



17 February 2020

LSE: PDL

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

Interim results for the six months to 31 December 2019

Petra Diamonds Limited announces its interim results (unaudited) for the six months to 31 December 2019 ("the Period" or "H1 FY 2020" or "H1").

Financial

- Revenue down 6% to US\$193.9 million (H1 FY 2019: US\$207.1 million) due to a decline in rough diamond prices.
- Adjusted EBITDA³ down 11% to US\$67.2 million (H1 FY 2019: US\$75.6 million).
- Operational free cash flow¹⁰ of US\$13.7 million (H1 FY 2019: US\$18.5 million), due to the decline in diamond prices.
- Net loss after tax: US\$10.0 million (H1 FY 2019: US\$57.9 million).
- Basic loss per share: 1.01 US cents (H1 FY 2019: basic loss per share of 6.57 US cents).
- Net debt¹¹ of US\$596.4 million (H1 FY 2019: US\$559.3 million); unrestricted cash and bank facilities of US\$147.3 million (H1 FY 2019: US\$181.3 million). As at 31 December 2019, the Group's SA bank facilities were undrawn.

Operations

- Safety: LTIFR of 0.22 (H1 FY 2019: 0.16).
- Production up 3% to 2,070,240 carats (H1 FY 2019: 2,019,147 carats).
- Absolute costs remain within expectations despite inflationary pressures.
- Operational Capex (excluding borrowing costs) down 35% to US\$25.6 million (H1 FY 2019: US\$39.3 million).

Outlook

- Petra's operational delivery in H1 placed the Company on track to exceed FY 2020 production guidance of ca. 3.8 Mcts. However, the Company has had a slower start to the calendar year, particularly at Cullinan and on the back of the recent pit slump at Williamson. This will see production for H2 weighted towards Q4. The extent of further load shedding in South Africa and its resultant impact on production also remains a risk.
- The Company's first tender of H2 FY 2020 in February is in the process of being finalised; provisional results indicate that pricing on a like-for-like basis was up marginally in comparison to prices achieved in H1 FY 2020.
- Project 2022 remains on track to deliver significant cash flow generation, reaching an annualised rate of US\$50 – 80 million. However, the operational cash flow benefits are being eroded by a weaker diamond market, due to the outbreak of the coronavirus, which has served to significantly reduce activity across the pipeline. In light of this continued market weakness, coupled with the impact of adverse product mix, the delivery of Project 2022's cumulative cash flow target is expected to be delayed, resulting in the US\$150 – 200 million being revised to US\$100 – 150 million by June 2022.

- The delivery of Project 2022 benefits are expected to materially contribute from FY 2021 and therefore the Company does not expect a significant change in net debt in FY 2020.
- ZAR:USD exchange rate volatility continued during the Period (averaging R14.69/USD1) with some strengthening at the Period end, closing at ZAR13.99/USD1. Post Period end, the ZAR:USD exchange rate has so far been on a weaker trend.
- The Company's forecasts indicate that the Group continues to retain sufficient liquidity from existing facilities, cash resources and operating cash flows to meet its liabilities as they fall due for at least 12 months from the date of this report.
- The Lender Group has re-affirmed their ongoing support of the Group and has waived the EBITDA related covenant ratios associated with its banking facilities for the December 2019 measurement period.
- In light of the impact of the weakness in the diamond market on the Group's operating results and cash flow position, the Group will continue closely monitoring and managing its liquidity risk and will have further discussions with its Lender Group regarding further covenant resets and/or waivers; based on current forecasts and sensitivities, additional waivers are likely to be required for the June and December 2020 measurement periods.
- The Group also continues to assess its strategic options in relation to the maturity of its US\$650 million loan notes in May 2022.

Richard Duffy, CEO of Petra, commented:

"Petra has delivered a strong operational performance in H1 and we remain on track to achieve production guidance for the full year of ca. 3.8 million carats. Our priority now is to continue to drive operational improvements to optimise production and free cash flow, with the aim of reducing leverage levels against the backdrop of a challenging diamond market."

SUMMARY OF RESULTS (unaudited)

	6 months to 31 December 2019 ("H1 FY 2020")	6 months to 31 December 2018 ("H1 FY 2019")	Year ended 30 June 2019 ("FY 2019")
	US\$ million	US\$ million	US\$ million
Revenue	193.9	207.1	463.6
Adjusted mining and processing costs ¹	(123.6)	(127.2)	(301.7)
Other direct income / (expense)	0.3	0.2	(0.8)
Profit from mining activity²	70.6	80.1	161.1
Exploration expense	(0.2)	(0.2)	(0.4)
Corporate overhead	(3.2)	(4.3)	(7.7)
Adjusted EBITDA³	67.2	75.6	153.0
Depreciation	(47.0)	(50.8)	(106.7)
Share-based expense	(0.4)	(0.1)	(0.2)
Net finance expense	(34.1)	(31.7)	(57.5)
Tax credit / (expense) (excluding taxation credit on impairment charge)	3.2	2.5	(1.8)
Adjusted net loss after tax⁴	(11.1)	(4.5)	(13.2)
Impairment charge – operations ⁵	—	—	(223.7)
Impairment charge – other receivables ⁵	(1.6)	—	(22.9)
Net unrealised foreign exchange gain / (loss)	2.7	(13.7)	4.0
Taxation credit on impairment charge	—	—	47.6
Loss from continuing operations	(10.0)	(18.2)	(208.2)

Loss on discontinued operations, net of tax ⁷	—	(39.7)	(49.9)
Net loss after tax	(10.0)	(57.9)	(258.1)
Earnings per share attributable to equity holders of the Company – US cents			
Basic loss per share – from continuing and discontinued operations	(1.01)	(6.57)	(26.19)
Basic loss per share – from continuing operations	(1.01)	(1.74)	(20.18)
Adjusted loss per share – from continuing operations ⁶	(1.17)	(0.16)	(2.63)

	Unit	As at 31 December 2019 (US\$ million)	As at 31 December 2018 (US\$ million)	As at 30 June 2019 (US\$ million)
Cash at bank – (including restricted amounts)	US\$m	53.6	90.7	85.2
Diamond debtors	US\$m	12.8	4.4	23.8
Diamond inventories	US\$m	85.2	76.3	57.5
Diamond inventories	Carats	992,425	811,718	666,201
US\$650 million loan notes ⁸	US\$m	650.0	650.0	650.0
Bank loans and borrowings ⁹	US\$m	—	—	—
Net debt ¹¹	US\$m	596.4	559.3	564.8
Bank facilities undrawn and available	US\$m	107.2	104.5	106.6
Consolidated net debt for covenant measurement purposes ¹²	US\$m	632.9	627.4	595.2
Consolidated net debt to consolidated EBITDA ratio	X	4.4	3.3	3.9

The following exchange rates have been used for this announcement: average for H1 FY 2020 US\$1:ZAR14.69 (H1 FY 2019: US\$1: ZAR14.19, FY 2019: US\$1:ZAR14.19); closing rate as at 31 December 2019 US\$1:ZAR13.99 (31 December 2018 US\$1:ZAR14.35, FY 2019: US\$1:ZAR14.07).

Notes:

The Group uses several non-GAAP measures above and throughout this report to focus on actual trading activity by removing certain non-cash or non-recurring items and discontinued operations. These measures include adjusted mining and processing costs, profit from mining activities, adjusted EBITDA, adjusted net profit after tax, adjusted earnings per share, adjusted US\$ loan note, net debt and consolidated net debt for covenant measurement purposes. As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies. The Board believes that such alternative measures are useful as they exclude one-off items such as the impairment charges and non-cash items to provide a clearer understanding of the underlying trading performance of the Group.

Further to the sale of Petra's interest in the Kimberley Ekapa Mining Joint Venture ("KEM JV") and Helam Mining ("Helam"), which completed on 5 and 6 December 2018 respectively, all comparative figures in this report are stated excluding the KEM JV and Helam operations, unless otherwise specified.

1. Adjusted mining and processing costs are mining and processing costs stated before depreciation and share-based expense.
2. Profit from mining activities is revenue less adjusted mining and processing costs plus other direct income.
3. Adjusted EBITDA is stated before depreciation, share-based expense, net finance expense (excluding net unrealised foreign exchange gains and losses), tax expense (excluding taxation credit on impairment charge), loss / profit on discontinued operations, impairment charges and net unrealised foreign exchange gains and losses.
4. Adjusted net loss after tax is net loss after tax stated before losses on discontinued operations, impairment charge, taxation credit on impairment charge and net unrealised foreign exchange gains.
5. Impairment charge of US\$1.6 million (30 June 2019: US\$246.6 million and 31 December 2018: US\$nil) was due to the Group's impairment review of its operations and other receivables. Refer to note 15 for further details.

6. *Adjusted EPS from continuing operations is stated before impairment charge, taxation credit on impairment charge and net unrealised foreign exchange gains and losses.*
7. *The loss on discontinued operations reflect the results of the KEM JV and Helam operations (net of tax), including impairment of other receivables from the KEM JV.*
8. *The US\$ loan note represents the gross capital of US\$650 million (30 June 2019: US\$650 million and 31 December 2018: US\$650 million), excluding transaction costs.*
9. *In July 2018, the Company repaid the Revolving Credit Facility (capital plus interest) of US\$73.1 million and Working Capital Facility (capital plus interest) of US\$33.6 million in full, however the facilities were not cancelled and remain available.*
10. *Operational free cash flow is cash generated from operations less capital expenditure for the Period as per the consolidated cash flow statement.*
11. *Net debt is the US\$ loan notes and bank loans and borrowings net of cash at bank (including restricted cash).*
12. *Consolidated Net Debt for covenant measurement purposes is bank loans and borrowings plus loan notes, less cash, less diamond debtors and includes the BEE guarantees of ca. US\$49.3 million (ZAR689.5 million) (30 June 2019: US\$54.2 million (ZAR762.5 million) and 31 December 2018: US\$72.5 million (ZAR1,039 million)) issued by Petra to the lenders as part of the BEE financing concluded in December 2014 and which are included in the Group's balance sheet as BEE loans payable. This measure differs to the 'Net debt' figure in the table above.*
13. *The South African lender group comprises Absa Bank Limited (acting through its Corporate and Investment Banking division), FirstRand Bank Limited (acting through its Rand Merchant Bank division), Investec Asset Management Proprietary Limited and Nedbank Limited (acting through its Corporate and Investment Banking division Trust ("the Lender Group").*

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

RESULTS PRESENTATION AND WEBCAST

A results presentation will be held at 9:30am GMT on 17 February 2020 at the offices of Peel Hunt, Moor House, 120 London Wall, London, EC2Y 5ET. A live webcast of the presentation will be available on Petra's website at www.petradiamonds.com and on the following link: <https://www.investis-live.com/petra-diamonds/5e217c878d57e81300b40856/omnb>

A conference call line will also be available to allow participants to listen to the webcast by dialling one of the following numbers shortly before 9:30am GMT:

From the UK (toll free): 0800 408 7373
 From South Africa: +27 80 006 4593
 From the rest of the world: +44 (0)203 99 11 888
 Room number: 407338
 Participant passcode: 9145

A recording of the webcast will be available from 1:00pm GMT on 17 February 2020 on the website and on the link above.

Due to Monday 17 February 2020 being a public holiday in the United States, Petra will hold a conference call for international investors on Tuesday 18 February 2020 at 4:00pm GMT instead.

This call will include a discussion and a Q&A session with international investors. Participants are therefore advised to listen to the replay of the earlier webcast in advance, as the main management commentary will not be repeated.

From the United States (toll free): +1 877 890 2416
 From the rest of the world: +44 (0) 203 99 11 888
 From the UK (toll free): 0800 408 7373
 Room number: 153758
 Participant passcode: 9071

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About Petra Diamonds Limited

Petra Diamonds is a leading independent diamond mining group and a consistent supplier of gem quality rough diamonds to the international market. The Company has a diversified portfolio incorporating interests in three underground producing mines in South Africa (Finsch, Cullinan and Koffiefontein) and one open pit producing mine in Tanzania (Williamson). Petra also conducts a limited exploration programme in Botswana and South Africa.

Petra's strategy is to focus on value rather than volume production by optimising recoveries from its high-quality asset base in order to maximise their efficiency and profitability. The Group has a significant resource base of ca. 250 million carats, which supports the potential for long-life operations.

Petra conducts all operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process. The Company aims to generate tangible value for each of its stakeholders, thereby contributing to the socio-economic development of its host countries and supporting long-term sustainable operations to the benefit of its employees, partners and communities.

Petra is quoted with a premium listing on the Main Market of the London Stock Exchange under the ticker 'PDL' and is a constituent of the FTSE4Good Index. The Company's US\$650 million loan notes due in 2022 are listed on the Global Exchange market of the Irish Stock Exchange. For more information, visit www.petradiamonds.com.

CEO'S REVIEW

Our team delivered strong operational results in H1 FY 2020, which notably saw the highest six-month level of ROM tonnes processed and carats produced by the Group to date. This strong production performance is in part being driven by the implementation of Project 2022, which has throughput as its major contributing factor. It is therefore pleasing to note the buy-in to this project across our Group and to see the positive impact it is already having on production volumes.

The major capital expansion programmes at each of our mines have for the most part been completed, as evidenced by our operational Capex declining 35% to US\$25.6 million. The mines are now operating at their required steady state tonnage rates, but a major component of Project 2022 is to optimise throughput so there are a number of additional initiatives which are either being evaluated or implemented. We are seeing the benefits of such initiatives, with each mine running ahead of its full year production plan in H1. However, the Company has had a slower start to the calendar year particularly at Cullinan and on the back of the recent pit slump at Williamson. This will see production for H2 weighted towards Q4. The extent of further load shedding in South Africa and its resultant impact on production also remains a risk.

Our financial results for H1 were impacted by the weaker diamond market, with rough diamond pricing on a like-for-like basis down ca. 10% from the comparable period, and down ca. 3% versus pricing achieved in Q4 FY 2019.

The impact of lower pricing in H1 was compounded by the adverse product mix at Finsch and Williamson. Product mix is not always within our control, as diamond qualities and sizes can vary

across the orebody, particularly when you are dealing with very large orebodies such as Cullinan and Williamson. However there are some mitigating actions we can take - the first is to ensure that we have access to mining from across the orebody, thereby smoothing out mix variances, and the second is to ensure that plant processes are set up to capture the value within the orebody's production profile. In the case of Finsch, we have recovered a lower proportion of coarse diamonds (+10.8 carats) in comparison to historical averages and we have therefore made some changes in the plant in order to address this.

The implementation of Project 2022 and our emphasis on cost control saw us deliver adjusted EBITDA of US\$67.2 million and positive operational free cashflow of US\$13.7 million during H1 FY 2020, despite the weaker pricing environment. However, net debt increased over the Period, following the payment of the coupon on the Group's US\$650 million loan notes of US\$23.6 million, the advances to the BEE partners of US\$11.3 million to facilitate debt repayments, and the seasonal build-up of inventory which will be released during H2.

While the diamond market stabilised towards the end of the Period and provisional results show that pricing was up marginally at our first tender of Q3, the optimism felt towards improved market conditions has been eroded by the outbreak of the coronavirus in China and the consequent impact on consumer spending around Chinese New Year, as well as the short-term effect on diamond trading, travel and retail in these regions and further afield. Activity across the diamond pipeline is therefore expected to reduce until the virus is brought under control. We will continue to monitor the market closely and supply discipline by the major producers will remain a key factor in terms of maintaining supply / demand equilibrium.

Project 2022 remains on track to deliver significant cash flow generation, reaching an annualised rate of US\$50 – 80 million. However, the operational cash flow benefits are being eroded by a weaker diamond market, coupled with the impact of adverse product mix, and as a result Project 2022's cumulative cash flow target is expected to be delayed, resulting in the US\$150 – 200 million being revised to US\$100 – 150 million by June 2022.

Our priority now is to continue to drive operational improvements to optimise production and free cash flow, with the aim of reducing leverage levels against the backdrop of a challenging diamond market.

SAFETY

Group LTIFR of 0.22 (H1 FY 2019: 0.16 and FY 2019: 0.21). Our primary value at Petra is "Do No Harm", meaning safety is at the heart of everything we do. Our safety culture is backed by effective systems and processes to support our target of a zero harm working environment.

DIAMOND MARKET

While the 2019 calendar year was very challenging for the rough diamond market, Q2 FY 2020 saw growing stability in pricing as the year closed. Post Period end, demand continued to improve as the midstream looked to replenish inventory after healthy holiday season retail sales. Sales in the major US market (ca. 49% of the market) remain robust.

However, sentiment around the market has significantly weakened due to the outbreak of the coronavirus in China, which resulted in a shutdown of retail stores over the important Chinese New Year period and the subsequent postponement of the Hong Kong International Diamond, Gem and Pearl show, originally scheduled for 2 – 6 March, to 18 – 21 May. The virus is expected to further impact diamond trading and consumer spending in this region (ca. 14% of diamond sales) and further afield, with the end result that activity is expected to reduce across the diamond pipeline until the virus is brought under control.

Supply discipline by the major diamond producers in the second half of calendar 2019 has played an important role in moving towards more balance between supply and demand in the midstream and will remain a key factor in terms of the health of the market in calendar 2020.

Diamond Pricing

At our first tender (September 2019), diamond prices on a like-for-like basis weakened ca. 4% in comparison to Q4 FY 2019, with pricing stabilising at the October 2019 tender and showing modest improvement at the December 2019 tender, resulting in pricing being down overall ca. 3% for the Period.

Post Period end, initial pricing at our first tender in H2 FY 2020 indicates that pricing on a like-for-like basis was up marginally in comparison to H1 FY 2020. Petra will hold a total of four tenders in H2, as opposed to three in H1, as usual.

Prices achieved during H1 FY 2020 are set out in the table below:

Mine	Actual H1 FY 2020 (US\$/ct)	Actual H1 FY 2019 (US\$/ct)	Actual FY 2019 (US\$/ct)
Cullinan	112	96	110
Finsch	79	105	99
Koffiefontein	431	447	480
Williamson	184	223	231

The poorer product mix at both Finsch and Williamson is addressed in the respective mine results commentary to follow.

FINANCIAL RESULTS

Revenue

Revenue decreased 6% to US\$193.9 million in the Period (H1 FY 2019: US\$207.1 million) mainly due to lower diamond prices and the previously reported adverse product mix at Finsch and Williamson, partially offset by the sale of the exceptional 20.08 carat blue diamond from Cullinan.

Mining and processing costs

The mining and processing costs for H1 FY 2020 are comprised of on-mine cash costs as well as other operational expenses. A breakdown of the total mining and processing costs for the Period is set out below.

	On-mine cash costs ¹ US\$m	Diamond royalties US\$m	Diamond inventory and stockpile movement US\$m	Group technical, support and marketing costs ² US\$m	Adjusted mining and processing costs US\$m	Depreciation ³ US\$m	Total mining and processing costs (IFRS) US\$m
H1 FY 2020	135.1	4.8	(25.6)	9.3	123.6	46.7	170.2
H1 FY 2019	135.5	7.3	(27.1)	11.4	127.2	50.4	177.7
FY 2019	266.9	13.2	(2.9)	24.5	301.7	105.9	407.6

Notes:

1. Includes all direct cash operating expenditure at operational level, i.e. labour, contractors, consumables, utilities and on-mine overheads.
2. Certain technical, support and marketing activities are conducted on a centralised basis.
3. Excludes exploration and corporate / administration.

Absolute on-mine cash costs in H1 FY 2020 were largely flat compared to H1 FY 2019 (in line with expectations), despite ongoing inflationary pressures, due to:

- inflationary increases, including the impact of electricity and labour costs (ca. 5% increase); offset by:
- the effect of translating ZAR denominated costs at the South African operations at a weaker ZAR/USD average exchange rate (ca. 4% decrease); and
- a reduction in the treatment of Finsch overburden dumps lowering operating costs (ca. 1% decrease).

Royalties decreased to US\$4.8 million (H1 FY 2019: US\$7.3 million) due to lower profit net of capex at Finsch, as defined in the royalty legislation of South Africa.

Profit from mining activities

Profit from mining activities decreased 12% to US\$70.6 million (H1 FY 2019: US\$80.1 million), mainly due to lower diamond pricing and therefore revenue.

Exploration

Petra incurred US\$0.2 million of exploration expenditure during the Period (H1 FY 2019: US\$0.2 million).

Corporate overhead – General and Administration

Corporate overhead (before depreciation and share based payments) decreased 26% to US\$3.2 million for the Period (H1 FY 2019: US\$4.3 million), mainly attributable to control over corporate expenditure, accounting adjustment for leases under IFRS 16 and benefitting from the ZAR weakening against the US Dollar.

Adjusted EBITDA

Adjusted EBITDA, being profit from mining activities less exploration and corporate overhead, decreased 11% to US\$67.2 million (H1 FY 2019: US\$75.6 million), representing an adjusted EBITDA margin of 35% (H1 FY 2019: 36%), driven by lower revenue partially offset by decreased mining and processing costs.

Depreciation

Depreciation for the Period decreased to US\$47.0 million (H1 FY 2019: US\$50.8 million), mainly due a lower asset base as a result of prior period impairments of operational assets and the weakening of the ZAR against the US Dollar.

Impairment charge

Impairment reviews carried out at Cullinan, Finsch, Koffiefontein and Williamson operational assets did not result in an impairment charge during the Period. An impairment review of the Group's other receivables during the Period resulted in a net impairment charge US\$1.6 million comprising of the Williamson VAT receivable of US\$1.7 million and recoupment of US\$0.1 million previously impaired in respect of the KEM JV receivable (H1 FY 2019: US\$nil).

Loss on discontinued operations – KEM JV and Helam

There were no disposals during the current Period under review. During H1 FY 2019, the loss on discontinued operations related to the Group's disposal of its interests in the KEM JV and Helam operations in December 2018.

Net financial expense

Net financial expense of US\$31.4 million (H1 FY 2019: US\$45.4 million) comprises:

- net unrealised foreign exchange gains of US\$2.7 million (H1 FY 2019: US\$13.7 million loss) representing (i) the unrealised foreign exchange gains on the foreign currency retranslation of cross border loans considered to be repayable in the foreseeable future, (ii) unrealised losses on forward exchange contracts (refer to note 6 for further detail); and
- interest received on bank deposits of US\$0.1 million (H1 FY 2019: US\$0.4 million);

offset by:

- interest on the Group's debt and working capital facilities of US\$25.4 million (H1 FY 2019: US\$20.5 million) stated after the capitalisation of interest of US\$nil (H1 FY 2019: US\$3.7 million) associated with the funding of assets under development (interest is no longer capitalised as the Group's expansion programmes have been commissioned);
- net interest payable on the BEE partner loans and amortisation of lease liabilities in accordance with IFRS 16 of US\$3.2 million (H1 FY 2019: US\$4.9 million);
- a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US\$1.7 million (H1 FY 2019: US\$3.9 million); and
- net realised foreign exchange loss on settlement of forward exchange contracts of US\$3.4 million (H1 FY 2019: US\$2.8 million).

Tax credit / charge

The tax credit of US\$3.2 million (H1 FY 2019: US\$2.5 million) comprised a deferred tax credit of US\$3.2 million (H1 FY 2019: US\$7.6 million charge), with an income tax charge of US\$nil for the Period (H1 FY 2019: US\$5.1 million charge due to taxable profits generated at Finsch).

Group loss / profit

The Group's net loss after tax is US\$10.0 million (H1 FY 2019: US\$57.9 million).

Earnings per share

Basic loss per share from continuing operations of 1.01 US\$ cents was recorded (H1 FY 2019: 6.57 US\$ cents).

Adjusted loss per share from continuing operations (adjusted for impairment charges and net unrealised foreign exchange gains and losses) of 1.17 US\$ cents was recorded (H1 FY 2019: 0.16 US\$ cents (adjusted for impairment charges, taxation credit on impairment charge, net unrealised foreign exchange gains and losses, and loss on discontinued operations)).

Operational free cash flow

During the Period and considering the weaker diamond market, generation of operational free cash flow of US\$13.7 million (H1 FY 2019: US\$18.5 million outflow) reflects the positive benefits of our capital investment and the initial results from Project 2022 to optimise production and drive cost efficiencies. This positive cash flow was offset by:

- US\$27.9 million (H1 FY 2019: US\$23.5 million) cash finance expenses net of finance income and realised foreign exchange gains and losses;
- US\$11.3 million (H1 FY 2019: US\$21.2 million) advances to BEE partners, largely related to servicing of BEE bank debt in line with the Group's stated intention of reducing consolidated

- net debt for covenant measurement purposes (which includes BEE banking facilities), with the advances recoverable against future BEE partner distributions; and
- US\$nil (H1 FY 2019: US\$9.1 million) net advances and payments to KEM JV.

Cash and Diamond Debtors

As at 31 December 2019, Petra had cash at bank of US\$53.6 million (H1 FY 2019: US\$90.7 million). Of these cash balances, US\$40.1 million was held as unrestricted cash (H1 FY 2019: US\$76.8 million), US\$12.6 million was held by Petra's reinsurers as security deposits on the Group's cell captive insurance structure (with regards to the Group's environmental guarantees) (H1 FY 2019: US\$13.0 million) and US\$0.9 million was held by Petra's bankers as security for other environmental rehabilitation bonds lodged with the Department of Mineral Resources and Energy in South Africa (H1 FY 2019: US\$0.9 million).

Diamond debtors at 31 December 2019 were US\$12.8 million (H1 FY 2019: US\$4.4 million).

Loans and Borrowings

The Group had loans and borrowings (measured under IFRS) at Period end of US\$652.1 million (H1 FY 2019: US\$649.5 million), comprised of the loan notes plus accrued interest of US\$652.1 million (H1 FY 2019: US\$649.5 million). Bank debt facilities undrawn and available to the Group at 31 December 2019 were US\$107.2 million (H1 FY 2019: US\$104.5 million).

The Group continues to assess its strategic options in relation to the maturity of its US\$650 million loan notes in May 2022.

Net debt at 31 December 2019 was US\$596.4 million (H1 FY 2019: US\$559.3 million).

Covenant Measurements attached to banking facilities

The Company's EBITDA related covenants associated with its banking facilities are as outlined below:

		12 months to 31 Dec 2019	12 months to 30 Jun 2020	12 months to 31 Dec 2020	12 months to 30 Jun 2021
Consolidated Net Debt to Consolidated EBITDA:					
- Covenant ratio:		≤ 4.25x	≤ 3.5x	≤ 3.25x	≤ 3.0x
Consolidated EBITDA to Consolidated Net Finance Charges:					
- Covenant ratio:		≥ 2.5x	≥ 2.75x	≥ 3.0x	≥ 3.25x
Consolidated Net Senior Debt to Book Equity:					
- Covenant ratio		≤0.4x	≤0.4x	≤0.4x	≤0.4x

The impact of the recent weakness in the diamond market on the Group's operating results and cash flow position has been discussed with the Lender Group, including possible breaches in its EBITDA-related covenants for the December 2019 (measured in March 2020), e June 2020 and December 2020 reporting periods. The Lender Group has re-affirmed their ongoing support of the Group and has waived the EBITDA related covenant ratios associated with its banking facilities for the December 2019 measurement period (measured in March 2020).

The Company and the Lender Group will hold further discussions with regards to covenants for the June 2020 reporting period in H2 FY 2020 following completion of at least two of the four tenders to be held during H2 FY 2020 to gauge short term diamond market sentiment, and resultant forward looking full year results and cashflow projections. This may include covenant resets and/or waivers

for the June 2020 measurement period and potentially for subsequent measurement periods. See 'Basis of preparation including going concern' for further information.

The Group closely monitors and manages its liquidity risk, and cash forecasts are regularly produced and run for different scenarios, indicating that the Group has sufficient cash reserves and banking facilities to meet its working capital and capital development requirements under its forecasts for at least the next 18 months, including sensitivities.

BEE loans receivable and payable

BEE loans receivable of US\$125.9 million (H1 FY 2019: US\$79.0 million) relate to the Group's BEE partners' financing of their interests in the Koffiefontein mine, advances provided to the BEE partners to enable the BEE partners to discharge interest and capital commitments under the BEE Lender facilities (refer to the information below regarding the guarantee provided by the Company) and other advances to the BEE partners which have enabled the Itumeleng Petra Diamonds Employee Trust ("IPDET") to make distributions to their beneficiaries (Petra Directors and Senior Managers do not qualify as beneficiaries under the IPDET Deed). During the Period, Petra advanced US\$9.3 million (H1 FY 2019: US\$18.3 million) to facilitate the servicing of capital and interest payments on behalf of the BEE Partners and US\$2.0 million (H1 FY 2019: US\$2.9 million) for distributions to the beneficiaries of the IPDET and shareholders of Kago.

The BEE loans payable of US\$128.1 million (H1 FY 2019: US\$112.4 million) relate to the initial acquisition loan funding advanced by the Group's BEE partners to the operations to acquire their investments in Finsch and Cullinan. The repayment of these loans by the mines to the BEE partners will be from future free cash flows generated by the mining operations.

Refer to note 12 for further detail on BEE loans receivable and payable.

Other Liabilities

Other than trade and other payables of US\$46.3 million (comprising US\$23.4 million trade creditors, US\$22.2 million employee related accruals and US\$0.7 million other payables) (H1 FY 2019: US\$72.1 million), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, post retirement employee related provisions and deferred tax.

Capex

Total Group Capex for the Period reduced to US\$26.5 million (H1 FY 2019: US\$44.3 million), comprising:

- US\$15.9 million expansion Capex (H1 FY 2019: US\$28.5 million);
- US\$10.6 million sustaining Capex (H1 FY 2019: US\$12.1 million); and
- US\$nil capitalised borrowing costs with regards to the expansion Capex (H1 FY 2019: US\$3.7 million).

Capex	Unit	H1 FY 2020	H1 FY 2019
Finsch	US\$m	5.6	13.8
Cullinan	US\$m	12.0	22.8
Koffiefontein	US\$m	2.3	3.2
Williamson	US\$m	5.7	3.2
Subtotal – Capex incurred by operations	US\$m	25.6	43.0
Corporate / exploration	US\$m	0.9	1.3
Total Group Capex ¹	US\$m	26.5	44.3

Notes:

1. Capex for the Period includes US\$nil (H1 FY 2019: US\$3.7 million) capitalised borrowing costs, which is also included in the applicable mine-by-mine tables to follow.
2. Petra's annual Capex guidance is cash-based and excludes capitalised borrowing costs. Given that the majority of Petra's expansion and development programmes are primarily complete, all interest and financing fees are now expensed through the income statement from FY 2020.

OPERATIONAL REVIEW

H1 FY 2020 Sales, Production and Capex – Summary

	Unit	H1 FY 2020	H1 FY 2019	Variance	FY 2019
Sales					
Diamonds sold	Carats	1,743,807	1,736,357	0%	3,736,847
Gross revenue	US\$m	193.9	207.1	-6%	463.6
Production					
ROM tonnes	Mt	7.0	6.4	9%	13.3
Tailings & other ¹ tonnes	Mt	0.5	1.0	-50%	1.6
Total tonnes treated	Mt	7.5	7.4	1%	14.9
ROM diamonds	Carats	1,995,512	1,946,717	3%	3,763,622
Tailings & other ¹ diamonds	Carats	74,728	72,430	3%	111,324
Total diamonds	Carats	2,070,240	2,019,147	3%	3,874,946
Capex					
Expansion	US\$m	15.9	28.5	-44%	56.0
Sustaining	US\$m	9.7	10.8	-10%	25.4
Borrowing costs capitalised	US\$m	0.0	3.7	-100%	3.7
Total	US\$m	25.6	43.0	-40%	85.1

Note:

1. 'Other' includes alluvial diamond mining at Williamson.

H1 FY 2020 production increased 3% to 2,070,240 carats (H1 FY 2019: 2,019,147 carats), with a 3% increase in ROM production to 1,995,512 carats (H1 FY 2019: 1,946,717 carats). Through proactive management and the implementation of Project 2022, the operations continued to exceed production plans during Q2, despite disruptions relating to Eskom load shedding during December 2019 at our South African mines.

Cullinan – South Africa

	Unit	H1 FY 2020	H1 FY 2019	Variance	FY 2019
Sales					
Diamonds sold	Carats	730,847	688,536	6%	1,562,922
Average price per carat	US\$	112	96	17%	110
Revenue	US\$m	81.7	66.2	23%	171.4
ROM Production					
Tonnes treated	Tonnes	2,295,197	1,996,624	15%	4,119,406
Diamonds produced	Carats	855,371	785,444	9%	1,589,707
Grade ¹	Cpht	37.3	39.3	-5%	38.6
Tailings Production					
Tonnes treated	Tonnes	117,112	696,354	-83%	956,035
Diamonds produced	Carats	34,416	46,582	-26%	66,222
Grade ¹	Cpht	29.4	6.7	339%	6.9

Total Production					
Tonnes treated	Tonnes	2,412,309	2,692,978	-10%	5,075,441
Diamonds produced	Carats	889,787	832,026	7%	1,655,929
Costs					
On-mine cash cost per total tonne treated	ZAR	262	224	17%	234
Capex					
Expansion Capex	US\$m	10.0	17.3	-42%	37.2
Sustaining Capex	US\$m	2.0	3.2	-38%	6.8
Borrowing Costs Capitalised	US\$m	0.0	2.3	-100%	2.3
Total Capex	US\$m	12.0	22.8	-47%	46.3

Note:

1. The Company is not able to precisely measure the ROM / tailings grade split because ore from both sources is processed through the same plant; the Company therefore back-calculates the grade with reference to resource grades.

Production:

Cullinan's overall carat production increased by 7% to 889,787 carats (H1 FY 2019: 832,026 carats) due to ROM production increasing by 9% to 855,371 carats (H1 FY 2019: 785,444 carats). The higher ROM production was largely driven by an increased volume treated of 2,295,197 tonnes (H1 FY 2019: 1,996,624 tonnes), with the ROM grade of 37.3 cpht marginally lower than guidance of 38 – 42 cpht.

Tailings production decreased by 26% to 34,416 carats in line with the mine plan (H1 FY 2019: 46,582 carats).

Sales:

Cullinan's revenue increased 23% to US\$81.7 million (H1 FY 2019: US\$66.2 million), due to the higher production and sales volumes, as well as the sale of the exceptional 20.08 carat Type IIb blue diamond for US\$14.9 million (H1 FY 2019: US\$nil exceptional diamond sales).

Costs:

The on-mine unit cash cost per total tonne treated was up 17% to ZAR262 (H1 FY 2019: ZAR224), mainly due to the increase in more costly ROM tonnes treated during the period, in line with plans to reduce tailings throughput.

Capex:

Cullinan's Capex for FY 2020 is weighted to H1, with US\$12.0 million spent (H1 FY 2019: US\$22.8 million) on the installation of the remaining drawpoints in the C-Cut. The Company expects Cullinan's full year Capex to remain in line with guidance.

Finsch – South Africa

	Unit	H1 FY 2020	H1 FY 2019	Variance	FY 2019
Sales					
Diamonds sold	Carats	783,962	829,530	-5%	1,711,311
Average price per carat	US\$	79	105	-25%	99
Revenue	US\$m	61.7	87.0	-29%	170.2

<u>ROM Production</u>					
Tonnes treated	Tonnes	1,534,256	1,503,335	2%	3,073,479
Diamonds produced	Carats	880,707	927,934	-5%	1,724,265
Grade ¹	Cpht	57.4	61.7	-7%	56.1
<u>Tailings Production</u>					
Tonnes treated	Tonnes	174,167	134,395	30%	223,568
Diamonds produced	Carats	32,850	19,490	69%	31,503
Grade ¹	Cpht	18.9	14.5	30%	14.1
<u>Costs</u>					
On-mine cash cost per total tonne treated	ZAR	405	400	1%	388
<u>Total Production</u>					
Tonnes treated	Tonnes	1,708,423	1,637,730	4%	3,297,047
Diamonds produced	Carats	913,557	947,424	-4%	1,755,768
<u>Capex</u>					
Expansion Capex	US\$m	4.2	8.3	-49%	13.6
Sustaining Capex	US\$m	1.4	4.1	-66%	9.1
Borrowing Costs Capitalised	US\$m	0.0	1.4	-100%	1.4
Total Capex	US\$m	5.6	13.8	-59%	24.1

Note:

1. The Company is not able to precisely measure the ROM / tailings grade split because ore from both sources is processed through the same plant; the Company therefore back-calculates the grade with reference to resource grades.

Production:

Finsch's overall carat production decreased 4% to 913,557 carats (H1 FY 2019: 947,424 carats) due to ROM carat production decreasing 5% to 880,707 carats (H1 FY 2019: 927,934 carats) and tailings carat production delivering 32,850 carats (H1 FY 2019: 19,490 carats).

The contribution from Block 5 SLC to the ROM carat production increased by 14% to 870,567 carats (H1 FY 2019: 763,913 carats) whilst the contribution from the high grade and higher value ROM overburden dumps reduced to 9,484 carats (H1 FY 2019: 159,738 carats). The higher carat contribution from Block 5 SLC was largely driven by an increased volume treated of 1,498,811 tonnes (H1 FY 2019: 1,168,702 tonnes). The ROM grade of 57.4 cpht (H1 FY 2019: 61.7 cpht) marginally exceeded guidance of 54 – 57 cpht.

Sales:

Sales decreased 29% to US\$61.7 million (H1 FY 2019: US\$87.0 million), mainly due to the average value per carat decreasing 25% to US\$79 (H1 FY 2019: US\$105). Poorer product mix at Finsch is due to the depletion of the higher value overburden dumps, as well as fewer and poorer quality large diamonds recovered compared to historical averages. In order to help us to better understand and prioritise an improved product mix, all of the coarse diamond X-ray machines in the plant were upgraded to increase the probability of the recovery of high value large stones. The X-ray machines in the bulk sample plant were replaced with newer technology X-ray machines and are now being used to treat recovery tailings from the main plant to provide additional assurance around the efficiency of the recovery circuit.

Costs:

The on-mine unit cash cost per total tonne treated remained largely flat at ZAR405 (H1 FY 2019: ZAR400).

Capex:

Capex of US\$5.6 million for the Period (H1 FY 2019: US\$13.8 million) lower due to the SLC expansion programme reaching completion.

Koffiefontein – South Africa

	Unit	H1 FY 2020	H1 FY 2019	Variance	FY 2019
<u>Sales</u>					
Diamonds sold	Carats	34,163	23,406	46%	60,291
Average price per carat	US\$	431	447	-4%	480
Revenue	US\$m	14.7	10.5	40%	28.9
<u>ROM Production</u>					
Tonnes treated	Tonnes	561,296	377,391	49%	1,000,726
Diamonds produced	Carats	44,545	25,275	76%	63,635
Grade	Cpht	7.9	6.7	18%	6.4
<u>Total Production</u>					
Tonnes treated	Tonnes	561,296	377,391	49%	1,000,726
Diamonds produced	Carats	44,545	25,275	76%	63,635
<u>Costs</u>					
On-mine cash cost per total tonne treated	ZAR	419	585	-28%	450
<u>Capex</u>					
Expansion Capex	US\$m	1.7	3.0	-43%	5.2
Sustaining Capex	US\$m	0.6	0.2	200%	0.9
Total Capex	US\$m	2.3	3.2	-28%	6.1

Production:

Koffiefontein's overall production continued its improving trend with ROM production up 76% to 44,545 carats (H1 FY 2019: 25,275 carats). ROM tonnes treated improved by 49% to 561,296 tonnes (H1 FY 2019: 377,391 tonnes).

Sales:

Koffiefontein's revenue increased 40% to US\$14.7 million (H1 FY 2019: US\$10.5 million), due to the significant lift in production, offset by the weaker diamond market.

Costs:

The unit cash cost per total tonne treated was down 28% to ZAR419 (H1 FY 2019: ZAR585), mainly due to the increase in ROM tonnes treated during the Period and the effect of increased volumes on the large fixed cost base.

Capex:

Capex decreased 28% to US\$2.3 million (H1 FY 2019: US\$3.2 million) in line with the operation approaching steady state production.

Williamson – Tanzania

	Unit	H1 FY 2020	H1 FY 2019	Variance	FY 2019
<u>Sales</u>					
Diamonds sold	Carats	194,835	194,913	0%	402,329
Average price per carat	US\$	184	223	-17%	231
Revenue	US\$m	35.9	43.5	-17%	93.0
<u>ROM Production</u>					
Tonnes treated	Tonnes	2,654,906	2,510,451	6%	5,082,319
Diamonds produced	Carats	214,888	208,064	3%	386,016
Grade	Cpht	8.1	8.3	-2%	7.6
<u>Alluvial Production</u>					
Tonnes treated	Tonnes	198,698	195,557	2%	413,151
Diamonds produced	Carats	7,463	6,357	17%	13,599
Grade	Cpht	3.8	3.3	15%	3.3
<u>Total Production</u>					
Tonnes treated	Tonnes	2,853,604	2,706,008	5%	5,495,470
Diamonds produced	Carats	222,351	214,421	4%	399,615
<u>Costs</u>					
On-mine cash cost per total tonne treated	US\$	10.2	11.6	-12%	11.1
<u>Capex</u>					
Expansion Capex	US\$m	0.0	0.0	0%	0.0
Sustaining Capex	US\$m	5.7	3.2	78%	8.6
Total Capex	US\$m	5.7	3.2	78%	8.6

Production:

Williamson's ROM production increased 3% to 214,888 carats (H1 FY 2019: 208,064 carats), demonstrating the continued steady operational delivery of the mine.

On 21 January 2020, a pit slump of approximately 1.3 million tonnes occurred at Williamson in an area on the south western sector of the pit. Most importantly, nobody was harmed in the incident. There was also no damage to any mining equipment. After a preliminary risk assessment, all activities in the vicinity of the slumped area have been stopped and the local mine team is developing a mitigation plan, however the situation is made more challenging by the high seasonal rainfall currently being experienced.

Production was moved to areas in the north west of the pit that can be accessed and mined safely. However, the area affected includes a pit access haulage road as well as a mining area and therefore needs to be cleared and stabilised, with new appropriate infrastructure for pit access re-established, in order to ensure that this does not materially impact future production. In the short term, the slump will have a negative impact on grade and carats, particularly in February and March 2020. However, as Williamson was running ahead of its mine plan for the full year, we are maintaining our targeted tonnes treated and carats recovered.

Sales:

Williamson's revenue decreased 17% to US\$43.5 million (H1 FY 2018: US\$18.5 million), mainly due to the average value per carat being down 17% to US\$184 (H1 FY 2018: US\$223). The poorer product mix at Williamson is due to the area of the orebody where mining is taking place.

The Company remains in discussions with the Government of Tanzania and local advisers in relation to various issues, including the overdue VAT receivables and the blocked parcel.

Costs:

The on-mine unit cash cost per total tonne treated was down 12% to US\$10.2 (H1 FY 2019: US\$11.6), which remains in line with guidance.

Capex:

Capex of US\$5.7 million (H1 FY 2019: US\$3.2 million) related to sustaining Capex only and primarily related to in-pit waste stripping, tailings line expansion and improvements to the slimes dam walls. All capex is funded from the mine's own cashflow and may be adjusted when issues relating to the blocked parcel and VAT are resolved.

The recent pit slump may accelerate the removal of overburden waste material from the pit, which may increase the short to medium term Capex requirements for the mine. Once the Company has completed its technical assessment and mitigation plan, further information will be made available.

BOARD SUCCESSION

As previously announced, Peter Hill CBE will succeed Adonis Pouroulis as Non-executive Chairman with effect from 31 March 2020.

As part of the long term succession planning, Varda Shine will become Chair of the Remuneration Committee with effect from 31 March 2020, in succession to Gordon Hamilton.

Dr Pat Bartlett, Non-executive Director, has notified the Board that he wishes to retire from the Board, after nearly nine years' service, on 30 June 2020.

Mr Tony Lowrie, Senior Independent Director, has informed the Board that he wishes to retire from the Board at the end of the Annual General Meeting ("AGM") in November 2020, after more than eight years' service, and thus will not be offering himself for re-election at the AGM. An announcement regarding his replacement as Senior Independent Director will be made in due course.

PRINCIPAL BUSINESS RISKS

The Group is exposed to a number of risks and uncertainties which could have a material impact on its long-term development, and performance and management of these risks is an integral part of the management of the Group.

An overview of the key risks which could affect the Group's operational and financial performance was included in the Company's 2019 Annual Report, which can be accessed at www.petradiamonds.com. These may impact the Group over the medium to long term; however, the following key risks have been identified which may impact the Group over the next six months.

Short term demand and prices

The stability of financial markets and the corresponding effect on consumer demand impacts the Group and the diamond industry as a whole. Whilst the medium to long term fundamentals of the diamond market remain intact, with demand forecast to outpace supply, in the short term the prevailing climate of global economic uncertainty, exacerbated by the outbreak of the Coronavirus in China, may cause some volatility in rough diamond pricing.

Although diamond prices are influenced by numerous factors beyond the Company's control, the Group's management closely monitors developments in the international diamond market (across the pipeline from the rough market to the retail consumer market) to be in a position to react in a timely manner to changes in rough diamond prices and demand.

Product mix variability

Some level of variability in terms of product mix is associated with large and complex orebodies like Cullinan and Williamson, where the recovery of high value stones varies on a period-to-period basis. Variability is also being experienced in the product mix at Finsch, which contains a lower than expected incidence of gem-quality coarse (larger) diamonds in comparison to historical recoveries. This risk can be addressed by maximising tonnages across the footprint of the orebodies and by optimising plant processes to capture the value within the individual kimberlite's product profile. However, in the case of Cullinan, it is impossible to predict when exceptional diamonds (valued at +US\$5 million) will be recovered as they are truly rare.

Variability in overall diamond prices realised as a result of this product mix volatility may have an impact on the Group's financial performance.

Financing and liquidity

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in rough diamond prices, product mix and foreign exchange rates, different production rates from the Group's producing assets and delays to development projects.

The Group's forecast, taking into account the risks described above and the covenants as discussed in the 'Covenant measurements attached to banking facilities' section of the Financial Review, show that the Group will be able to operate within its current debt facilities and have sufficient liquidity headroom for at least the next 12 months, although headroom remains sensitive to diamond prices, foreign exchange rates and production. There remains a risk, given these factors and the impact on operating cashflows, that the Group's liquidity position could deteriorate and the resulting lack of adequate available cashflows, potential breach of covenants and restricted access to its debt facilities could impact development work and impact the operations. The Group will therefore have further discussions with its Lender Group regarding further covenant resets and/or waivers as required.

In addition, the Group's US\$650 million loan notes reach maturity in May 2022 and there is a risk that the Group will be unable to refinance or repay these loan notes when due. The Company therefore continues to assess its strategic options in relation to the maturity of these loan notes.

Exchange rates

With Petra's operations mainly in South Africa, but diamond sales based in US Dollars, the volatility and movement in the Rand is a significant factor to the Group. The Group also undertakes transactions in a number of different currencies, including Tanzanian Shillings, GBP and Euro. Fluctuations in these currencies can have an impact on the Group's performance, albeit less significant than the impact of fluctuations in the ZAR/USD exchange rate.

In order to mitigate currency risk, the Group continually monitors the movement of the Rand against the US Dollar, the maturity dates and the level of the hedge book and takes expert advice from its bankers in this regard. It is the Group's policy to hedge, on a short term basis, linked to the tender calendar, a portion of US Dollar sales revenue when weakness in the Rand deems it appropriate.

Country and political risk

Petra's operations are predominantly based in South Africa, with lesser exposure to Tanzania. Emerging market economies could be subject to greater risks, including legal, regulatory, taxation, economic, and political risks, and are potentially subject to rapid change.

Petra is in ongoing dialogue with the Government of Tanzania and local advisers in relation to various issues, including the overdue VAT receivables and the blocked parcel. In addition, there is no certainty with regards to the outcome for the blocked Williamson parcel, which remains in the custody of the Government of the United Republic of Tanzania. The long-term viability of the Company's Williamson operations is dependent on the successful completion of the ongoing negotiations with the Government of Tanzania.

Labour relations

The Group's production is dependent on a stable and productive labour workforce. The mining labour relations environment in South Africa has been notably volatile over the years, but much less so specifically in the diamond sector, where there is a higher incidence of mechanisation and skilled workers, leading to smaller and more manageable workforces which do not rely on migrant labour.

Petra's three-year wage agreement with the National Union of Mineworkers comes to an end on 30 June 2020, with negotiations for the period post June 2020 to commence during Q4 FY 2020. While there is the potential for labour disruption around the time of the new wage negotiation, it is encouraging to note that the labour relations environment in the country as a whole has been much less volatile over the last year, with a settlement reached relatively quickly for the platinum sector in 2019. Petra remains highly focused on managing labour relations and on maintaining open and effective communication channels with its employees and the appropriate union representatives at its operations.

Power supply

South Africa's power issues have been well publicised. Eskom's approach is to consult with industry before implementing load shedding, with advanced notice giving customers time to react appropriately. Petra is used to managing the operations optimally to maintain production levels as much as possible throughout load shedding requests. Such measures include the bringing forward of essential maintenance work and restricting load curtailment to processing plants where possible, given the Company's operations have excess processing capacity which allows for additional throughput when full power is restored. However, the impact of load shedding on the Company will depend on the duration and level of severity of the power restriction.

Richard Duffy
Chief Executive Officer
17 February 2020

Notes:

1. *The following exchange rates have been used for this announcement:*
 - a. *closing rate as at 31 December 2019 US\$1:ZAR13.99 (31 December 2018 US\$1:ZAR14.35)*
 - b. *average rate H1 FY 2020 US\$1:ZAR14.69 (H1 FY 2019 US\$1:ZAR14.19)*
2. *The following definitions have been used in this announcement:*
 - a. *ct: carat*
 - b. *cpht: carats per hundred tonnes*
 - c. *Exceptional Diamonds: stones that sell for more than US\$5 million each*
 - d. *LTIFR: lost time injury frequency rate*
 - e. *Kt: thousand tonnes*
 - f. *Mcts: million carats*
 - g. *mL: metre level*
 - h. *Mt: million tonnes*
 - i. *ROM: run-of-mine, i.e. relating to production from the primary orebody*
 - j. *SLC: sub-level cave, a variation of block caving*
3. *Diamond inventory carrying values are stated at the lower of cost of production on the weighted average basis or estimated net realisable value.*

PETRA DIAMONDS LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE 6 MONTH PERIOD ENDED 31 DECEMBER 2019

US\$ million	Notes	(Unaudited) 1 July 2019- 31 December 2019	(Unaudited) 1 July 2018- 31 December 2018	(Audited) Year ended 30 June 2019
Revenue		193.9	207.1	463.6
Mining and processing costs		(170.2)	(177.7)	(407.6)
Other direct (expense) / income		0.3	0.2	(0.8)
Exploration expenditure		(0.3)	(0.2)	(0.5)
Corporate expenditure	5	(3.9)	(4.7)	(8.6)
Impairment charge – operations	15	—	—	(223.7)
Impairment charge – other receivables	15	(1.6)	—	(22.9)
Total operating costs		(175.7)	(182.4)	(664.1)
Financial income	6	7.1	2.7	12.1
Financial expense	6	(38.5)	(48.1)	(65.6)
Loss before tax		(13.2)	(20.7)	(254.0)
Income tax credit / (charge)		3.2	2.5	45.8
Loss for the period from continuing operations		(10.0)	(18.2)	(208.2)
Loss on discontinued operations including associated impairment charges (net of tax)		—	(39.7)	(49.9)
Loss for the Period		(10.0)	(57.9)	(258.1)
Attributable to:				
Equity holders of the parent company		(8.7)	(56.9)	(226.8)
Non-controlling interest		(1.3)	(1.0)	(31.3)
		(10.0)	(57.9)	(258.1)

Loss per share attributable to the equity holders of the parent during the Period:

From continuing operations:

Basic loss per share – US cents	13	(1.01)	(1.74)	(20.18)
Diluted loss per share – US cents	13	(1.01)	(1.74)	(20.18)

From continuing and discontinued operations:

Basic loss per share – US cents	13	(1.01)	(6.57)	(26.19)
Diluted loss per share – US cents	13	(1.01)	(6.57)	(26.19)

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTH PERIOD ENDED 31 DECEMBER 2019

US\$ million	(Unaudited) 1 July 2019- 31 December 2019	(Unaudited) 1 July 2018- 31 December 2018	(Audited) Year ended 30 June 2019
Loss for the Period	(10.0)	(57.9)	(258.1)
Exchange differences on translation of the share-based payment reserve	0.2	(0.1)	(0.1)
Exchange differences on translation of foreign operations ¹	(0.9)	(21.4)	(14.9)
Exchange differences on non-controlling interest ¹	(0.2)	(1.6)	(0.7)
Recycling of foreign currency translation reserve on disposal of operations	—	(1.5)	—
Total comprehensive expense for the Period	(10.9)	(82.5)	(273.8)
Total comprehensive income and expense attributable to:			
Equity holders of the parent company	(9.4)	(79.9)	(241.8)
Non-controlling interest	(1.5)	(2.6)	(32.0)
	(10.9)	(82.5)	(273.8)

¹ These items will be reclassified to the consolidated income statement if specific future conditions are met.

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2019

US\$ million	Notes	(Unaudited) 31 December 2019	(Unaudited) 31 December 2018	(Audited) 30 June 2019
ASSETS				
Non-current assets				
Property, plant and equipment	7	950.3	1,188.3	967.8
Right-of-use assets		6.8	—	—
BEE loans and receivables	12	125.9	79.0	109.6
Other receivables		13.5	25.0	10.1
Total non-current assets		1,096.5	1,292.3	1,087.5
Current assets				
Trade and other receivables		30.4	47.1	34.4
Inventories		110.6	105.3	85.6
Cash and cash equivalents (including restricted amounts)		53.6	90.7	85.2
Total current assets		194.6	243.1	205.2
Non-current assets classified as held for sale	17	0.6	0.6	0.6
Total assets		1,291.7	1,536.0	1,293.3
EQUITY AND LIABILITIES				
Equity				
Share capital	8	133.4	133.4	133.4
Share premium account		790.2	790.2	790.2
Foreign currency translation reserve		(362.6)	(367.6)	(361.7)
Share-based payment reserve		6.8	7.7	6.2
Other reserves		(0.8)	(0.8)	(0.8)
Accumulated losses		(264.3)	(87.3)	(255.6)
Attributable to equity holders of the parent company		302.7	475.6	311.7
Non-controlling interest		12.9	43.1	14.4
Total equity		315.6	518.7	326.1
Liabilities				
Non-current liabilities				
Loans and borrowings	9	604.8	602.4	603.5
Lease liabilities		2.6	—	—
BEE loans payable	12	128.1	112.4	120.5
Provisions		64.0	58.1	61.3
Deferred tax liabilities		78.5	125.1	81.4
Total non-current liabilities		878.0	898.0	866.7
Current liabilities				
Loans and borrowings		47.3	47.1	47.1
Lease liabilities		4.5	—	—
Trade and other payables		46.3	72.1	53.4
Total current liabilities		98.1	119.2	100.5
Liabilities directly associated with non-current assets classified as held for sale	17	—	0.1	—
Total liabilities		976.1	1,017.3	967.2
Total equity and liabilities		1,291.7	1,536.0	1,293.3

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2019

US\$ million	Notes	(Unaudited) 1 July 2019- 31 December 2019	(Unaudited) 1 July 2018- 31 December 2018	(Audited) Year ended 30 June 2019
Loss before taxation for the Period from continuing and discontinued operation				
		(13.2)	(60.4)	(303.9)
Depreciation of property plant and equipment		47.0	53.2	106.7
Impairment charge – operations	15	—	—	223.7
Impairment charge – other receivables	15	1.7	—	22.9
Loss and impairment charge on discontinued operations	16	—	39.7	49.9
Movement in provisions		—	1.0	0.7
Financial income	6	(7.1)	(2.7)	(12.1)
Financial expense	6	38.5	49.0	65.6
Profit on disposal of property, plant and equipment		—	2.3	1.3
Share based payment provision		0.4	0.1	0.2
Operating profit before working capital changes		67.3	82.2	155.0
Decrease in trade and other receivables		3.0	61.6	62.5
Decrease in trade and other payables		(6.1)	(53.7)	(54.7)
Increase in inventories		(23.7)	(27.3)	(6.4)
Cash generated from operations		40.5	62.8	156.4
Net realised (losses) / gains on foreign exchange contracts		(3.4)	(2.8)	1.0
Finance expense		(24.5)	(21.2)	(45.4)
Income tax paid		(0.6)	—	(13.0)
Net cash generated from operating activities		12.0	38.8	99.0
Cash flows from investing activities				
Acquisition of property, plant and equipment (including capitalised cash interest paid of US\$nil (30 June 2019: US\$3.7 million and 31 December 2018: US\$3.7 million))		(26.8)	(44.3)	(85.9)
Proceeds from sale of property, plant and equipment		—	—	0.4
Loans advanced to BEE partners		(11.3)	(21.2)	(46.7)
Loans advanced to KEM JV post disposal		—	(9.1)	(9.4)
Repayments from KEM JV		0.1	—	3.9
Disposal of interest in KEM JV and Helam (net of cash disposed of)		—	(1.5)	(1.5)
Finance income		0.1	0.5	1.3
Net cash utilised in investing activities		(37.9)	(75.6)	(137.9)
Cash flows from financing activities				
Principal paid on lease liabilities		(2.8)	—	—
Increase in borrowings		95.9	2.8	5.8
Repayment of borrowings		(95.9)	(105.6)	(108.5)
Net cash generated from financing activities		(2.8)	(102.8)	(102.7)
Net decrease in cash and cash equivalents		(28.7)	(139.6)	(141.6)
Cash and cash equivalents at beginning of the Period		71.7	223.0	223.0

Effect of exchange rate fluctuations on cash held	(2.9)	(6.6)	(9.7)
Cash and cash equivalents at end of the Period¹	40.1	76.8	71.7

The cash flows specific to the discontinued operation (net of tax) are included in the amounts above and are disclosed in Note 16.

¹ Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US\$13.5 million (30 June 2019: US\$13.5 million and 31 December 2018: US\$13.9 million) and unrestricted cash of US\$40.1 million (30 June 2019: US\$71.7 million and 31 December 2018: US\$76.8 million).

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2019

(Unaudited)	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Accumulated losses	Attributable to the parent	Non-controlling interest	Total equity
US\$ million									
At 1 July 2019	133.4	790.2	(361.7)	6.2	(0.8)	(255.6)	311.7	14.4	326.1
Loss for the Period	—	—	—	—	—	(8.7)	(8.7)	(1.3)	(10.0)
Other comprehensive (expense) / income	—	—	(0.9)	0.2	—	—	(0.7)	(0.2)	(0.9)
Equity settled share based payments	—	—	—	0.4	—	—	0.4	—	0.4
At 31 December 2019	133.4	790.2	(362.6)	6.8	(0.8)	(264.3)	302.7	12.9	315.6

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2019

(Unaudited)	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Accumulated losses	Attributable to the parent	Non-controlling interest	Total equity
US\$ million									
Six month Period ending 31 December 2018:									
At 1 July 2018	133.4	790.2	(344.7)	7.7	(0.8)	(30.4)	555.4	11.2	566.6
Loss for the Period	—	—	—	—	—	(56.9)	(56.9)	(1.0)	(57.9)
Other comprehensive expense	—	—	(22.9)	(0.1)	—	—	(23.0)	(1.6)	(24.6)
Non-controlling interest disposed	—	—	—	—	—	—	—	34.5	34.5
Equity settled share based payments	—	—	—	0.1	—	—	0.1	—	0.1
At 31 December 2018	133.4	790.2	(367.6)	7.7	(0.8)	(87.3)	475.6	43.1	518.7

PETRA DIAMONDS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2019

(Unaudited)	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Hedging and other reserves	Accumulated losses	Attributable to the parent	Non-controlling interest	Total equity
US\$ million									
Twelve month Period ended 20 June 2019:									
At 1 July 2018	133.4	790.2	(344.7)	7.7	(0.8)	(30.4)	555.4	11.2	566.6
Loss for the Period	—	—	—	—	—	(226.8)	(226.8)	(31.3)	(258.1)
Other comprehensive expense	—	—	(14.9)	(0.1)	—	—	(15.0)	(0.7)	(15.7)
Recycling of foreign currency translation reserve on disposal of KEM JV and Helam ¹	—	—	(2.1)	—	—	—	(2.1)	—	(2.1)
Transfer between reserves for lapsed employee options	—	—	—	(1.6)	—	1.6	—	—	—
Non-controlling interest disposed	—	—	—	—	—	—	—	35.2	35.2
Equity settled share based payments	—	—	—	0.2	—	—	0.2	—	0.2
At 30 June 2019	133.4	790.2	(361.7)	6.2	(0.8)	(255.6)	311.7	14.4	326.1

¹ During FY 2019, the Company disposed of the KEM JV and Helam operations and recognised a foreign currency translation gain of US\$2.1 million which has been recycled through the consolidated income statement as part of loss on discontinued operations (refer to note 16).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2019**

1. GENERAL INFORMATION

Petra Diamonds Limited (the “Company”), a limited liability company listed on the Main Market of the London Stock Exchange, is registered in Bermuda with its Group management office domiciled in the United Kingdom. The Consolidated Interim Financial Statements of the Company for the six month period ended 31 December 2019 comprise the Company and its subsidiaries, joint operations and associates (together referred to as the “Group”).

2. ACCOUNTING POLICIES

The interim results, which are unaudited, have been prepared in accordance with the requirements of International Accounting Standard 34. This condensed interim report does not include all the notes of the type normally included in an annual financial report. This condensed report is to be read in conjunction with the Annual Report for the year ended 30 June 2019, and any public announcements made by the Group during the interim reporting period. The annual financial report for the year ended 30 June 2019 was prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS’s”) and the accounting policies applied in this condensed interim report are consistent with the policies applied in the annual financial report for the year ended 30 June 2019 unless otherwise noted.

The company has adopted IFRS 16 Leases in the Period, following the standard becoming effective for accounting periods commencing on or after 1 January 2019.

IFRS 16 Leases

The Group is required to apply IFRS 16 for annual reporting periods beginning on or after 1 January 2019. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical exceptions when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- exclude initial direct costs from the measurement of right-of-use assets at the date of initial application;
- reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- apply the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space, mining equipment and contract mining services, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as at 1 January 2019. The Group’s incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Included in profit or loss for the period are US\$2.4 million of amortisation of right-of-use assets and US\$0.4 million of finance expense on lease liabilities. Below is a summary of the impact upon adoption of IFRS 16 "Leases".

	US\$ million
Right-of-use asset – 1 July 2019	9.5
Lease liability – 1 July 2019	(9.5)
Effect on retained earnings – 1 July 2019	—
31 December 2019:	
Lease payments	2.8
Amortisation of right-of-use asset	2.4
Finance charges to income statement on lease liability	0.4

The key judgements and assumptions around leases are disclosed under the section 'Significant assumptions and Judgements'.

Basis of preparation including going concern

Background

Production results for the Period exceeded management expectations. However, product mix and rough diamond market conditions negatively impacted rough diamond pricing and, as a result, revenue and cash flow results. As a result of the above, revenue for the Period decreased 6% compared to H1 FY 2019. Product mix results are discussed in more detail in the mine-by-mine commentary in the Operational Review section above, while the rough diamond market is discussed in the Diamond Market section above.

The Company's covenants related to its South African banking facilities are as outlined below:

	12 months to 31 Dec 2019	12 months to 30 Jun 2020	12 months to 31 Dec 2020	12 months to 30 Jun 2021
Consolidated Net Debt to Consolidated EBITDA:				
Required covenant ratio:	≤ 4.25x	≤ 3.5x	≤ 3.25x	≤ 3.0x
Consolidated EBITDA to Consolidated Net Finance Charges:				
Required covenant ratio:	≥ 2.5x	≥ 2.75x	≥ 3.0x	≥ 3.25x
Consolidated Net Senior Debt to Book Equity				
Required covenant ratio:	≤ 0.4x	≤ 0.4x	≤ 0.4x	≤ 0.4x

The implementation of Project 2022, as announced in July 2019, aims to identify and drive efficiencies and improvements across all aspects of the business. Project 2022's focus is on enhancing cashflow generation and reducing net debt. The increase in production for the Period is mainly as result of certain initiatives identified through Project 2022 starting to deliver. In light of the continued weakness in the diamond market, coupled with the impact of adverse product mix, the delivery of Project 2022's cumulative cash flow target is expected to be delayed, resulting in the US\$150 – 200 million being revised to US\$100 – 150 million by June 2022, to achieve annualised cash flow generation of US\$50 – 80 million.

Forecasts and associated risks

In light of the above, coupled with recent market commentary about continued weakness in the diamond market, the following have been key considerations for the Board in assessing the Group's ability to operate as a going concern at the date of this Report:

1. risks of further market weakness reducing diamond prices;
2. the impact on pricing due to product mix volatility;
3. risks of general production disruptions;
4. risks of increased operating costs;

5. volatility in the South African Rand; and
6. the impact of reduced revenue on earnings, cash flow projections and associated covenant measurements.

Base case forecasts (which incorporate current diamond market conditions) assume an average exchange rate of ZAR14.50:US\$1, continued advances to BEE partners to enable them to meet their loan obligations to the BEE Lenders, and specifically excludes the proceeds from the sale of exceptional stones, the sale of the blocked Williamson parcel and the recovery of historical and current VAT during the forecast period.

The Board has reviewed the Group's forecasts and sensitivities for a period of at least 12 months from the date of this report, including both forecast liquidity and covenants. In doing so, careful consideration was given to potential risks to the forecasts as listed above.

Under the base case, and cases adjusted for sensitivities on an individual basis, the Company's forecasted liquidity is likely to require temporary utilisation of the South African banking facilities should the ongoing weakness in the diamond market persist during the period under review, and therefore the Group's base case forecasts are anticipated to be dependent upon the continued availability of the South African banking facilities. The impact of the recent weakness in the diamond market on the Group's operating results and cash flow position has been discussed with the Lender Group, including likely breaches of its EBITDA-related covenants for the December 2019 (measured in March 2020), June 2020 and December 2020 reporting periods. The Lender Group have re-affirmed their ongoing support of the Group and the Company and have waived the EBITDA related covenant ratios associated with its banking facilities for the December 2019 measurement period (measured in March 2020).

The Company and the Lender Group will hold further discussions with regards to covenants for the June 2020 reporting period in H2 FY 2020 following completion of at least two of the four tenders to be held during H2 FY 2020 to gauge short term rough diamond prices, and resultant forward looking full year results and cash flow projections. This may include covenant resets and/or waivers for the June 2020 measurement period and potentially for subsequent measurement periods. All future covenant waivers or resets will be subject to the approval from respective credit committees of the Lender Group and, although the Company recognises the ongoing support from the Lender Group and the track record of achieving waivers or resets historically, there is no guarantee that future waivers or resets will be received.

Conclusion

The Board is of the view that the longer term fundamentals of the diamond market remain sound notwithstanding the current weakness in the pricing of rough diamonds. The forecast benefits of Project 2022 are expected to optimise production and maximise cash flow, while having access to some of the largest diamond resources globally will continue to provide organic growth opportunities well beyond 2030.

The Board recognises the significant debt levels within the Group and despite the operations now delivering production results in line with guidance, with all major capital expansion programmes having been delivered on, the current weakness in the diamond market has heightened the need to continue to optimise production and associated cash margins across all operations by continually focusing on key deliverables as currently envisaged to be addressed via Project 2022.

Ongoing engagement with the Lender Group is key to ensuring facilities remain available to the Group. Cash management and preservation will continue to be of the highest importance via the management of working capital, specifically diamond inventory control, deferring of non-essential cash payments, maintaining very tight control over costs and overheads, and deferral of certain elements of its capital expenditure that are not essential.

Considering the recent positive engagements with the Lender Group, alongside the Group's existing cash resources and the expected continuing availability of current facilities, the Board assessed the liquidity headroom to be adequate under the Group's current base case and reasonable sensitivities.

Accordingly, the Board has concluded that the going concern basis in the preparation of the unaudited interim financial statements remains appropriate and that there are no material uncertainties that would cast doubt on that basis of preparation.

New standards and interpretations applied

The IASB has issued IFRS 16 Leases with an effective date on or after 1 January 2019 which is the only standard to impact on the Group during the Period under review.

Refer to Accounting Policies above.

New standards and interpretations not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 July 2020 or later periods, none of which are anticipated to be significant or relevant to the Group.

Significant assumptions and judgements:

The preparation of the condensed consolidated interim financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, reported revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the interim financial statements. Estimates and judgements are continually evaluated and based on management's historical experience and other factors, including future expectations and events that are believed to be reasonable. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results of the Group in future reporting periods are discussed below.

Key estimates and judgements:

Impairment reviews

The Group prepares impairment models and assesses mining assets for impairment or reversals of previous impairments. While conducting an impairment test of its assets using recoverable values using the current life of mine plans, the Group exercised judgement in making assumptions about future rough diamond prices, foreign exchange rates, volumes of production, ore reserves and resources included in the current life of mine plans, future development and production costs and factors such as inflation and discount rates. Changes in estimates used can result in significant changes to the 'Consolidated Income Statement' and 'Statement of Financial Position'.

Cullinan, Finsch, Koffiefontein and Williamson

The impairment tests for Cullinan, Finsch, Koffiefontein and Williamson resulted in the recognition of an impairment charge of US\$nil (30 June 2019: US\$223.7 million and 31 December 2018: US\$nil) on a carrying value of property, plant and equipment of US\$950.3 million (30 June 2019: US\$1,187.5 million and 31 December 2018: US\$1,188.3). For further details of the inputs, assumptions and sensitivities in the impairment model, refer to note 15.

KEM JV

Refer to note 16 for disposal and impairment reviews in the prior periods.

Recoverability of diamond parcel in Tanzania

The Group holds diamond inventory valued at lower of cost and net realisable value of US\$12.3 million (30 June 2019: US\$12.4 million and 31 December 2018: US\$12.4 million) in the Statement of Financial Position in respect of the Williamson mine's confiscated diamond parcel. During FY 2018, an investigation into the Tanzanian diamond sector by a parliamentary committee in Tanzania was undertaken to determine if diamond royalty payments were being understated. In connection with this, Petra announced on 11 September 2017 that a parcel of diamonds (71,654.45 carats) from the Williamson mine in Tanzania (owned 75% by Petra and 25% by the Government of the United Republic of Tanzania ("GoT")) had been blocked for export to Petra's marketing office in Antwerp.

The assessment of the recoverability of the diamond parcel required significant judgement. In making such a judgement, the Group considered their ongoing discussions with the GoT, confirmation was received from the GoT in FY 2018 that they held the diamond parcel of 71,654.45 carats, verbal re-confirmation has been given this year in the course of the ongoing discussions held with the GoT, an assessment of the internal process used for the sale and export of diamonds confirming such process is in full compliance with legislation in Tanzania and the Kimberley Process, and legal advice received from the Group's in-country attorneys which supports the Group's position.

During FY 2018, Petra received authorisation from the GoT to resume diamond exports and sales from Williamson and all subsequent parcels of diamonds have been exported from Tanzania for sale at the Company's marketing office in Antwerp. While a resolution has not yet been reached with regards to the parcel of diamonds that was blocked from export, based on the above judgements and assessment thereof, management remain confident that the diamond parcel will be released by the GoT and will be available for future sale.

Recoverability of VAT in Tanzania

The Group has gross VAT receivables of US\$38.0 million (30 June 2019: US\$32.9 million and 31 December 2018: US\$25.0 million) in respect of the Williamson mine, all of which are past due and have therefore been classified, after providing for a time-value of money provision inclusive of risk adjustments for various factors, as non-current given the potential delays in receipt. Of the total VAT receivables, US\$13.8 million (30 June 2019: US\$13.8 million and 31 December 2018: US\$13.8 million) relates to historic VAT pre July 2017. The assessment of the carrying value of the VAT receivables under the historic VAT legislation required significant judgement over the timing of future payments, progress and finalisation of VAT audits, ongoing discussions with the relevant authorities in Tanzania and the wider operating environment.

A further US\$24.2 million (30 June 2019: US\$19.1 million and 31 December 2018: US\$11.2 million) of VAT is receivable which relates to VAT under the current legislation, effective from July 2017. The assessment of the carrying value of the VAT receivable under the current VAT legislation required significant judgement over the timing of future payments, the definition of raw minerals under the new VAT legislation, ongoing discussions with the relevant authorities in Tanzania, legal advice, a formal rejection letter received from the Tanzania Revenue Authority and the Company's legal objection thereto and the wider operating environment. Management have considered the current legislation and consider that input VAT can continue to be recovered in relation to the export of rough diamonds, however note that the current legislation is unclear. As such, Management consider the VAT receivables under the new VAT legislation to be valid. Accordingly, the Group is considering various alternatives in pursuing payment in accordance with legislation.

While the total VAT balance is considered receivable, significant uncertainty exists regarding the timing of receipt. Accordingly, the receivable has been discounted by US\$24.5 million (30 June 2019: US\$22.8 million and 31 December 2018: US\$4.2 million), which required estimates as to the timing of future receipts and determination of a risk adjusted discount rate. The carrying value of the non-current receivable after adjusting for the time-value of money provision is US\$13.5 million (30 June 2019: US\$10.1 million and 31 December 2018: US\$20.8 million). The Group recognised a net consolidated impairment charge of US\$1.6 million comprising US\$1.7 million, being management's estimate of the impact of the delayed recoverability of the Tanzania VAT receivable, and a recoupment of US\$0.1 million previously impaired in respect of the KEM JV receivable. A discount rate of 14% has been applied to the expected cash receipts inclusive of estimated country credit risk. A 1% increase in the discount rate would increase the provision by US\$0.4 million and a one year delay would increase the provision by US\$0.7 million.

BEE guarantee

The BEE partners obtained bank financing from ABSA, RMB and Investec (the "BEE Lenders") to refinance amounts owing by the BEE partners to Petra, which had provided funding to the BEE partners to enable them to acquire their interests in Finsch and Cullinan. As part of the refinancing, the Group provided a guarantee to the BEE Lenders over the repayment of loans advanced to the Group's BEE partners. The BEE partners will settle their loan obligations with the BEE Lenders from their share of future operational cash flows, either through repayment of the amounts owing to the BEE partners by Petra or through recoverable advances provided by Petra from Group treasury.

Judgement has been applied by management in assessing the risk of the BEE partners defaulting under their obligations to the BEE Lenders, including any acceleration of repayments due to future covenant positions. Management have considered the Group's future cash flows forecasts, the likelihood of settlement lender facilities remaining available given the possible covenant breaches and its ability to meet planned forecast BEE partner distributions. Accordingly management are of the opinion that the risk of default by the BEE partners to the BEE Lenders is remote (refer to going concern note above and note 12 for further details).

Life of mine and ore reserves and resources

There are numerous risks inherent in estimating ore reserves and resources and the associated current life of mine plan. The life of mine plan is the current approved management plan for ore extraction that considers specific resources and associated capital expenditure. The life of mine plan frequently includes less tonnes than the total reserves and resources that are set out in the Group's Reserves and Resources Statement and which management may consider to be economically viable and capable of future extraction.

Management must make a number of assumptions when making estimates of reserves and resources, including assumptions as to exchange rates, rough diamond and other commodity prices, extraction costs, recovery and production rates. Any such estimates and assumptions may change as new information becomes available. Changes in exchange rates, commodity prices, extraction costs, recovery and production rates may change the economic viability of ore reserves and resources and may ultimately result in the restatement of the ore reserves and resources and potential impairment to the carrying value of the mining assets and life of mine plans.

The current life of mine plans are used to determine the ore tonnes and capital expenditure in the impairment tests. Ore reserves and resources, both those included in the life of mine and certain additional tonnes which form part of reserves and resources considered to be sufficiently certain and economically viable, also impact the depreciation of mining assets depreciated on a unit of production basis. Ore reserves and resources further impact the estimated date of decommissioning and rehabilitation.

Leases

Management has made certain assumptions and applied judgement around certain service contracts with medium term renewal terms. In assessing the applicable term of the service contracts, the Group has concluded that it is unlikely that such contracts will be renewed and thus they are only included in the lease calculation up to the date of lease termination.

Other key estimates and judgements

In addition to the key estimates and judgements disclosed above, the following estimates and judgements have not significantly changed from those disclosed in the FY 2019 Annual Report and will be discussed in further detail in the FY 2020 Annual Report:

- Provision for rehabilitation
- Inventory and inventory stockpile
- Depreciation
- Pension and post-retirement medical fund schemes
- Net investments in foreign operations

3. DIVIDENDS

No dividends have been declared in respect of the current Period under review (30 June 2019: US\$nil and 31 December 2018: US\$nil).

4. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's operating and geographical segments:

Mining – the extraction and sale of rough diamonds from mining operations in South Africa and Tanzania.

Exploration – exploration activities in Botswana.

Corporate – administrative activities in the United Kingdom.

Segments are based on the Group's management and internal reporting structure. Management reviews the Group's performance by reviewing the results of the mining activities in South Africa and Tanzania, reviewing the results of exploration activities in Botswana and reviewing the corporate administration expenses in the United Kingdom. Each segment derives, or aims to derive, its revenue from diamond mining and diamond sales, except for the corporate and administration cost centre.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Segment results are calculated after charging direct mining costs, depreciation and other income and expenses. Unallocated items comprise mainly interest-earning assets and revenue, interest-bearing borrowings and expenses and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period. Eliminations comprise transactions between Group companies that are cancelled on consolidation. The results are not materially affected by seasonal variations. Revenues are generated from tenders held in South Africa and Antwerp for external customers from various countries, the ultimate customers of which are not known to the Group.

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities			Tanzania - Mining activities	Botswana	United Kingdom	South Africa		
US\$ million	Cullinan	Finsch	Koffiefontein	Williamson	Exploration ⁴	Corporate and treasury	Beneficiation ³	Inter-segment	Consolidated
(6 month period ended 31 December 2019)	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019	1 July 2019 - 31 December 2019
Revenue	81.7	61.7	14.7	35.9	—	—	0.1	(0.2)	193.9
Segment result ¹	21.8	3.1	(0.5)	1.8	(0.3)	(3.9)	—	(2.5)	19.5
Impairment charge – other receivables	—	—	—	(1.7)	—	0.1	—	—	(1.6)
Other direct (expense) / income	—	0.2	—	0.1	—	—	—	—	0.3
Operating profit / (loss) ²	21.8	3.3	(0.5)	0.2	(0.3)	(3.8)	—	(2.5)	18.2
Financial income									7.1
Financial expense									(38.5)
Income tax credit									13.2
Non-controlling interest									(1.3)
Loss attributable to equity holders of the parent company									(8.7)
Segment assets	602.2	401.4	177.1	189.6	—	3,130.1	13.0	(3,221.7)	1,291.7
Segment liabilities	603.2	194.0	314.1	306.0	—	2,155.2	13.9	(2,610.3)	976.1
Capital expenditure	12.0	5.6	2.3	5.7	—	0.9	—	—	26.5

¹ Total depreciation of US\$47.0 million included in the segmental result comprises depreciation incurred at Cullinan US\$23.2 million, Finsch US\$15.0 million, Koffiefontein US\$1.6 million, Williamson US\$6.8 million, Exploration US\$0.1 million and Corporate and treasury US\$0.3 million.

² Operating loss is equivalent to revenue of US\$193.9 million less total costs of US\$175.7 million as disclosed in the Consolidated Income Statement.

³ The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

⁴ Assets of US\$0.6 million and liabilities of US\$nil in respect of the exploration assets in Botswana have been classified as non-current assets held for sale (refer to note 17).

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities				Care and maintenance	Tanzania - Mining activities	Botswana	United Kingdom	South Africa		
US\$ million	Cullinan	Finsch	Koffiefontein	KEM JV ^{4,5}	Helam ⁵	Williamson	Exploration ⁴	Corporate and treasury	Beneficiation ³	Inter-segment	Consolidated
(6 month period ended 31 December 2018)	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018	1 July 2018 - 31 December 2018
Revenue	66.2	87.0	10.5	—	—	43.5	—	—	0.7	(0.8)	207.1
Segment result ¹	4.7	27.7	(6.8)	—	—	4.8	(0.2)	(4.7)	(0.7)	(0.3)	24.5
Other direct income	—	0.1	—	—	—	0.1	—	—	—	—	0.2
Operating profit / (loss) ²	4.7	27.8	(6.8)	—	—	4.9	(0.2)	(4.7)	(0.7)	(0.3)	24.7
Financial income											2.7
Financial expense											(48.1)
Income tax expense											2.5
Loss on discontinued operation (net of tax) ⁵											(39.7)
Non-controlling interest											1.0
Loss attributable to equity holders of the parent company											(56.9)
Segment assets	664.3	495.7	196.8	—	—	212.0	—	3,055.2	12.4	(3,100.4)	1,536.0
Segment liabilities	622.7	226.8	293.5	—	—	297.4	—	2,191.8	13.3	(2,628.2)	1,017.3
Capital expenditure	22.8	13.8	3.2	—	—	3.2	—	1.3	—	—	44.3

¹ Total depreciation of US\$50.8 million included in the segmental result, comprises depreciation incurred at Cullinan US\$27.4 million, Finsch US\$14.8 million, Koffiefontein US\$2.3 million, Williamson US\$5.9 million, Exploration US\$0.1 million and Corporate administration US\$0.3 million.

² Operating profit is equivalent to revenue of US\$207.1 million less total costs of US\$182.4 million as disclosed in the Consolidated Income Statement.

³ The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

⁴ Assets of US\$0.6 million and liabilities of US\$0.1 million in respect of the exploration assets in Botswana have been classified as non-current assets held for sale (refer to note 17).

⁵ The operating results in respect of KEM JV and Helam have been reflected within loss on discontinued operation (refer to note 16).

4. SEGMENTAL INFORMATION (continued)

Operating segments	South Africa – Mining activities			Tanzania - Mining activities	Botswana	United Kingdom	South Africa		
US\$ million	Cullinan	Finsch	Koffiefontein	Williamson	Exploration ⁴	Corporate and treasury	Beneficiation ³	Inter-segment	Consolidated
(12 month period ended 30 June 2019)	2019	2019	2019	2019	2019	2019	2019	2019	2019
Revenue	171.4	170.2	28.9	93.0	—	—	0.1	—	463.6
Segment result ¹	26.2	32.2	(9.6)	9.9	(0.5)	(8.6)	(1.2)	(1.5)	46.9
Impairment charge - operations	(63.9)	(85.4)	(33.2)	(41.2)	—	—	—	—	(223.7)
Impairment charge – other receivables	—	—	—	(18.9)	—	(4.0)	—	—	(22.9)
Other direct (expense) / income	(0.1)	(0.5)	(0.4)	0.2	—	—	—	—	(0.8)
Operating loss ²	(37.8)	(53.7)	(43.2)	(50.0)	(0.5)	(12.6)	(1.2)	(1.5)	(200.5)
Financial income									12.1
Financial expense									(65.6)
Income tax credit									45.8
Loss on discontinued operation (net of tax) ⁵									(49.9)
Non-controlling interest									31.3
Loss attributable to equity holders of the parent company									(226.8)
Segment assets	609.7	396.6	168.7	182.5	—	3,146.8	13.0	(3,224.0)	1,293.3
Segment liabilities	607.0	184.3	303.4	300.6	—	2,306.9	13.8	(2,748.8)	967.2
Capital expenditure	46.3	24.1	6.1	8.6	—	1.8	—	—	86.9

¹ Total depreciation of US\$106.7 million included in the segmental result comprises depreciation incurred at Cullinan US\$56.1 million, Finsch US\$32.7 million, Koffiefontein US\$6.9 million, Williamson US\$10.2 million, Exploration US\$0.1 million and Corporate and treasury US\$0.7 million.

² Operating loss is equivalent to revenue of US\$463.6 million less total costs of US\$664.1 million as disclosed in the Consolidated Income Statement.

³ The beneficiation segment represents Tarorite, a cutting and polishing business in South Africa, which can on occasion cut and polish select rough diamonds.

⁴ Assets of US\$0.6 million and liabilities of US\$nil in respect of the exploration assets in Botswana have been classified as non-current assets held for sale (refer to note 17).

⁵ The operating results in respect of KEM JV and Helam have been reflected within loss on discontinued operation (refer to note 16).

US\$ million	1 July 2019 - 31 December 2019	1 July 2018 - 31 December 2018	1 July 2018 - 30 June 2019
5. CORPORATE EXPENDITURE			
Corporate expenditure includes:			
Depreciation of property, plant and equipment	0.3	0.3	0.7
London Stock Exchange and other regulatory expenses	0.8	0.5	1.3
Share-based expense - Directors	0.4	0.1	0.2
Other staff costs	1.1	1.4	2.6
Total staff costs	1.5	1.5	2.8

6. FINANCING EXPENSE

US\$ million	1 July 2019 - 31 December 2019	1 July 2018 - 31 December 2018	1 July 2018 - 30 June 2019
Net unrealised foreign exchange gains	2.7	—	4.0
Interest received on BEE loans and other receivables	3.9	2.3	5.8
Interest received bank deposits	0.1	0.4	1.1
Realised foreign exchange gains on the settlement of foreign loans and forward exchange contracts	0.4	—	1.2
Financial income	7.1	2.7	12.1
Gross interest on senior secured second lien notes, bank loans and overdrafts	(25.4)	(24.2)	(50.7)
Interest on bank loans and overdrafts capitalised	—	3.7	3.7
Net interest expense on bank loans and overdrafts	(25.4)	(20.5)	(47.0)
Other debt finance costs, including BEE loan interest, facility fees and IFRS 16 charges	(7.6)	(7.2)	(14.4)
Unwinding of present value adjustment for rehabilitation costs	(1.7)	(3.9)	(4.0)
Net unrealised foreign exchange losses ¹	—	(13.7)	—
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts	(3.8)	(2.8)	(0.2)
Financial expense	(38.5)	(48.1)	(65.6)
Net financial expense	(31.4)	(45.4)	(53.5)

¹ The Group predominantly enters into hedge contracts where the risk being hedged is the volatility in the South African Rand and US Dollar exchange rates affecting the proceeds in South African Rand of the Group's US Dollar denominated diamond tenders. In the event of a capital raising, as was the case with the Rights Issue in FY 2018, the Group may also enter into short dated hedges to facilitate the conversion between functional currencies across the Group as was the case with the settlement of the South African lender facilities out of the Pound Sterling Rights Issue proceeds in July 2018. The fair value of the Group's hedges as at the end of the Period are based on Level 2 mark-to-market valuations performed by the counterparty financial institutions. The contracts are all short dated in nature and mature within the next 12 months. An unrealised gain of US\$2.7 million (30 June 2019: US\$4.0 million gain and 31 December 2018: US\$13.7 million loss) in respect of foreign exchange contracts and inter-group loans held at Period end and a net realised foreign exchange loss of US\$3.4 million (30 June 2019: US\$1.0 million gain and 31 December 2018: US\$2.8 million loss) in respect of foreign exchange contracts closed during the Period is included in the net finance and expense amount.

7. PROPERTY, PLANT AND EQUIPMENT

The net movement in property, plant and equipment for the Period is a decrease of US\$17.5 million (30 June 2019: US\$276.4 million and 31 December 2018: US\$55.9 million). This is primarily as a result of:

- an increase in property, plant and equipment from capital expenditure of US\$26.5 million (30 June 2019: US\$86.9 million and 31 December 2018: US\$44.3 million), and
- an increase in the rehabilitation asset of US\$nil million (30 June 2019: US\$nil and 31 December 2018: US\$nil)

offset by:

- the movement in the US\$/ZAR foreign exchange rate resulting in a foreign exchange increase on Rand based assets of US\$3.0 million (30 June 2019: US\$28.4 million decrease and 31 December 2018: US\$47.1 million decrease);
- depreciation of US\$47.0 million (30 June 2019: US\$106.7 million and 31 December 2018: US\$50.8 million);
- the impairment of the Cullinan, Finsch, Koffiefontein and Williamson assets of US\$nil (30 June 2019: US\$223.7 million and 31 December 2018: US\$nil);
- the disposal of the Helam assets of US\$nil (30 June 2019: US\$1.5 million and 31 December 2018: US\$1.5 million); and
- assets of US\$nil (30 June 2019: US\$3.0 million and 31 December 2018: US\$0.8 million) disposed of during the Period.

8. SHARES ISSUED

Allotments during the Period ending 31 December 2019 were in respect of:

- (i) the award of shares to Johan Dippenaar and James Davidson of 62,304 and 32,554 respectively under the 2012 Performance Share Plan, in receipt of performance measured over the period 1 July 2017 to 30 June 2019.

There were no allotments by the Company during the prior Period.

Further details with regards to the Group's share plans will be provided in the Group's 2019 Annual Report.

9. LOANS AND BORROWINGS

US\$ million	31 December 2019	31 December 2018	30 June 2019
Non-current liabilities			
Loans and borrowings – Senior secured second lien notes	604.8	602.4	603.5
	604.8	602.4	603.5
Current liabilities			
Loans and borrowings – Senior secured second lien notes	47.3	47.1	47.1
	47.3	47.1	47.1
Total loans and borrowings - bank facilities	652.1	649.5	650.6

a) Senior Secured Lender Debt Facilities

The Group's South African Lender Group (Absa Corporate and Investment Banking ("Absa"), FirstRand Bank Limited (acting through its Rand Merchant Bank division) ("RMB"), and Nedbank Limited) and lending facilities are detailed in the table below. There have been no amendments to the facilities during the period under review.

The Group's debt and hedging facilities are detailed in the table below:

Senior Lender Debt Facilities	31 December 2019 Facility amount	31 December 2018 Facility amount	30 June 2019 Facility amount
ZAR Debt Facilities:			
ZAR Lenders RCF	ZAR1,000 million	ZAR1,000 million	ZAR1,000 million
ZAR Lenders WCF	ZAR500 million	ZAR500 million	ZAR500 million
Absa/RMB – FX Hedging facilities	ZAR300 million	ZAR300 million	ZAR300 million

The interest rate and commitment fee ratchet mechanisms are as follows:

	Interest rate ratchet	Commitment fee ratchet
Consolidated Net Debt to Consolidated EBITDA		
≤ to 2.5:1	0.0%	0.0%
> 2.5:1 but ≤ 3.0:1	+1.0%	0.0%
> 3.0:1 but ≤ 3.5:1	+2.0%	+0.225%
> 3.5:1 but ≤ 4.0:1	+3.0%	+0.450%
> 4.0:1	+4.0%	+0.675%

The terms and conditions of the Group facilities are detailed in the Group's FY 2019 Annual Report.

The facilities are secured on the Group's interests in Cullinan, Finsch, Koffiefontein and Williamson.

As at date of this report, both the RCF and WCF are undrawn.

Covenant ratios

There have been no changes to the covenant ratios during the Period under review. The changes referred to below occurred during the prior reporting periods.

		12 months to 31 Dec 2019	12 months to 30 Jun 2020	12 months to 31 Dec 2020	12 months to 30 Jun 2021
Consolidated Net Debt to Consolidated EBITDA:					
- New covenant ratio:		≤ 4.25x	≤ 3.5x	≤ 3.25x	≤ 3.0x
- Previous covenant ratio:		≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.5x
Consolidated EBITDA to Consolidated Net Finance Charges:					
- New covenant ratio:		≥ 2.5x	≥ 2.75x	≥ 3.0x	≥ 3.25x
- Previous covenant ratio:		≥ 4.0x	≥ 4.0x	≥ 4.0x	≥ 4.0x

Refer to the Financial Review for further commentary with regards to covenants.

b) US\$650 million Senior Secured Second Lien Notes

A wholly owned subsidiary of the Company, Petra Diamonds US\$ Treasury Plc, issued debt securities consisting of US\$650 million five-year senior secured second lien notes with a maturity date of 01 May 2022 (the "2022 Notes"). The 2022 Notes carried a coupon of 7.25% per annum, which is payable semi-annually in arrears on 1 May and 1 November of each year. The 2022 Notes are

guaranteed by the Company and by the Group's material subsidiaries and are secured on a second lien basis on the assets of the Group's material subsidiaries.

Further details about the 2022 Notes (including security) are included in the Group's FY 2019 Annual Report.

10. COMMITMENTS

As at 31 December 2019, the Company had committed to future capital expenditure totalling US\$5.9 million (30 June 2019: US\$6.6 million and 31 December 2018: US\$19.5 million), mainly comprising Cullinan US\$2.5 million (30 June 2019: US\$3.1 million 31 December 2018: US\$8.1 million), Finsch US\$2.3 million (30 June 2019: US\$1.9 million 31 December 2018: US\$9.4 million), Koffiefontein US\$0.4 million (30 June 2019: US\$0.5 million 31 December 2018: US\$1.9 million) and Williamson US\$0.7 million (30 June 2019: US\$1.1 and 31 December 2018: US\$0.1 million).

11. RELATED PARTY TRANSACTIONS

The Group's related party BEE partners, Kago Diamonds (Pty) Ltd ("Kago Diamonds") and Sedibeng Mining (Pty) Ltd ("Sedibeng Mining"), and their gross interests in the mining operations of the Group are disclosed in the table below.

Mine	Partner and respective interest as at 31 December 2019 (%)	Partner and respective interest as at 31 December 2018 (%)	Partner and respective interest as at 30 June 2019 (%)
Cullinan	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)
Finsch	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)
Koffiefontein	Kago Diamonds (14%)	Kago Diamonds (14%)	Kago Diamonds (14%)

A prior restructuring of the Group and its BEE Partner structures allowing for a simplified Group structure resulted in the IPDET acquiring a 12% interest in each of the Group's South African operations, with Petra's commercial BEE Partners holding the remaining 14% interest through their respective shareholdings in Kago Diamonds, in which Petra has a 31.46% interest. The effective interest percentages attributable to the remaining operations for the Group's shareholders, as a result of the restructuring, are disclosed in the table below:

Mine	Resultant Group's effective interest %
Cullinan	78.4
Finsch	78.4
Koffiefontein	78.4

The non-current loans receivable, non-current loans payable, finance income and finance expense due from and due to the related party BEE partners and other related parties are disclosed in the table below:

US\$ million	1 July 2019 - 31 December 2019	1 July 2018 - 31 December 2018 ³	1 July 2018 - 30 June 2019
Non-current receivable			
Kago Diamonds ¹	64.4	37.3	54.6
	64.4	37.3	54.6
Non-current payable			
Kago Diamonds	69.0	60.2	64.9
	69.0	60.2	64.9
Current trade and other receivables			
KEM JV ²	8.5	9.7	8.6
Impairment provision ²	(7.3)	—	(7.3)
	1.2	9.7	1.3
Finance income			
Kago Diamonds	2.8	1.4	3.5
	2.8	1.4	3.5
Finance expense			
Kago Diamonds	3.6	3.3	6.8
	3.6	3.3	6.8

¹ Included in non-current receivables are amounts advanced during the Period of US\$6.3 million (30 June 2019: US\$26.8 million and 31 December 2018: US\$12.5 million).

² Included in current trade and other receivables are amounts previously advanced to KEM JV in respect of a working capital facility and equipment finance facility of US\$8.5 million (30 June 2019: US\$8.6 million and 31 December 2018: US\$9.7 million) and the balance of the KEM JV purchase consideration of US\$3.1 million (30 June 2019: US\$3.1 million and 31 December 2018: US\$3.1 million). During FY 2019 the Group received payments of US\$3.1 million in respect of the working capital facility and equipment finance facility. In FY 2019, the Group has applied the expected credit loss impairment model to the KEM JV receivables, taking into account various factors, and the expected credit loss was deemed to be US\$7.3 million.

Kago Diamonds is one of the BEE partners which obtained bank financing from ABSA, RMB and Investec (the “BEE Lenders”) to acquire its interests in Cullinan and Finsch. The Group has provided a guarantee to the BEE Lenders for repayment of loans advanced to the Group’s BEE Partners (refer to note 12 for further detail).

Rental income receivable

The Group received US\$nil (30 June 2019: US\$nil and 31 December 2018: US\$nil) of rental income from Pella Resources Ltd and US\$0.1 million (30 June 2019: US\$0.1 million and 31 December 2018: US\$nil) from Alufer Mining Ltd. The Group has US\$0.3 million (30 June 2019: US\$0.3 million and 31 December 2018: US\$0.3 million) receivable from Pella Resources Ltd and US\$nil (30 June 2019: US\$0.1 million and 31 December 2018: US\$0.1 million) receivable from Alufer Mining Ltd, both companies of which Mr Pouroulis is a director.

12. BEE LOANS RECEIVABLE AND PAYABLE

US\$ million	31 December 2019	31 December 2018	30 June 2019
Non-current assets			
Loans and other receivables	125.9	79.0	109.6
Non-current liabilities			
Trade and other payables	128.1	112.4	120.5

BEE Loans Receivable

The non-current BEE loans receivable represents those amounts receivable from the Group's BEE partners (Kago Diamonds, Sedibeng Mining and the IPDET) in respect of financing their interest in the Koffiefontein mine, advances provided to the BEE partners to enable the BEE partners to discharge interest and capital commitments under the BEE Lender facilities (refer below guarantee provided by the Company) and other advances to the BEE partners which have enabled them to make distributions to their beneficiaries (Petra directors do not qualify as beneficiaries under the IPDET Trust Deed).

As a result of prior period delays in the Cullinan plant ramp-up and the Finsch SLC ramp-up, the Group has elected to advance the BEE partners funds using Group treasury to enable the BEE partners to service their interest and capital commitments under the BEE Lender facilities (refer below). As a result, the BEE loans receivable due to Petra have increased. The BEE partners are also required to settle future interest and capital repayments under the BEE Lender facilities and Petra may, at its discretion, elect to advance the BEE partners funds to enable the BEE partners to service those future interest and capital commitments. These loan advances will be recoverable from the BEE's share of future cash flows from the underlying mining operations.

US\$ million	1 July 2019 - 31 December 2019	1 July 2018 - 31 December 2018	1 July 2018 - 30 June 2019
As at 1 July	109.6	64.7	64.7
Foreign exchange movement on opening balance	2.1	(3.0)	(1.2)
Discretionary advance – capital and interest commitment (BEE Lender facility)	9.3	18.3	42.2
Discretionary advance – distributions to beneficiaries	2.0	2.9	4.5
Interest receivable	2.9	1.6	4.9
BEE partner receivables written off – KEM JV disposal	—	(5.5)	(5.5)
As at 30 June	125.9	79.0	109.6

BEE loans payable

BEE loans payable represent those loans advanced by the BEE partners to the Group to acquire their interest in Cullinan and Finsch. Details of the movements are set out below.

US\$ million	1 July 2019 - 31 December 2019	1 July 2018 - 31 December 2018	1 July 2018 - 30 June 2019
As at 1 July	120.5	110.5	110.5
Foreign exchange movement on opening balance	1.0	(4.2)	(2.6)
Interest payable	6.6	6.1	12.6
As at 30 June	128.1	112.4	120.5

Group guarantee provided to BEE Lenders

The BEE partners obtained bank financing from ABSA, RMB and Investec (the “BEE Lenders”) to refinance amounts owing by the BEE partners to Petra, which had provided funding to the BEE partners to enable them to acquire their interests in Cullinan and Finsch. As part of the refinancing, the Group provided a guarantee to the BEE Lenders over the repayment of loans advanced to the Group’s BEE partners. The BEE partners will settle their loan obligations with the BEE Lenders from their share of future operational cash flows, either through repayment of the amounts owing to the BEE partners by Petra or through recoverable advances provided by Petra from Group treasury.

As at 31 December 2019, the BEE lender facility for which Petra stands surety was US\$49.3 million (30 June 2019: US\$72.5 million and 31 December 2018: US\$72.5 million) with interest and capital commitments as detailed below:

US\$ million	Interest repayments	Capital repayments	Balance
BEE Lender facility as at 31 December 2019			49.3
Due and payable within 12 months	(8.2)	(24.4)	(32.6)
Due and payable in 1 – 2 years			16.7

The BEE Lender facility forms part of Petra’s Consolidated Net Debt for Petra’s covenant measurement purposes and is subject to the same covenant requirements (refer to note 9 for further detail).

During the Period, the BEE Lender facility was amended with an amendment to the interest rate and margin (same interest rate ratchet terms as disclosed in note 9) and an extension to the repayment profile. The BEE Lender facility bears interest at SA JIBAR plus 8.0%, is repayable in bi-annual instalments (capital plus interest) in November and May, with a final repayment date in May 2021. The probability of repayment default by the BEE Partners to Absa, Investec and RMB and any subsequent call by the Lender Group on the guarantee provided by Petra is considered remote.

13. EARNINGS PER SHARE

	Continuing operations 1 July 2019 - 31 December 2019 US\$	Total 1 July 2019 - 31 December 2019 US\$	Continuing operations 1 July 2018 - 31 December 2018 US\$	Discontinued operations 1 July 2018 - 31 December 2018 US\$	Total 1 July 2018 - 31 December 2018 US\$	Continuing operations 30 June 2019 US\$	Discontinued operations 30 June 2019 US\$	Total 30 June 2019 US\$
Numerator								
Loss for the Period	(8,719,448)	(8,719,448)	(15,061,674)	(41,801,657)	(56,863,331)	(174,622,904)	(52,015,046)	(226,637,950)
Denominator								
Weighted average number of ordinary shares used in basic EPS	Shares	Shares	Shares	Shares	Shares	Shares	Shares	Shares
Brought forward	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485
Effect of shares issued during the Period	31,619	31,619	—	—	—	—	—	—
Carried forward	865,368,104	865,368,104	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485
Dilutive effect of potential ordinary shares	Shares	Shares	Shares	Shares	Shares	Shares	Shares	Shares
	—	—	1,063,961	—	1,063,961	—	—	—
Weighted average number of ordinary shares in issue used in diluted EPS	865,368,104	865,368,104	866,400,446	865,336,485	866,400,446	865,336,485	865,336,485	865,336,485
	US cents	US cents	US cents	US cents	US cents	US cents	US cents	US cents
Basic loss per share – US cents	(1.01)	(1.01)	(1.74)	(4.83)	(6.57)	(20.18)	(6.01)	(26.19)
Diluted loss per share – US cents	(1.01)	(1.01)	(1.74)	(4.83)	(6.57)	(20.18)	(6.01)	(26.19)

Due to the loss for the Period, the diluted loss per share is the same as the basic loss per share. The number of potentially dilutive ordinary shares, in respect of employee share options, Executive Director and Senior Management share award schemes is nil (30 June 2019: nil and 31 December 2018: 1,063,961). These potentially dilutive ordinary shares may have a dilutive effect on future earnings per share.

14. ADJUSTED EARNINGS PER SHARE (non-GAAP measure)

In order to show earnings per share from operating activities on a consistent basis, an adjusted earnings per share is presented which excludes certain items as set out below. It is emphasised that the adjusted earnings per share is a non-GAAP measure. The Petra Board considers the adjusted earnings per share to better reflect the underlying performance of the Group. The Company's definition of adjusted earnings per share may not be comparable to other similarly titled measures reported by other companies.

	Continuing operations 1 July 2019 - 31 December 2019 US\$	Total 1 July 2019 - 31 December 2019 US\$	Continuing operations 1 July 2018 - 31 December 2018 US\$	Discontinued operations 1 July 2018 - 31 December 2018 US\$	Total 1 July 2018 - 31 December 2018 US\$	Continuing operations 30 June 2019 US\$	Discontinued operations 30 June 2019 US\$	Total 30 June 2019 US\$
Numerator								
Loss for the Period	(8,719,448)	(8,719,448)	(15,061,674)	(41,801,657)	(56,863,331)	(174,622,904)	(52,015,046)	(226,637,950)
Net unrealised foreign exchange loss / (gain)	(2,724,502)	(2,724,502)	13,665,574	—	13,665,574	(4,022,483)	—	(4,022,483)
Present value discount – Williamson VAT receivable*	1,330,696	1,330,696	—	—	—	14,212,444	—	14,212,444
Impairment charge - operations*	—	—	—	—	—	174,009,126	—	174,009,126
Impairment charge – other receivables	—	—	—	—	—	3,941,305	—	3,941,305
Taxation credit on impairment charge*	—	—	—	—	—	(36,279,098)	—	(36,279,098)
Adjusted (loss) / profit for the Period attributable to parent	(10,113,254)	(10,113,254)	(1,396,100)	(41,801,657)	(43,197,757)	(22,761,610)	(52,015,046)	(74,776,656)
*Portion attributable to equity shareholders of the Company								
Denominator								
Weighted average number of ordinary shares used in basic EPS	Shares	Shares	Shares	Shares	Shares	Shares	Shares	Shares
As at 1 July	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485
Effect of shares issued during the Period	31,619	31,619	—	—	—	—	—	—

Carried forward	865,368,104	865,368,104	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485	865,336,485
	Shares	Shares	Shares	Shares	Shares	Shares	Shares	Shares
Dilutive effect of potential ordinary shares	—	—	1,063,961	—	1,063,961	—	—	—
Weighted average number of ordinary shares in issue used in diluted EPS	865,368,104	865,368,104	866,400,446	865,336,485	866,400,446	865,336,485	865,336,485	865,336,485
	US cents	US cents	US cents	US cents	US cents	US cents	US cents	US cents
Adjusted basic (loss) / profit per share – US cents	(1.17)	(1.17)	(0.16)	(4.83)	(4.99)	(2.63)	(6.01)	(8.64)
Adjusted diluted (loss) / profit per share – US cents	(1.17)	(1.17)	(0.16)	(4.83)	(4.99)	(2.63)	(6.01)	(8.64)

15. IMPAIRMENT CHARGE

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment or reversal of historic impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is determined on a fair value less cost to develop basis.

During the Period under review, the Group reviewed the carrying value of its investments, loan receivables and operational assets for indicators of impairment. Following the assessment, no impairment of property, plant and equipment was considered appropriate for Cullinan, Finsch, Koffiefontein and Williamson. The Group recognised a net consolidated income statement charge of US\$1.6 million comprising of US\$1.7 million, being management's estimate of the recoverability of the Tanzania VAT receivable, and recoupment of US\$0.1 million previously impaired in respect of the KEM JV receivable.

Details of the impairment assessment are shown below:

Impairment (US\$ million)	Asset class	Carrying value pre impairment	Impairment	Carrying value post impairment
Impairment other receivables:				
Other	Tanzania VAT receivable (refer note 2)	15.2	(1.7)	13.5
Other	KEM JV recoupment of receivable	(0.1)	0.1	—
Total		15.1	(1.6)	13.5

30 June 2019

During FY 2019, the Group reviewed the carrying value of its investments, loan receivables and operational assets for indicators of impairment. Following the assessment, impairment of property, plant and equipment were considered appropriate for Cullinan, Finsch, Koffiefontein and Williamson. The Group recognised a consolidated income statement charge of US\$246.6 million comprising of US\$223.7 million, being management's estimate of recoverable value of the Cullinan, Finsch, Koffiefontein and Williamson assets, and US\$22.9 million, being management's estimate of the recoverability of other receivables due from external parties. For impairment considerations of Helam and KEM JV in respect of FY 2019, refer to note 16.

Impairment (US\$ million)	Asset class	Carrying value pre impairment	Impairment	Carrying value post impairment
Impairment operations:				
Cullinan	Property, plant & equipment	637.2	(63.9)	573.3
Finsch	Property, plant & equipment	374.0	(85.4)	288.6
Koffiefontein	Property, plant & equipment	46.5	(33.2)	13.3
Williamson	Property, plant & equipment	129.8	(41.2)	88.6
Sub-total		1,187.5	(223.7)	963.8
Impairment other receivables:				
Other	Other receivables	4.0	(4.0)	—
Other	Tanzania VAT receivable (refer note 2)	29.0	(18.9)	10.1
Sub-total		33.0	(22.9)	10.1
Total		1,220.5	(246.6)	973.9

Cullinan, Finsch, Koffiefontein and Williamson impairment considerations and assumptions

The Group performs impairment testing on an annual basis of all operations and when there are potential indicators of impairment. The impairment testing performed resulted in impairments of the Cullinan, Finsch, Koffiefontein and Williamson assets. The key assumptions used in determining the recoverable value calculations, determined on fair value less cost to develop basis, are listed in the table below:

Group assumptions:

Key assumptions	Explanation
LOM and recoverable value of reserves and resources	<p>Economically recoverable reserves and resources are based on management's expectations based on the availability of reserves and resources at mine sites and technical studies undertaken in house and by third party specialists.</p> <p>The LOM for the operations are as follows: Cullinan: FY 2029 (FY 2019: FY 2029) Finsch: FY 2030 (FY 2019: FY 2030) Koffiefontein: FY 2024 (FY 2019: FY 2024) Williamson: FY 2032 (FY 2019: FY 2032)</p> <p>Resources remaining after the current LOM plans have not been included in impairment testing for the operations.</p>
LOM reserves and resources	<p>Cullinan – Life of mine over the next 10 years (FY 2019: 10 years); total resource processed 40.4 Mt (FY 2019: 40.5 Mt).</p> <p>Finsch – Life of mine over the next 11 years (FY 2019: 11 years); total resource processed 35.7 Mt (FY 2019: 35.8 Mt).</p> <p>Koffiefontein – 5 years (FY 2019: 5 years) life of mine plan; total resource processed 5.4 Mt (FY 2019: 4.8 Mt) ROM.</p> <p>Williamson – 12 years (FY 2019: 13 years) life of mine plan: total resource processed 56.1 Mt (FY 2019: 64.1 Mt).</p>
LOM – capital expenditure	<p>Management has estimated the timing and quantum of the capital expenditure based on the Group's current LOM plans for each operation. There is no inclusion of capital expenditure to enhance the asset beyond exploitation of the LOM plan orebody.</p>
Diamond prices	<p>The diamond prices used in the impairment test have been set with reference to recent achieved pricing and market trends, and long-term diamond price escalators are informed by industry views of long-term market supply / demand fundamentals.</p> <p>The 31 December 2019 impairment testing models account for a lower starting diamond price (FY 2020) when compared to the 30 June 2019 impairment models, reflecting the current weakness in diamond prices. Diamond price recovery driven by expected product mix and market stabilisation is forecast for H2 FY 2020 and the impairment models incorporate diamond price escalation of 2.5% above a long-term US inflation rate of 2.5% for FY 2021 and 2.8% above a long-term US inflation rate of 2.5% per annum from FY 2022 to FY 2030. This equates to a 2.7% real CAGR for the ten year period from FY 2021 to FY 2030. Estimates for the contribution of exceptional diamonds sold for more than US\$5 million each are determined with reference to historical trends.</p> <p>30 June 2019 impairment testing models incorporated diamond price escalation of 2.8% above a long-term US inflation rate of 2.5% per annum from FY 2022 to FY 2030. This equates to a 2.5% real CAGR for the ten year period from FY 2021 to FY 2030. Estimates for the contribution of exceptional diamonds sold for more than US\$5 million each are determined with reference to historical trends.</p>
Discount rate	<p>A discount rate of 8.5% (30 June 2019: 8.5%) was used for the South African operations and 9.0% (30 June 2019: 9.0%) for Williamson. Discount rates calculated based on a nominal weighted cost of capital including the effect of factors such as market risk and country risk as at the Period end.</p>
Cost inflation rate	<p>Long-term inflation rates of 3.5%–7.5% (30 June 2019: 3.5%–7.5%) above the long-term US\$ inflation rate were used for Opex and Capex escalators. Opex savings of 5% per annum have been applied from FY 2020 onwards in line with the Project 2022 strategy implemented by the Group.</p>
Exchange rates	<p>Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The US\$/ZAR exchange rate range used for all South African operations commenced at ZAR14.50 (30 June 2019: ZAR14.00), further devaluing at 3.9% (30 June 2018: 3.9%) per annum over a period of three years, reverting to 3.4% per annum thereafter.</p>
Valuation basis	<p>Discounted present value of future cash flows.</p>

Williamson	At Williamson, the key judgement is around the recoverability of the VAT receivable under the new legislation effective 20 July 2018. As detailed in note 2, Management consider the future VAT to be fully recoverable. However, if the VAT were not to be recoverable the impact would be to increase the impairment by an additional US\$61.9 million.
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Sensitivity analysis

The impact of applying sensitivities on the key inputs based on management's assumptions at 31 December 2019 is noted below:

(US\$ million)	Additional impairment charge			
	Cullinan	Finsch	Koffiefontein	Williamson
Base case				
Increase in discount rate by 2%	-47.5	-32.4	-0.7	-11.0
Reduction in pricing by 5% over Life of Mine	-55.9	-47.1	-8.5	-25.0
Reduction in short-term production by 10%	-36.3	-13.1	-10.0	-14.5
Increase in Opex by 5%	-25.0	-22.9	-6.9	-19.0
Strengthening of the ZAR from US\$/ZAR14.50 to US\$/ZAR13.50	-41.3	-49.3	-10.8	n/a

16. DISPOSAL OF OPERATIONS

There were no disposals during the Period under review.

30 June 2019

a) Disposal of KEM JV

On 5 December 2018, the Group and its BEE partners disposed of their 75.9% interest in the KEM JV operation to the Company's joint venture partner Ekapa Mining (Pty) Ltd ("Ekapa Mining") for a gross cash consideration of ZAR300 million (US\$18.6 million) (the "Disposal") comprising deferred and contingent elements.

The Disposal was on a going concern basis, with Ekapa Mining taking on all of the Company's financial, employee, environmental, health, safety and social obligations with regards to the KEM JV operation.

According to the terms, the purchase consideration is to be settled as follows:

- ZAR60 million payable in 24 monthly instalments starting on 1 April 2019;
- the balance, ZAR 240 million, of the purchase consideration is repayable from a 50% share of future operating cash flows above set benchmark thresholds, including proceeds from the sale of assets adjusted for sustaining capital of between ZAR110 million and ZAR130 million per annum, for a period of five years to 30 June 2024; and possible proceeds from a pending insurance claim, that is subject to ongoing discussions, in relation to the mud-rush incident at Bultfontein, as previously announced. The Company has fair valued the balance of the purchase consideration and deemed it to be US\$nil, having considered the historical trading performance of the asset, knowledge of the mine and risks and uncertainties.

The financial results of KEM JV have been disclosed in the Consolidated Income Statement in Loss on discontinued operation. The KEM JV mining operation was a separate operating segment for the purposes of the Group's segmental reporting.

Effect of the transaction

The transaction had the following effect on the Group's assets and liabilities:

i) Net assets of KEM JV:

US\$ million	As at 30 November 2018
Mining property, plant and equipment	19.8
Non-current trade and other receivables	—
Trade and other receivables	3.0
Inventory	10.0
Cash and cash equivalents	0.7
Non-current assets held for sale	33.5
Environmental liabilities and other non-current trade and other payables	(13.8)
Trade and other payables	(11.5)
Non-current liabilities associated with non-current assets held for sale	(25.3)
Net assets disposed	8.2

ii) Result of KEM JV:

US\$ million	Period ended 30 November 2018
Revenue	31.3
Cost of sales	(32.2)
Gross loss	(0.9)
Financial income	0.1
Financial expense	(0.7)
Loss before tax	(1.5)
Income tax charge	—
Loss after tax before impairment charge	(1.5)
Impairment charge	—
Net loss for the Period	(1.5)
Attributable to:	
- Equity holders of the parent	0.5
- Non-controlling interest	(2.0)
	(1.5)
Basic loss per share (US cents)	(0.17)
Dilutive loss per share (US cents)	(0.17)

iii) Post tax loss on disposal of KEM JV at:

US\$ million	Period ended 30 November 2018
Fair value consideration receivable on disposal	3.6
Less: net assets disposed of	(8.2)
Less: cash transferred from rehabilitation guarantee Cell captive	(2.0)
Less: foreign currency translation recycled on disposal	(1.3)
Less: non-controlling interest	(26.1)

Loss on disposal of discontinued operation	(34.0)
Add: net loss for the Period	(1.5)
Loss on discontinued operation	(35.5)
Less: impairment of purchase consideration	(3.1)
Less: impairment of group other receivables	(4.2)
	(42.8)

During FY 2019, the Company advanced US\$9.4 million funding to the KEM JV; of this amount, US\$3.9 million was recovered. Management assessed the recoverability of the remaining US\$5.5 million and as a result of the assessment an impairment charge of US\$4.2 million was recognised in the Consolidated Income Statement. In assessing the recoverability, management considered the historical trading performance of the KEM JV, the current downturn in the diamond market, current economic climate, payment history and recent press coverage involving the KEM JV operation. The remaining balance was included under current trade and other receivables.

As a result of the above assessment by management of the loan receivable, management also impaired the remaining balance of the purchase consideration, reducing it to US\$nil, and an impairment charge of US\$3.1 million was recognised in the Consolidated Income Statement.

b) Helam

On 6 December 2018, the Company and its BEE partners disposed of their interest in Helam Mining (Pty) Ltd ("Helam") to Lindleys Mining (Pty) Ltd ("Lindleys Mining") for a nominal consideration of ZAR200 with immediate effect.

Helam generated a net loss of US\$0.8 million during FY 2019, which is disclosed in the Consolidated Income Statement in Loss on discontinued operation, and the net assets disposed of amounted to US\$1.0 million.

i) Post tax profit / (loss) on disposal of Helam at:

US\$ million	Period ended 30 November 2018
Fair value consideration receivable on disposal	0.0
Less: net assets disposed of	(0.6)
Add: foreign currency translation recycled on disposal	3.4
Less: non-controlling interest	(9.1)
Loss on disposal of discontinued operation	(6.3)
Less: net loss for the Period	(0.8)
Loss on discontinued operation	(7.1)

17. ASSETS HELD FOR SALE

Botswana (exploration)

During FY 2018, the Company took the decision to sell its exploration assets held in Botswana and considered offers to purchase these assets from potential purchasers. The offers to purchase were not accepted, however the Company is still actively seeking potential purchasers for the exploration assets. The assets and liabilities of the Botswana exploration operation have been classified as held for sale in the Statement of Financial Position, in accordance with IFRS 5.

US\$ million	31 December 2019	31 December 2018	30 June 2019
Mining property, plant and equipment	0.6	0.6	0.6
Trade and other receivables	—	—	—
Non-current assets held for sale	0.6	0.6	0.6
Trade and other payables	—	(0.1)	—
Non-current liabilities associated with non-current assets held for sale	—	(0.1)	—
Net assets	0.6	0.5	0.6

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- a) the Condensed Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- b) the Interim Management Report includes a fair review of the information required by FCA's Disclosure and Transparency Rules (DTR 4.2.7 R and 4.2.8 R).

By order of the Board

Richard Duffy
Chief Executive Officer
17 February 2020

INDEPENDENT REVIEW REPORT TO PETRA DIAMONDS LIMITED

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, the consolidated statement of cashflows and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements. Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London, United Kingdom
17 February 2020

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