listing

Average daily trading volume (shares) – (LTM)
Shares in issue
Free float
Market cap @ 70.5p (16 February 2018)

## LSE: PDL

4.05m
532.5m
93.7%
£375.4 / US\$526.0m

# The Petra Board



**Adonis Pouroulis**  
Non-Executive Chairman

Successful mining entrepreneur  
Founded Petra Diamonds in 1997 and floated first diamond company on AIM  
Along with fellow directors, built Petra into pan-African diamond group with over 5,600 employees  
Instrumental in raising funds to help finance and structure early stage mining companies in Africa



**Johan Dippenaar**  
CEO

One of South Africa's most successful diamond entrepreneurs with 27 years' experience  
Founded diamond group in 1990 and grew portfolio to three producing mines before listing as Crown Diamonds on ASX  
Merger with Petra in 2005 – now at helm of London's largest listed diamond company



**Jim Davidson**  
Technical Director

Acknowledged world authority on kimberlite geology and exploration  
Multidisciplinary career spanning 45 years across the full spectrum of the diamond mining process  
Formerly Head of Diamond Exploration for Rio Tinto across Southern Africa  
As Technical Director of Crown Diamonds, managed specialist underground fissure mines over a decade



**Jacques Breytenbach**  
Finance Director

Assumed role in February 2018. Mr Breytenbach first joined Petra in 2006 as Finance Manager – Operations before becoming CFO in 2016. Prior to this he was Finance Manager – Capital Projects at Anglo Platinum  
Leads financial management of Petra and is responsible for financing, treasury, financial controls, reporting, legal, investor relations, compliance and corporate governance



**Tony Lowrie**  
Senior Independent Non-Executive Director

Over 45 years' association with the equities business and an experienced NED Formerly Chairman of ABN AMRO Asia Securities & MD of ABN AMRO Bank. Has previously been a NED of Allied Gold Plc (prior to its merger with St Barbara Limited), Dragon Oil plc, Kenmare Resources, J. D. Wetherspoon plc, the Edinburgh Dragon Fund and several quoted Asian closed end funds



**Dr Patrick Bartlett**  
Independent Non-Executive Director

Acknowledged expert on kimberlite geology and design and geotechnical aspects of block caving  
Formerly Chief Geologist for De Beers; responsible for all kimberlite mines in South Africa  
In-depth knowledge of several Petra mines, having worked at Finsch, Koffiefontein, Kimberley Underground, plus was geologist at Cullinan between 1983 to 2003  
Since retiring has been involved in block caving projects for BHP, Anglo and Rio Tinto



**Gordon Hamilton**  
Independent Non-Executive Director

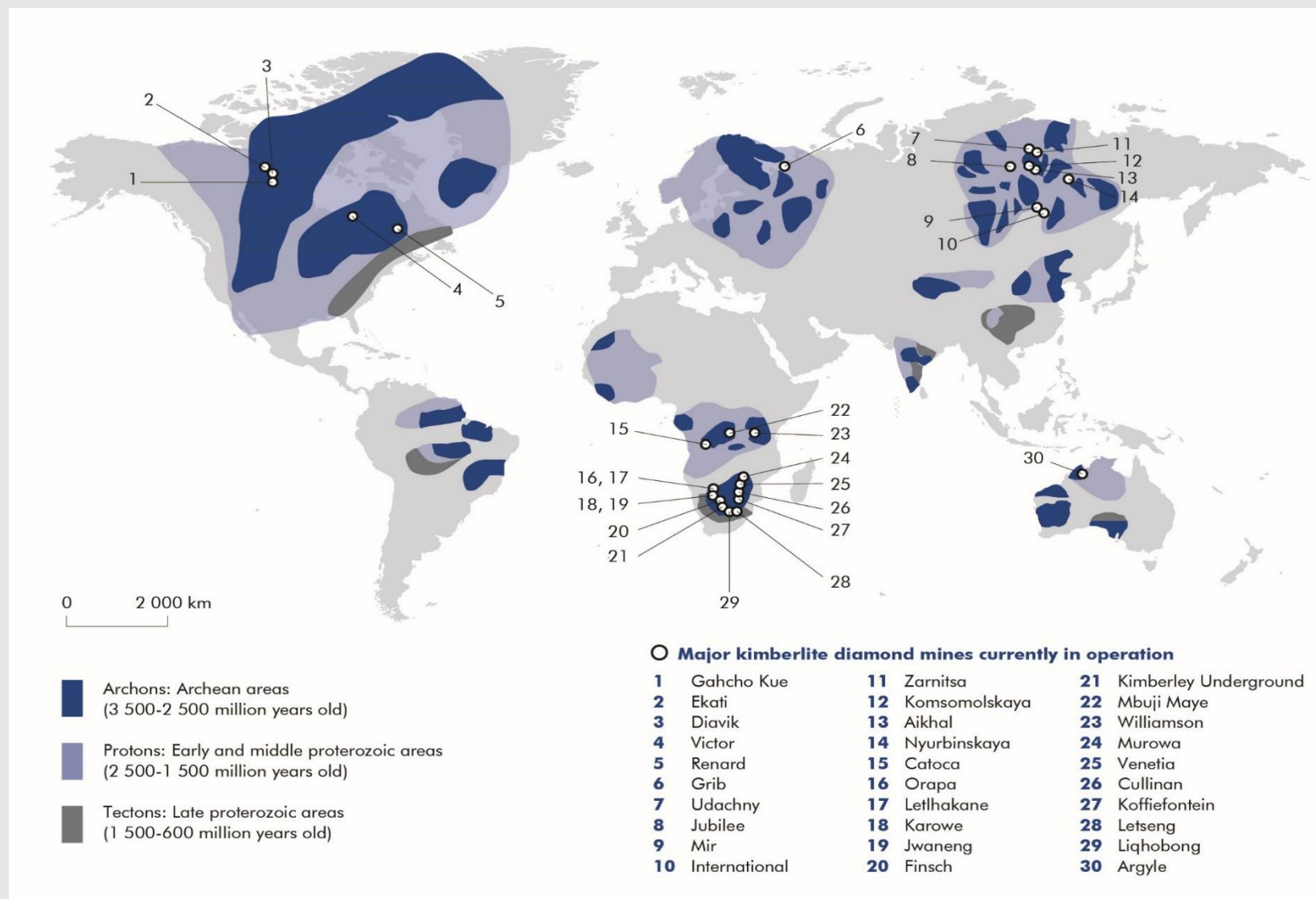
Extensive experience as a NED across wide range of businesses, both JSE and LSE listed; chairs Audit Committee for all these companies  
Formerly a partner for +30 years at Deloitte & Touche LLP; primarily responsible for multinational and FTSE 100 listed company audits, mainly in mining, oil & gas, and aerospace and defence; headed up Deloitte South Africa desk in London  
Served for 9 years as member of the UK Financial Reporting Review Panel



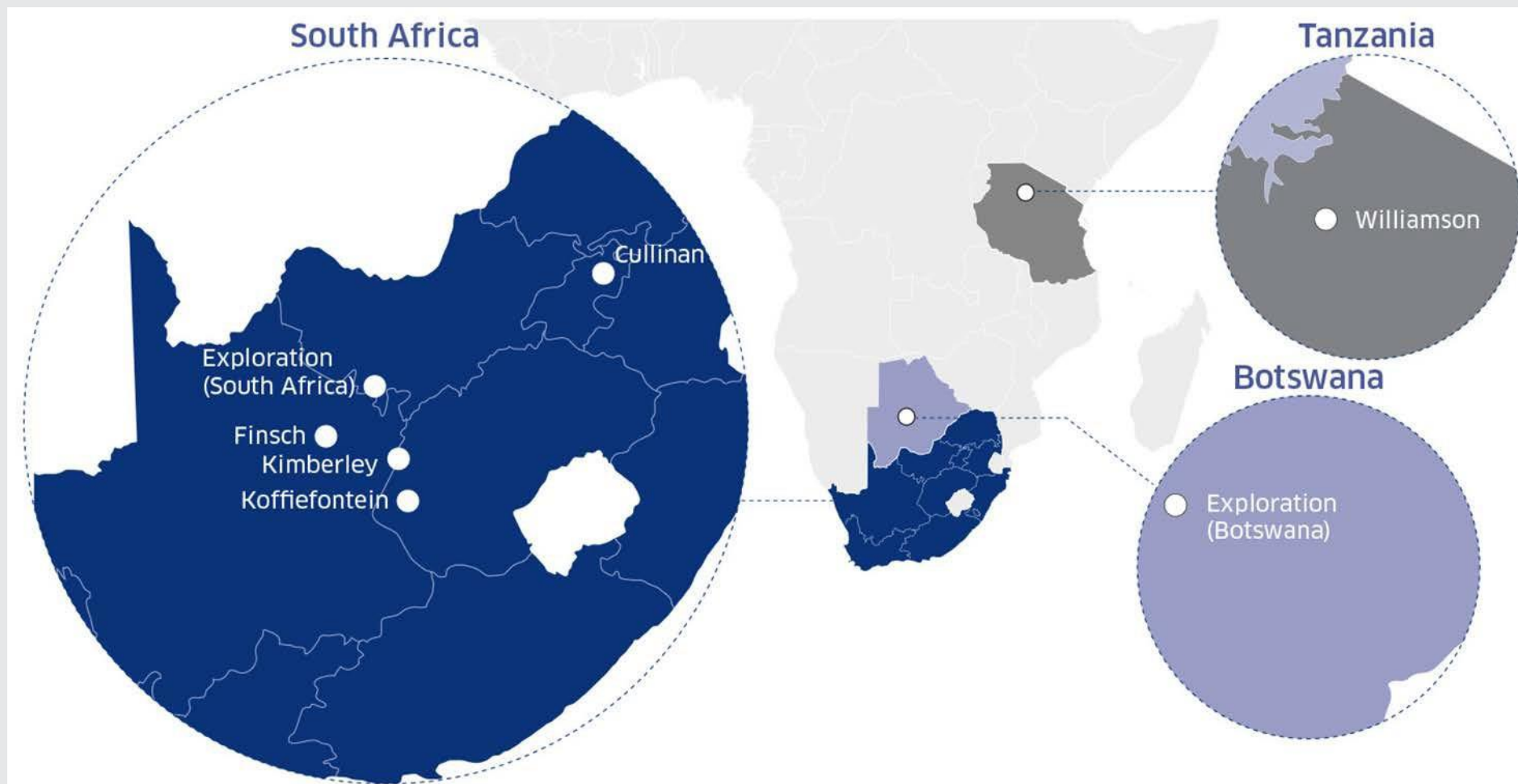
**Octavia Matloa**  
Independent Non-Executive Director

A chartered accountant with broad business, financial and auditing experience Member of the Audit Committee  
Completed articles with PwC in South Africa in 2000 before joining the Department of Public Transport, Roads and Works, first as deputy chief financial officer, followed by chief director management accountant  
An entrepreneur who has founded a number of businesses

# World Diamond Mines



# Focus on Africa



- Five producing mines (four in South Africa and one in Tanzania), plus exploration in Botswana and South Africa
- Diversified portfolio is key to managing production risk across the Group



# Petra has grown by acquisitions, not discoveries

- Petra explored for diamonds from 1997 to 2008 in Angola; despite discovery of +200 kimberlites, was not able to identify economic orebody (efforts hampered by GFC and difficulty operating in country)
- These former De Beers mines were the mainstay of world production before the Russian and Botswana mines opened from the 1960s onwards

## Date of acquisition by Petra and its partners<sup>1</sup>

July 2007	July 2008	February 2009	May 2010	September 2011	January 2016
Koffiefontein	Cullinan	Williamson	Kimberley UG	Finsch	Kimberley Mines
					
South Africa Sub-level / Block Cave Mine Plan to 2025	South Africa Block Cave Mine Plan to 2030	Tanzania Open Pit Mine Plan to 2033	South Africa Block Cave Mine Plan to 2035	South Africa Sub-level / Block Cave Mine Plan to 2030	South Africa Tailings Operations Mine Plan to 2035

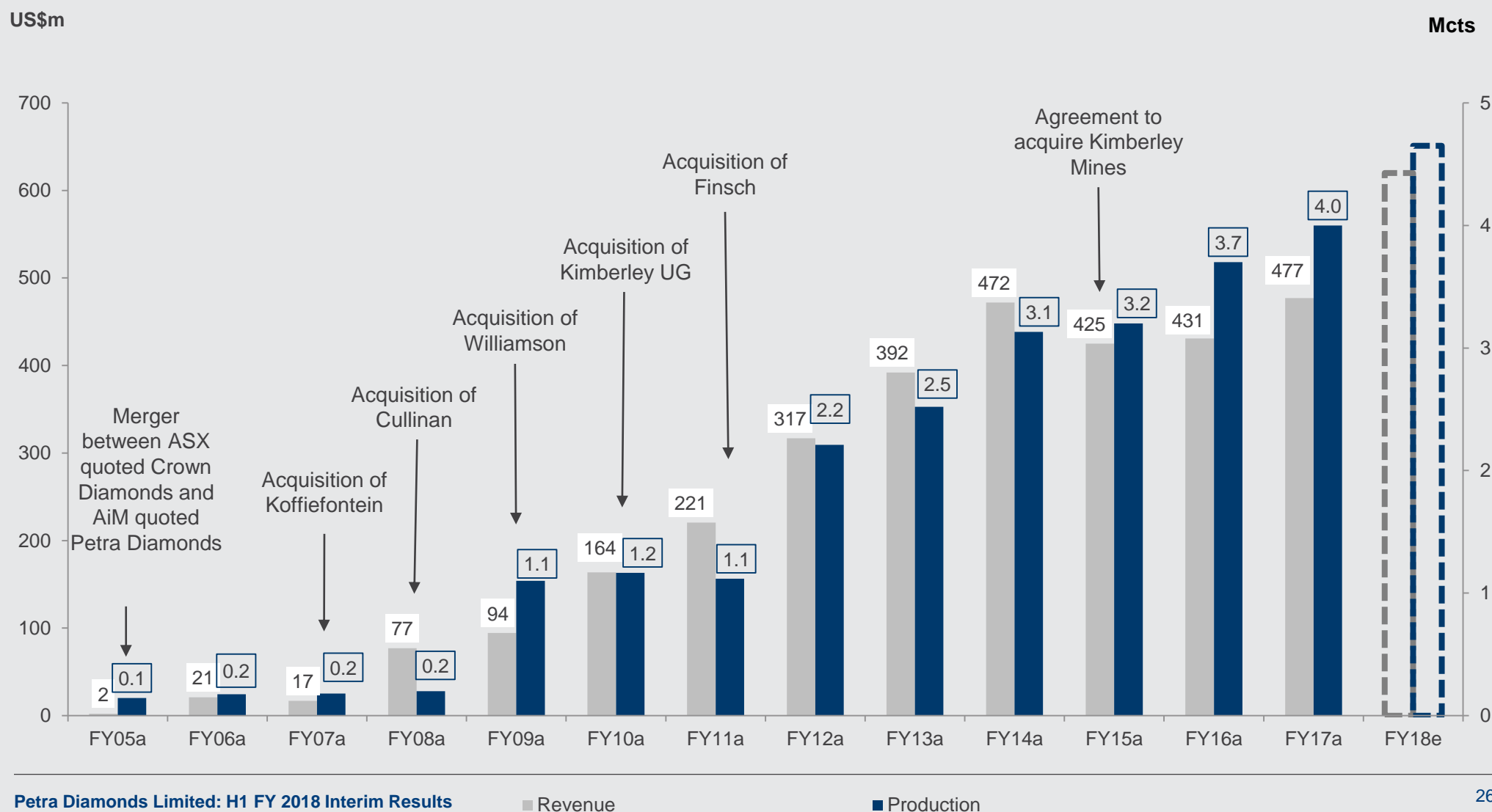
## Year of first production

1870	1903	1940	1869	1967	1869
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1. Refer to 'FY 2018 Analyst Guidance – Explanatory Notes', section 'Effective Interest in Mines' at <https://www.petradiamonds.com/investors/analysts/analyst-guidance> for disclosures re. Petra's interest in its mines

# Our Growth Path

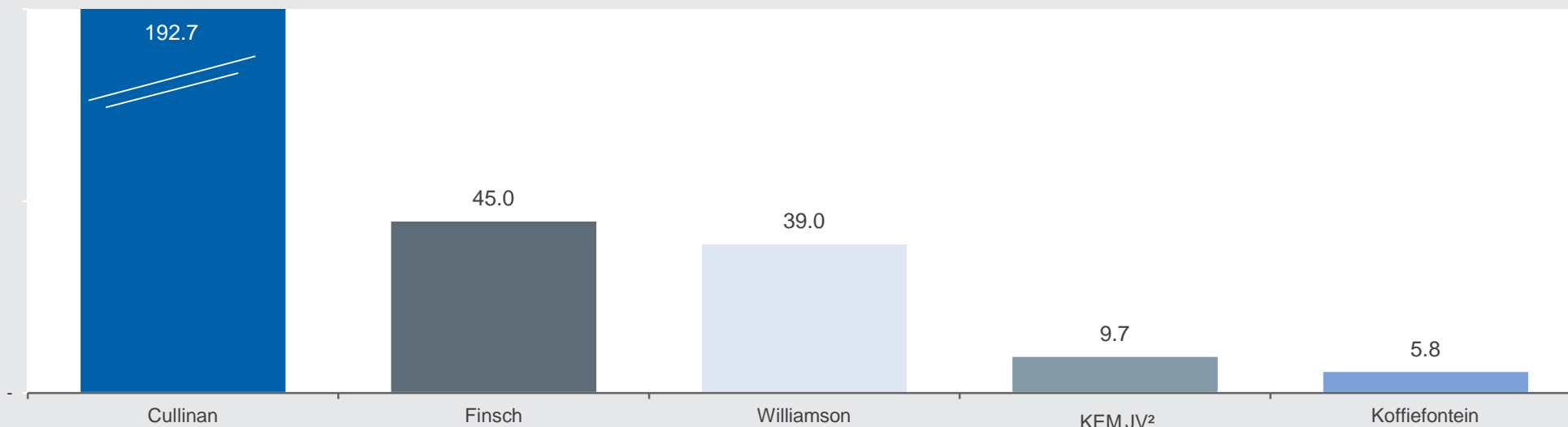
- Production has grown from 0.1 to 4.0 million carats
- Revenue has grown from US\$2.3 million to US\$477.0 million



# 2017 Resource Statement (30 June 2017)

World-class Resource base of 305.0 million carats<sup>1</sup>

Gross Resources (Mcts)



1. The total Group Resource includes 4.1 Mcts for the Helam mine in South Africa (now on care and maintenance) and 8.7 Mcts for the KX36 exploration project in Botswana
2. All KEM JV Reserves and Resources changed to 75.9% attributable to Petra from 1 July 2016 due to the formation of the KEM JV on that date

# Diamond Market – Overview



PetraDiamonds

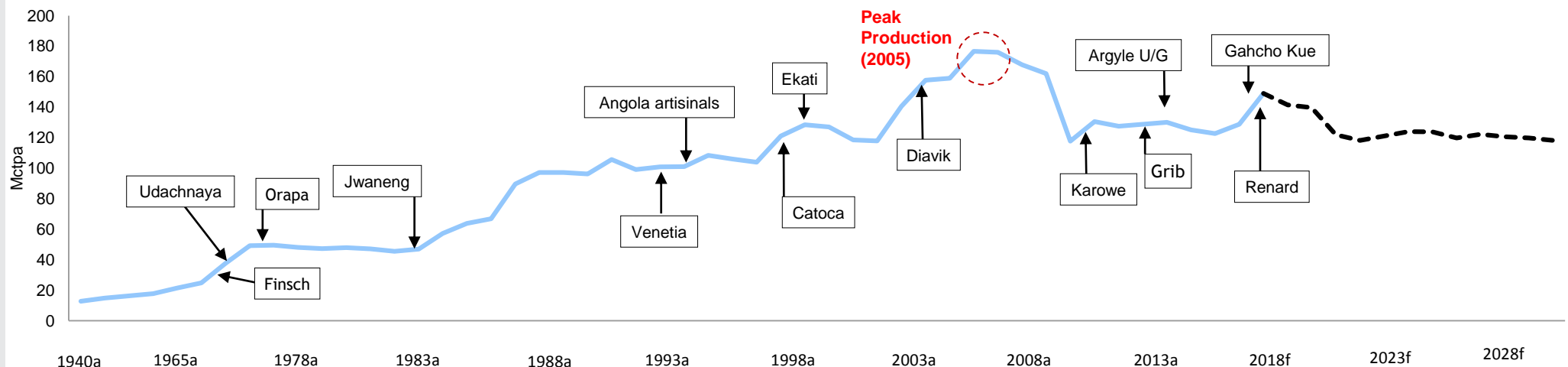
## Supply

- **Supply constraints:** Global rough diamond production rose 6% to 134 Mcts worth \$12.4bn in 2016 (average \$92/ct)
- **No new finds:** success rate in diamond exploration estimated to be <1% - no significant finds this century
- **Overall declining trend:** 2005 expected to have been world peak diamond production
- 'New' mines that came on stream in 2016/2017 not large enough to counter declines from world's major producers
- Several mines/development projects recently closed
- World supply expected to decline slowly after 2019 / 2020

## Demand

- **Global market:** rose 0.3% to record high of \$80bn in 2016
- **US recovery:** economy continues to improve; very strong diamond buying culture (ca. 47% of world demand)
- **"Late cycle" commodity:** growth in developed and emerging markets to continue further to rising wealth and growing middle classes worldwide
- **Bridal underpin:** The bridal sector provides a certain level of immunity to fluctuating economic conditions; desire for diamond bridal jewellery increasingly taking hold in emerging markets
- **Mass luxury:** China / India starting to follow US model of affordable diamond jewellery (\$200 to + \$2,000)

## Global Diamond Supply: Historical & Forecast Rough Production





# Petra Production Profile

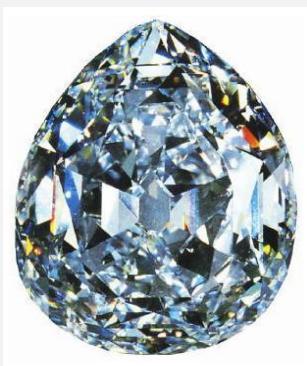
- Production profile of a kimberlite is highly consistent when the mine is in steady state production
- Ever growing volumes across the full diamond spectrum (from lowest to highest value)
- Growing trend for mass luxury supported by strong pricing performance in smaller / 2nd to 3rd quality goods



# Iconic Diamonds From Iconic Mines



PetraDiamonds



The Greater Star of Africa  
Largest polished yield  
from the Cullinan at  
530ct; sits in the Royal  
Sceptre  
*Cullinan, 1905*



The Cullinan Heritage  
507.5 carats rough  
*Cullinan, 2009*

The Williamson Pink  
55ct rough; 24ct polished;  
gifted to Princess Elizabeth  
on her engagement  
*Williamson, 1947*



The Golden Jubilee  
755.5ct rough,  
545.6ct polished  
*Cullinan, 1986*



The Cullinan  
3,106 carats rough  
Largest gem diamond ever discovered  
*Cullinan, 1905*

The Oppenheimer  
253.7ct rough  
Perfect yellow diamond  
*Dutoitspan Mine,  
Kimberley U/G, 1964*



The Star of Josephine  
26.6ct rough,  
7.0ct polished  
*Cullinan, 2009*



The Blue Moon  
29.6ct rough, 12.0ct polished  
*Cullinan, 2014*

The Taylor Burton  
240.8ct rough,  
69.4ct polished  
*Cullinan, 1966*



# The Most Highly Concentrated Form of Wealth

Examples of recent polished coloured diamond sales at auction



**The 14.62ct  
Oppenheimer  
Blue diamond**

Sold for \$57.7m  
\$3.9m per carat,  
18 May 2016



**The 12.03ct Blue  
Moon of  
Josephine  
diamond**

Sold for \$48.4m  
\$4.0m per carat,  
12 November 2015



**The 24.18ct  
Cullinan Dream  
diamond**

Sold for \$25.4m  
\$1.1m per carat,  
9 June 2016

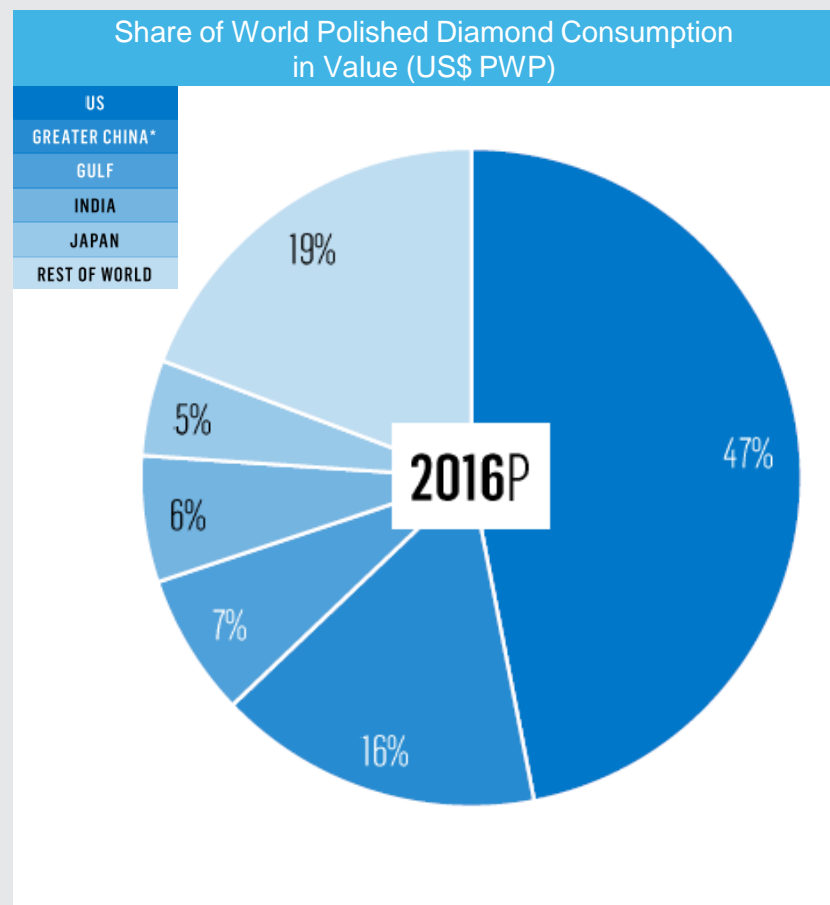


**The 59.60ct  
Pink Star  
diamond**

Sold for \$71.2m  
\$1.2m per carat,  
4 April 2017

# The Diamond Market in 2016

- Global diamond jewellery sales +0.3%: ca. \$80 billion



Source: De Beers Diamond Insight Report 2017



# FY 2017 Operational Results



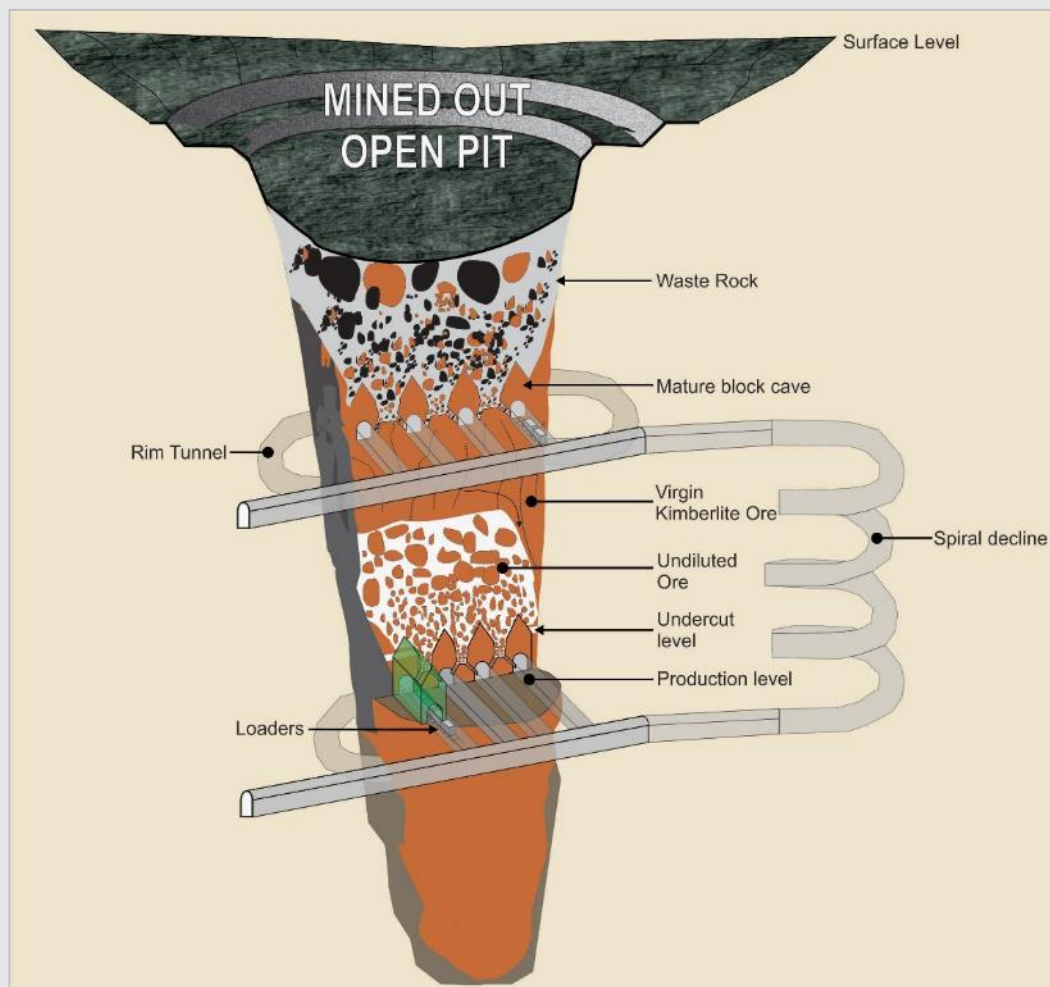
PetraDiamonds

	Finsch		Cullinan		Koffiefontein		KEM JV		Williamson <sup>2</sup>	
	H1 FY18	FY 2017	H1 FY18	FY 2017	H1 FY18	FY 2017	H1 FY18	FY 2017	H1 FY18	FY 2017
<b>ROM PRODUCTION</b>										
Tonnes Treated (t)	1,559,280	3,212,169	1,783,229	1,882,911	289,478	667,821	430,188	597,025	2,403,393	3,667,781
Grade (cpht)	59.8	56.6	33.8	36.1	8.7	7.7	11.5	14.7	7.0	5.8
Diamonds recovered (carats)	931,859	1,818,454	602,594	679,622	25,292	51,173	49,519	87,783	168,881	212,215
<b>TOTAL PRODUCTION</b>										
Tonnes treated (t)	2,074,503	4,863,258	1,820,252	2,389,087	289,478	667,821	3,232,973	6,750,682	2,596,565	4,071,592
Diamonds recovered (carats)	1,036,596	2,149,896	607,235	786,509	25,292	51,173	364,099	800,434	174,834	225,202
<b>SALES</b>										
Diamonds sold (carats)	970,446	2,141,885	439,012	760,957	21,555	56,068	300,793	821,963	79,445	226,110
Average price per carat (US\$)	104	101	140	120 <sup>1</sup>	511	506	111	100	233	258
Revenue (US\$M)	100.8	216.7	61.4	91.3	11	28.4	33.5	82.3	18.5	58.4
On-mine cash cost per tonne treated <sup>1</sup>	R325	R253	R256	R316	R634	R532	R146	R133	US\$10	US\$12
<b>TOTAL CAPEX<sup>1</sup></b>	<b>34.5</b>	<b>85.6</b>	<b>40.5</b>	<b>151.2</b>	<b>7.8</b>	<b>18.8</b>	<b>8.1</b>	<b>28.4</b>	<b>2.2</b>	<b>15</b>

1. Operating costs and capex are not reported on a quarterly basis

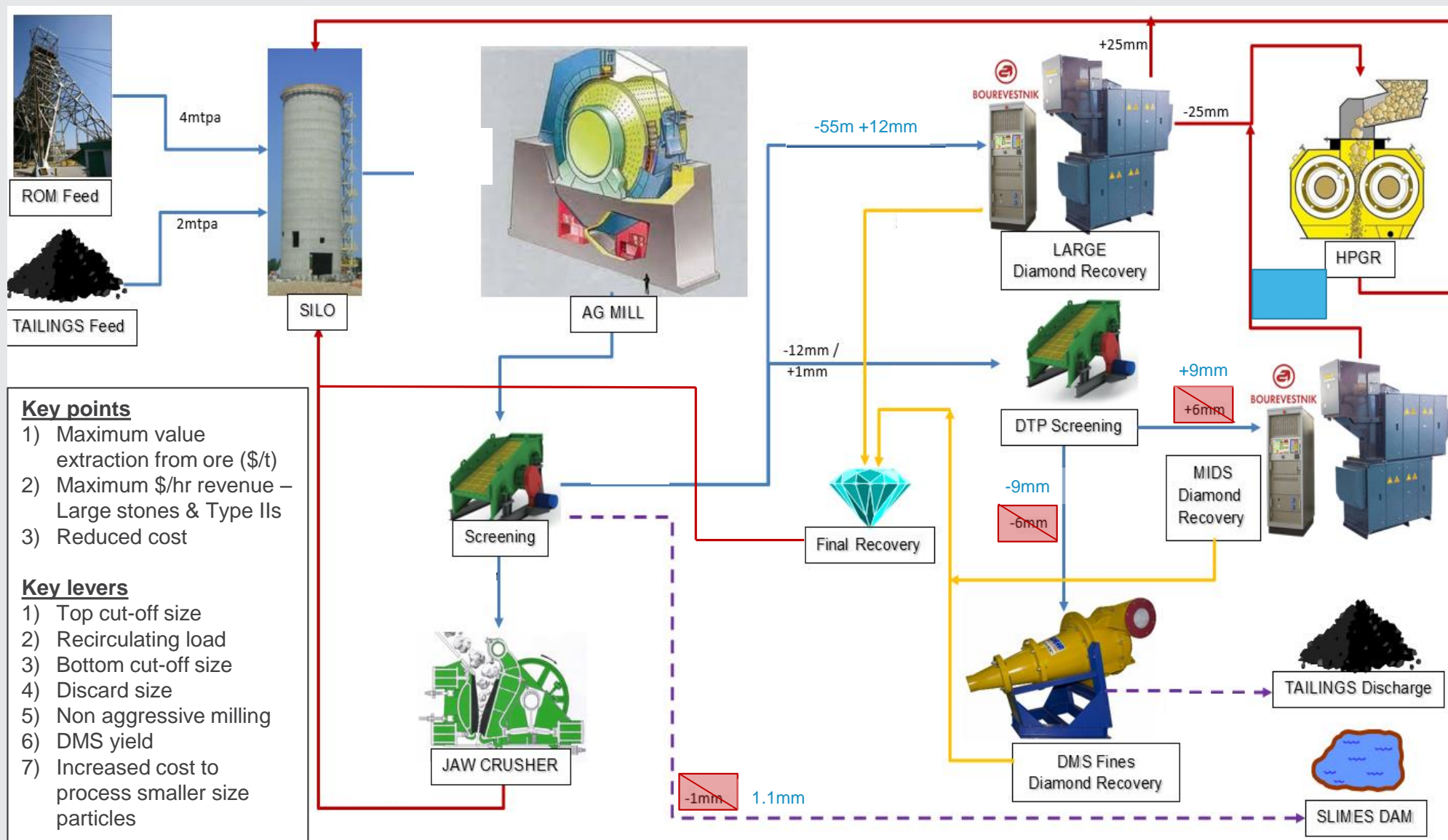
2. There were no sales from Williamson during Q1, due to a parcel of 71,654 carats being detained by the GoT; Petra is in ongoing discussions with the GoT in order to reach a suitable resolution with regards to this parcel

# Moving to Undiluted Ore

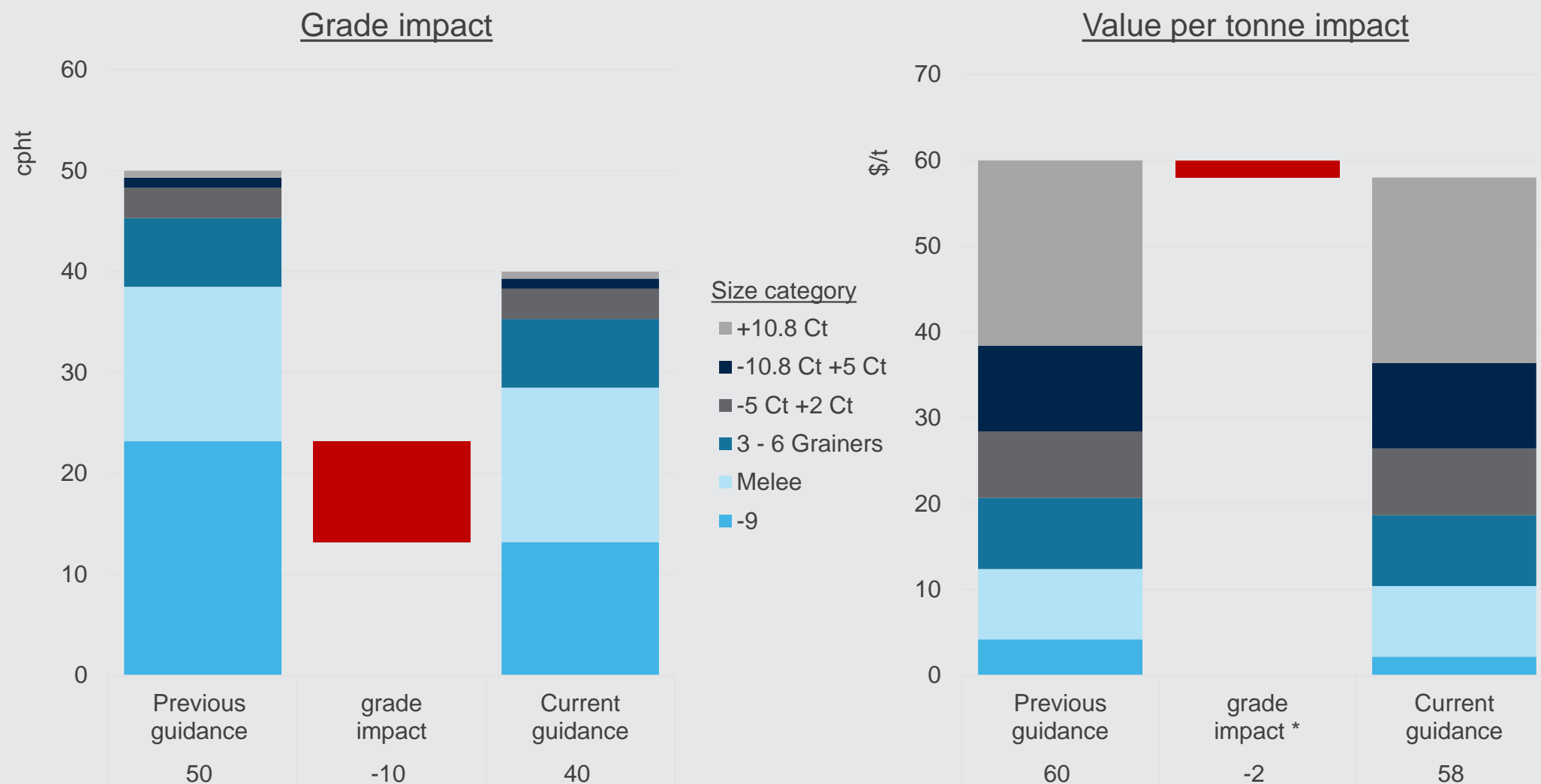


- Caving is a safe and proven mechanised mining method
- Allows for the bulk mining of large orebodies and enables a higher ore extraction percentage compared to other underground mining methods
- A highly cost effective mining method once the capital to put the associated infrastructure in place has been spent – comparable with certain open pit operations
- Petra transition from diluted, mature caves nearing end of lives to new block / sub level caves in undiluted kimberlite well underway
- Value per tonne to increase further to rising input of undiluted ore

# New Cullinan Plant – Simplified Process Flow Diagram



# Impact of New Cullinan ROM Value and Grade Guidance





# Cullinan – Grade versus Value Analysis

- Original steady state grade guidance of ca. 50 cpht at Cullinan based on actual mine production records – see Figure 1
- The new plant at Cullinan was commissioned in Q1 FY 2018 – initial indications are that it will not be cost effective to pursue similar diamond liberation of fine (small) diamond recoveries as originally envisaged
- De-risks capacity / opportunity to add new feed
- Figure 2 demonstrates that the diamond profile of the new plant is significantly weighted to diamonds in the larger size fractions, and significantly less to those in the smallest size fraction

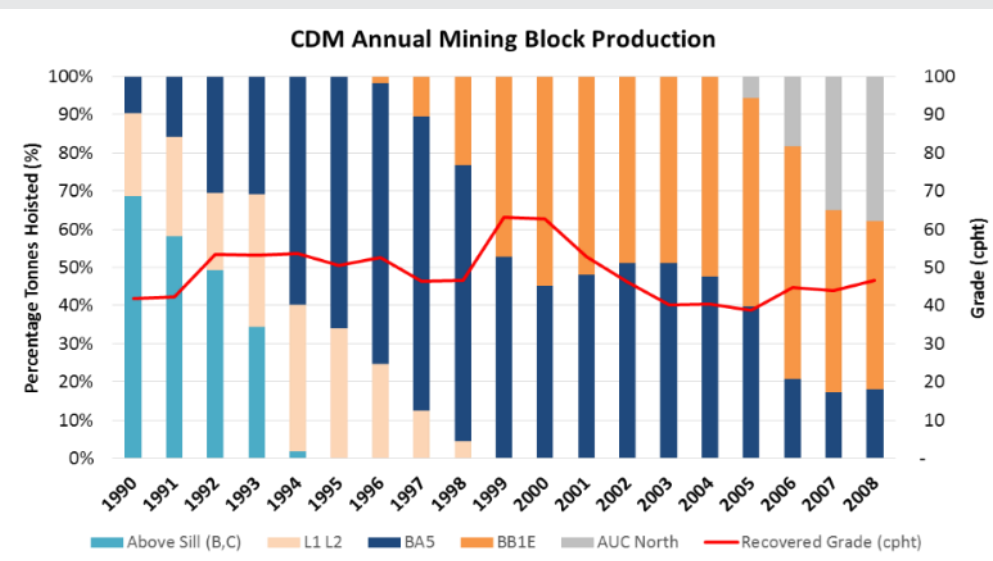


Figure 1 – Historical Grade and Production Profile

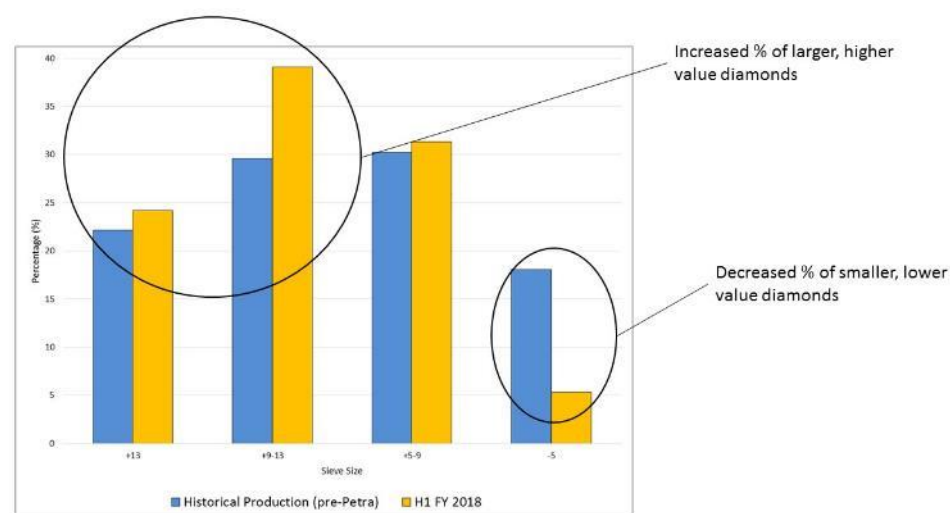


Figure 2 – Recoveries per diamond size fraction for old plant versus new plant

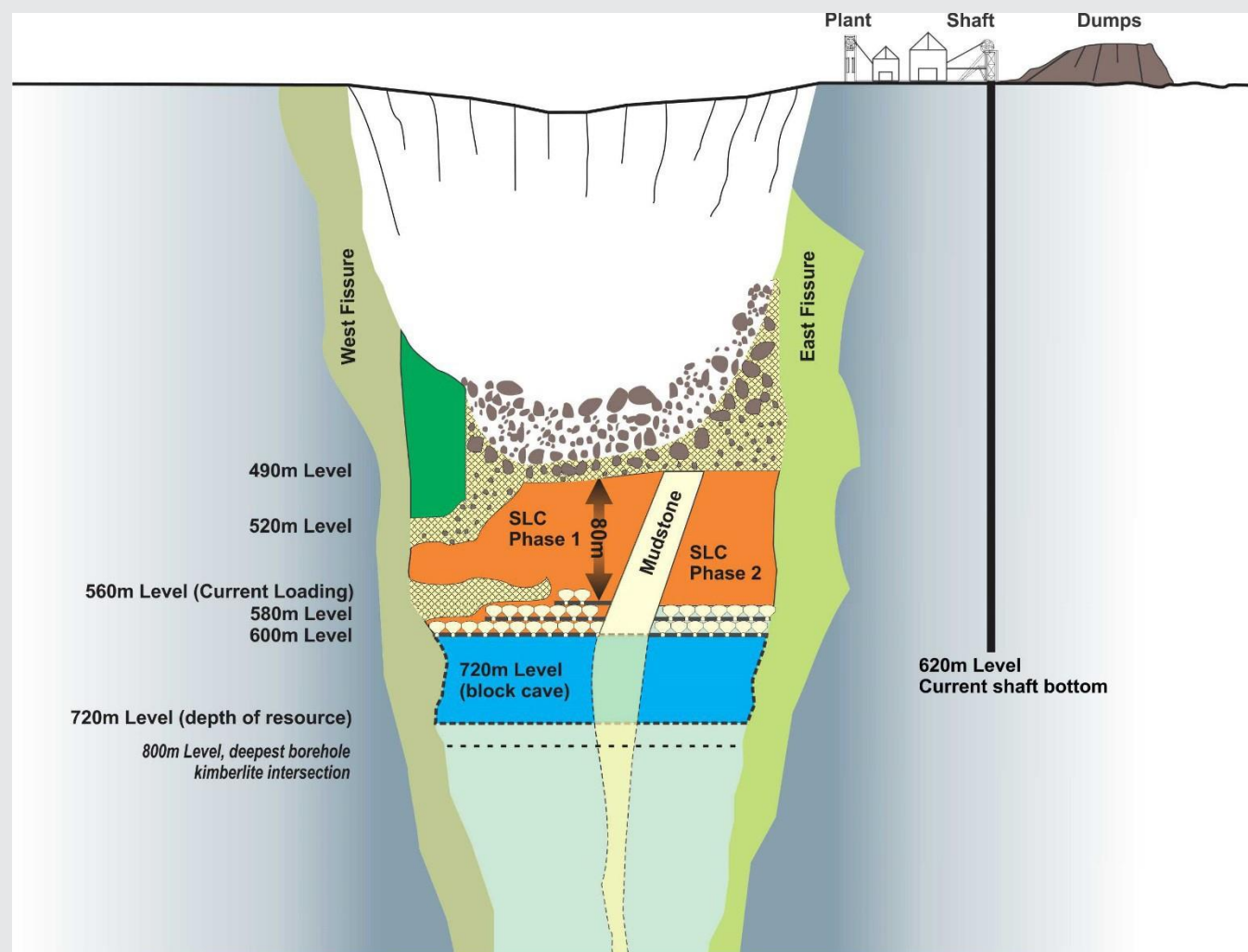
# Koffiefontein – Development Programme

## Expansion Plan

### Expansion Plan – to take production to ca. 85,000 ctpa by FY 2018

- SLC to be mined over 3 levels from 560mL to 600mL
- Production commenced from first tunnels of SLC on 560 mL – **end FY 2015**
- 52L Western Fissure came into production to supplement ore from SLC Phase 1 on 56L – **FY 2016**
- Ramp up ROM production to 1.1 Mt – **FY 2019**

## Koffiefontein Kimberlite Pipe Schematic



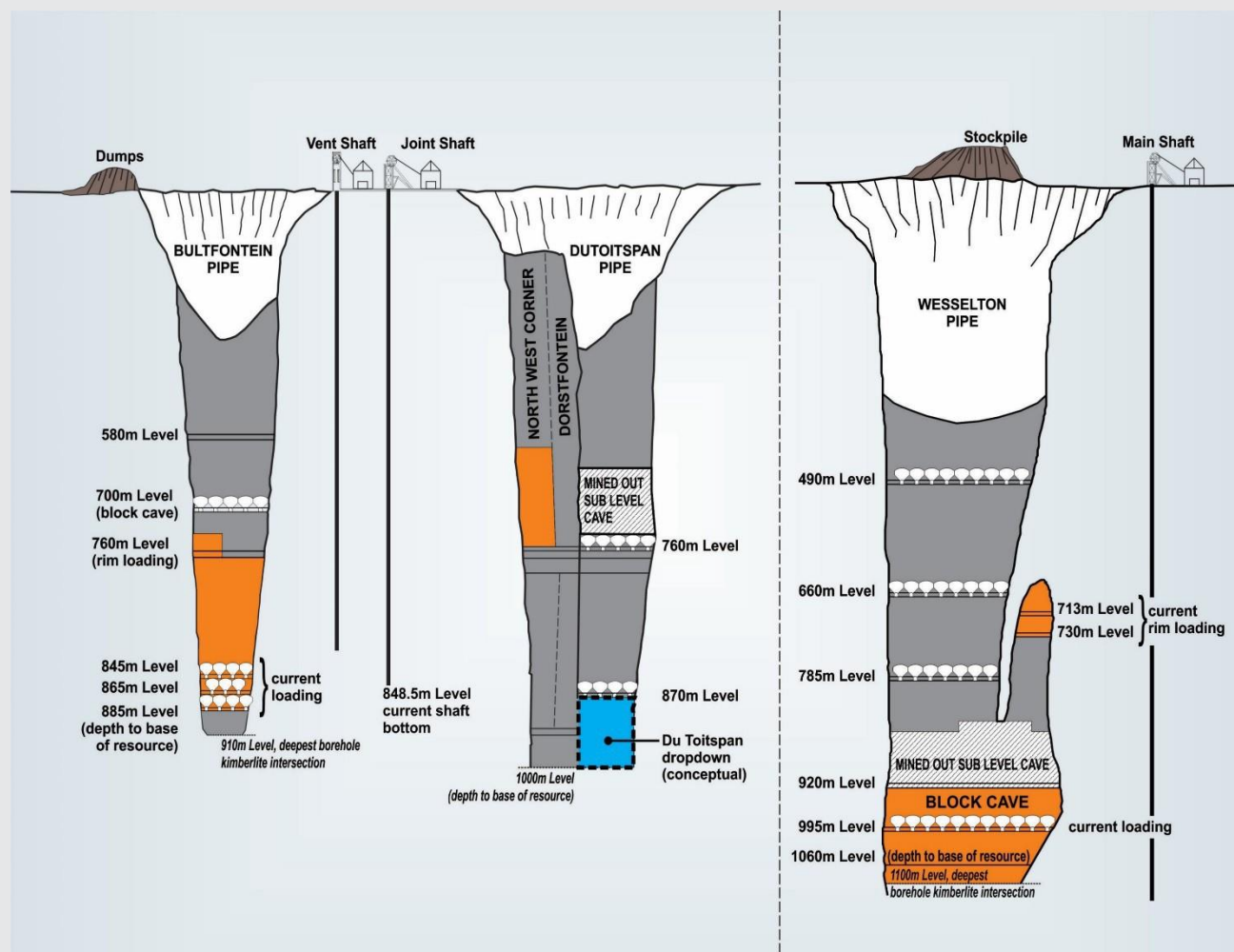
# Kimberley Underground – Development Programme

## Expansion Plan

**Expansion Plan – planned underground production of ca. 215,000 ctpa from FY 2019**

- Underground ore to be treated at Central Treatment Plant – **from FY 2017**
- Planned grade of 15 cpht – **FY 2018**
- ROM tonnes ramping up from 1.1 Mt planned in FY 2018 to ca. 1.2 Mtpa – **from FY 2019**
- Underground development at Wesselton and Dutoitspan to extend minelife

## Kimberley Underground Kimberlite Pipes Schematic



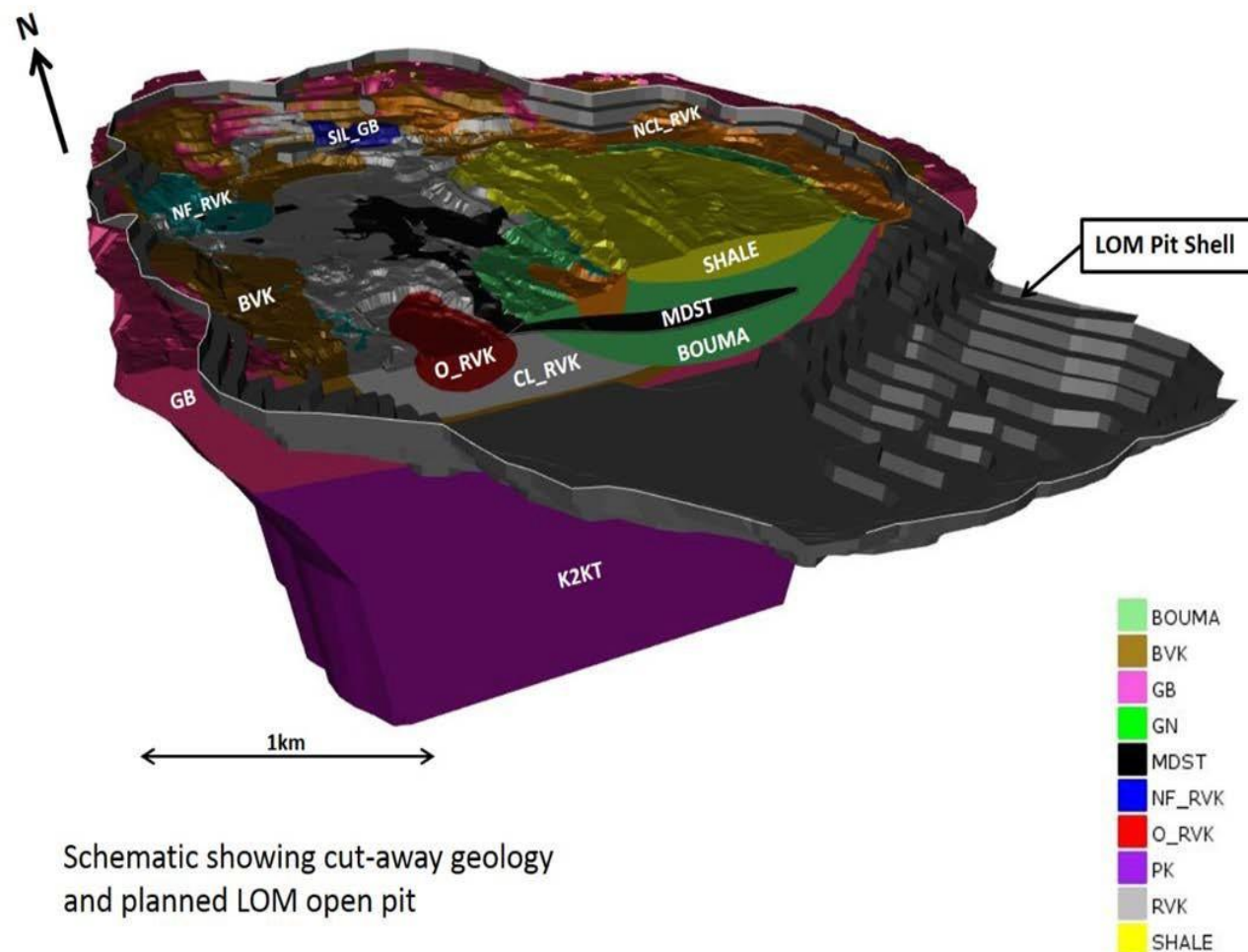
# Williamson – Development Programme

## Expansion Plan

**Expansion Plan – to take production to ca. 337,500 ctpa by FY 2019**

- Plant modifications (additional crusher circuit, 2 autogenous mills) completed – **FY 2017**
- ROM throughput planned at 4.6 Mt – **FY 2018**
- Ramp up of ROM throughput to ca. 5 Mtpa (at ca. 6.5 – 7 cpht) by **FY 2019**

## Williamson Kimberlite Pipe Schematic





# Debt Facilities

- Bank facilities (excl. FX lines) as at 31 December 2017: ca. US\$121.2 million
- Bank debt facilities undrawn and available to the Group as at 31 December 2017: US\$7.4 million, in addition to cash at bank of US\$119.1 million (including restricted amounts of ca. US\$14.4 million)

Lender	Type	Size ZARM	Size US\$M <sup>1</sup>	Utilised at 31 Dec 2017 ZARM/US\$M	Interest Rate	Repayment
Absa & Nedbank	ZAR Revolving credit facility	1,000	80.8	ZAR1,000M	1M JIBAR + 5.0% <sup>2</sup>	Repayable Oct 2021
Absa & RMB (FNB)	ZAR Working capital facility	500	40.4	ZAR409M	SA Prime – 1.0% <sup>2</sup>	Subject to annual renewal

1. Converted to USD using exchange rate of ZAR12.38/USD1
2. Further to the covenant changes set out on slide 42, Petra's lender group will apply an increase in the interest rates to both South African debt facilities in the event that the Company's Consolidated Net Debt exceeds 2.5x Consolidated EBITDA and a further additional interest increase will apply should the Company's Consolidated Net Debt exceed 3x Consolidated EBITDA. This will apply from the June 2018 covenant measurement period onwards. Petra will announce the impact on interest rates as soon as this has been finalised with the lender group

# Bank Debt Facilities – Covenants

Covenant	Maintenance Covenants			Distribution Covenants
	12 months to 31 Dec 2017 Required ratio	12 months to 30 June 2018 Required ratio	12 months to 31 Dec 2018 Required ratio	All periods Required ratio
Consolidated Net Debt <sup>2</sup> to Consolidated EBITDA	n/a <sup>1</sup>	≤3.5x (revised from ≤2.5x)	≤3.5x (revised from ≤2.5x)	≤2.0x
Consolidated EBITDA to Consolidated Net Finance Charges	n/a <sup>1</sup>	≥3.0x (revised from ≥4.0x)	≥3.0x (revised from ≥4.0x)	≥6.0x
Consolidated Net Senior Debt <sup>3</sup> to Book Equity <sup>4</sup>	≤0.4x	≤0.4x	≤0.4x	≤0.3x
Minimum liquidity covenant <sup>5</sup>	n/a	TBC	TBC	TBC

1. Waiver obtained for 31 December 2017 measurement period
2. Consolidated net debt is loans and borrowings, less cash, less diamond debtors; consolidated net debt includes the BEE guarantees of ZAR1.37 billion (ca. US\$111 million) as at 31 December 2017, issued by Petra to the lenders as part of the BEE financing concluded in December 2014
3. Consolidated Net Senior Debt means at any time the Consolidated Gross Debt (excluding any second lien and other subordinated debt)
4. Book Equity is Equity excluding accounting reserves
5. This is a new covenant that will apply from the June 2018 measurement period onwards; Petra will announce the new liquidity covenant as soon as it has been agreed with the lender group

# Leverage Ratios

		30 June 2017	30 June 2016
IFRS Net debt <sup>1</sup>	USDM	555.3	375.8
Consolidated net debt (for bank debt covenant measurement)	USDM	616.8	464.6
Gearing <sup>2</sup>	%	86	69
Adjusted EBITDA <sup>3</sup>	USDM	157.2	164.3
EBITDA margin <sup>4</sup>	%	33	38
Consolidated net debt: EBITDA <sup>5</sup>	x	3.9	2.8
EBITDA: net interest cover <sup>6</sup>	x	2.8	4.3

1. Net debt is the US\$ loan notes and bank loans and borrowings net of cash at bank

2. Gearing is calculated as IFRS net debt divided by total equity

3. Adjusted EBITDA, stated before depreciation, share-based expense, net finance expense, tax expense, impairment charges, net unrealised foreign exchange gains and losses and loss on discontinued operations

4. EBITDA margin is Adjusted EBITDA divided by revenue

5. Consolidated net debt: EBITDA is Consolidated net debt divided by Adjusted EBITDA

6. EBITDA: net interest cover is EBITDA divided by net finance costs, exchange gains or losses and unwinding of present value adjustment for rehabilitation costs

## Revised Capex Profile – FY 2018 – FY 2020

Financial Year:		2018	2019	2020
Operation:				
Finsch	Expansion Capex (ZAR million)	530	290	360
	Sustaining Capex (ZAR million)	140	90	90
Cullinan	Expansion Capex (ZAR million)	755	460	240
	Sustaining Capex (ZAR million)	85	90	90
Koffiefontein	Expansion Capex (ZAR million)	170	75	35
	Sustaining Capex (ZAR million)	40	35	35
KEM JV <i>75.9% attributable</i>	Expansion Capex (ZAR million)	120	65	85
	Sustaining Capex (ZAR million)	80	75	75
Subtotal (SA Operations)	Expansion Capex (ZAR million)	1,575	890	720
	Sustaining Capex (ZAR million)	345	290	290
	<b>TOTAL Capex (ZAR million)</b>	<b>1,920</b>	<b>1,180</b>	<b>1,010</b>
Williamson	Sustaining Capex (USD million)	3	6	7
Petra (All Operations)	Expansion Capex (USD million)	124	74	60
	Sustaining Capex (USD million)	30	30	31
	<b>TOTAL Capex (USD million)</b>	<b>154</b>	<b>104</b>	<b>91</b>

1. All Capex numbers are stated in FY 2018 money terms

2. Where applicable, an exchange rate of ZAR12:US\$1 was used from H2 FY 2018 onwards, following R13.40 achieved in H1

3. Capex estimates above do not include capitalised borrowing costs; guidance is to assume majority of borrowing costs are to be capitalised, although the level of capitalisation will decline over the next three years as the projects are nearing completion.





# Thank You

**Further enquiries:**

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