17 November 2020 **LSE: PDL**

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

Final Results for the Year ended 30 June 2020

Petra Diamonds Limited announces its final results (audited) for the year ended 30 June 2020 ("the Year" or "FY 2020"). This announcement should be read in conjunction with the Company's 2020 Annual Report and Accounts (the "2020 Annual Report"), which will also be released today and will be available at https://www.petradiamonds.com/investors/results-reports/.

Financial Highlights

- Revenue down 36% to US$295.8 million (FY 2019: US$463.6 million).
- Adjusted EBITDA down 58% to US$64.8 million (FY 2019: US$153.0 million); adjusted EBITDA margin of 22% (FY 2019: 33%).
- Operational cash outflow of US$12.3 million (FY 2019: positive operational free cashflow[10] of US$70.5 million).
- Non-cash impairment charge of US$91.9 million, largely driven by an increase in the discount rates used and reduced pricing assumptions (FY 2019: US$246.6 million largely driven by more conservative rough diamond pricing estimates).
- Net loss after tax of US$223.0 million including non-cash impairment charge of US$91.9 million (FY 2019: net loss after tax: US$258.1 million including non-cash impairment charge of US$246.6 million).
- Adjusted loss per share from continuing operations: 4.94 US$ cents per share (FY 2019: 2.63 US$ cents loss per share).
- Consolidated net debt as at 30 June 2020 of US$696.6 million (30 June 2019: US$595.2 million) due to lower sales and the capitalisation of the deferred coupon payment on the Company's US$650 million loan notes of US$23.6 million.

Operational Highlights

- Lost Time Injury Frequency Rate ("LTIFR"): 0.29 (FY 2019: 0.21); total injuries, including those that did not result in a lost shift, reduced by 26%.
- Production down 7% to 3.59 Mcts (FY 2019: 3.87 Mcts); positive throughput improvements driven by Project 2022 led to the highest ROM production recorded in the Company's history for the nine months up to 31 March 2020, but overall performance for the full Year was negatively impacted by the COVID-19 measures affecting Q3 and Q4 production.
- Operational Capex (excluding capitalised borrowing costs) down 58% to US$36.6 million (FY 2019: US$81.4 million).
- Absolute on-mine cash costs down 12% to US$235.0 million (FY 2019: US$266.9 million), with a weaker ZAR versus the USD for the Year offsetting ongoing inflationary pressures, together with the impact of Project 2022 throughput initiatives partially offset by a decrease in production and volumes treated, mostly due to COVID-19 related disruptions and the placing of the Williamson mine in care and maintenance.

Current Trading

- Petra's Q1 FY 2021 Trading Update, released on 21 October 2019, reported the following:
  - Q1 production was down 10% to 974,346 carats (Q1 FY 2020: 1,082,764 carats), mainly due to the Williamson mine remaining on care and maintenance.
  - Q1 revenue increased 33% to US$82.0 million (Q1 FY 2020: US$61.6 million) mainly due to the release of inventory carried over from Q4 FY 2020. Although diamond prices increased ca. 21% on a like-for-like basis at the September 2020 tender in comparison to the prices obtained following the COVID-19 outbreak, with a further ca. 2% increase at the October 2020 tender post the end of Q1, prices were still down around 10% in comparison to pre-COVID-19 levels.

Corporate

- Post Year end the Company announced on 20 October 2020 that it had reached agreement in principle on a common set of commercial terms with respect to a long-term solution for the recapitalisation of the Group (the "Restructuring") with each of the ad-hoc group of holders of the US$650 million 7.25% Senior Secured Second Lien Notes (the "AHG") and the providers of the Company's bank debt facilities in South Africa (the "South African Lender Group").
- Mr Tony Lowrie today retired from the Board and his role as Senior Independent Non-Executive Director of the Company, and is consequently no longer a member of the Company's Audit and Risk, Nomination and Remuneration Committees. Ms Varda Shine has thereby assumed the role of Senior Independent Non-Executive Director, effective today. Varda is an outstanding appointee given her deep experience of the diamond industry, as well as the UK public company corporate world, and her expertise in multi-stakeholder engagement.

Outlook

- Due to the ongoing uncertainty around the impact of COVID-19, production guidance for FY 2021 remains suspended. While the South African mines are generally operating at planned levels, due to the "continuous operations" agreements in place at Cullinan and Finsch, there remain risks to production relating to the impact of the stringent COVID-19 measures in place or in the event that further restrictions are required.
- The Williamson mine remains on care and maintenance, as has been the case since April 2020. This situation is under continual review and the Company will look to commence production again as soon as market conditions support it.
- Project 2022 is firmly embedded across the business and has transitioned to being entirely supported by the Company's Group and site-based Business Improvement teams. Cost optimisation opportunities totalling annualised savings of nearly US$22 million have been identified and are expected to be fully implemented by the end of FY 2021. With the South African operations now returning to full production, the Project 2022 throughput initiatives are expected to ramp up towards delivering an annualised contribution of some US$101 million by the end of FY 2021. This is expected to result in an annualised increase in operating free cashflow of ca. US$123 million.
- While diamond market conditions have been improving in recent months, further to a period of constrained supply and restocking ahead of the seasonally stronger jewellery retail season, all participants in the industry recognise that risks to a sustained recovery remain, particularly in light of the current resurgence of COVID-19 in key diamond markets which could see additional restrictions on international travel; much will depend on the level of consumer activity in the coming months, especially in the major US market. The longer term market outlook remains positive due to the trend of constrained and falling production supply which is demonstrated in part by the closing of the Argyle mine in Australia in 2020.
- The Letlapa Tala collection of five blue diamonds recovered from the Cullinan mine in September 2020 will be offered for sale at a special, standalone tender which is due to be finalised on or around 24 November 2020.

- The recent ZAR:USD weakness has provided favourable opportunities to benefit from the weaker Rand through treasury management by adjusting relative USD/ZAR holdings, partially offsetting the impact of weaker diamond prices.
- Updated cashflow projections, and mitigating actions considered available to the Group in the event of downside scenarios, assuming a successful Restructuring, while also considering principal risks and uncertainties, indicate that the Group will be able to continue to operate and meet its liabilities as they fall due. However, the Group is reliant on the successful conclusion of the current Restructuring, which is dependent on execution of the Lock-up Agreement and subsequent approval by the Company's shareholders, to continue as a going concern. Additionally, in the event of a successful Restructuring, the Group's forecasts remain sensitive to trading conditions and the impact of COVID-19 may further have a material impact on the Group's ability to operate within its covenants such that continued South African Lender Group support may be required and, if unavailable, additional funding may be required. These factors indicate the existence of material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Richard Duffy, Chief Executive, commented on the Results:
"While there have been unprecedented challenges to contend with in 2020, I am pleased that operationally the Company has performed very well, strongly supported by Project 2022-driven efficiencies. This, combined with our highly valued people, world-class asset base and the agreement in principle reached with our Noteholders and Lender Group on our long-term capital structure, provides a sustainable future for the Company, once operating conditions normalise."

SUMMARY OF RESULTS

US$ million	**FY 2020**	FY 2019
Revenue	**295.8**	463.6
Adjusted mining and processing costs[1]	**(225.3)**	(301.7)
Other direct income/(expense)	**2.0**	(0.8)
Profit from mining activities[2]	**72.5**	161.1
Exploration expense	**(0.5)**	(0.4)
Corporate overhead	**(7.2)**	(7.7)
Adjusted EBITDA[3]	**64.8**	153.0
Depreciation	**(78.6)**	(106.7)
Amortisation of right-of-use asset	**(4.9)**	—
Share-based expense	**(0.7)**	(0.2)
Net finance expense	**(71.6)**	(57.5)
Tax credit (excluding taxation credit on impairment charge)	**41.3**	3.0
Adjusted net loss after tax[4]	**(49.7)**	(8.4)
Impairment charge[5]	**(91.9)**	(246.6)
Impairment of BEE loans receivable – expected credit loss provision[6]	**(10.9)**	—
Net unrealised foreign exchange (loss)/gain	**(81.5)**	4.0
Taxation credit on impairment charge	**11.0**	42.8
Loss from continuing operations	**(223.0)**	(208.2)
Loss on discontinued operations, net of tax[7]	**—**	(49.9)

Net loss after tax	**(223.0)**	(258.1)
Earnings per share attributable to equity holders of the Company – US$ cents		
Basic loss per share – from continuing operations	**(21.96)**	(26.19)
Adjusted loss per share – from continuing operations[8]	**(4.94)**	(2.63)

	Unit	As at 30 June 2020 (US$ million)	As at 30 June 2019 (US$ million)
Cash at bank – (including restricted amounts)	US$m	67.6	85.2
Diamond debtors	US$m	4.8	23.8
Diamond inventories	US$m	84.1	57.5
Diamond inventories	Carats	1,357,584	666,201
US$650 million loan notes (issued April 2017)[9]	US$m	676.9	650.6
Bank loans and borrowings[10]	US$m	52.1	—
Bank facilities undrawn and available	US$m	0.0	106.6
Consolidated net debt for covenant measurement purposes[11, 12]	US$m	696.6	595.2

The following exchange rates have been used for this announcement: average for the Year US$1:ZAR17.11 (FY 2019: US$1:ZAR14.19); closing rate as at 30 June 2020 US$1:ZAR17.32 (30 June 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 non-cash or non-recurring items. 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 notes and net debt. As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Company's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

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, amortisation of right-of-use asset, 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, expected credit loss provision and net unrealised foreign exchange gains and losses.
4. Adjusted net (loss)/profit after tax is net (loss)/profit after tax stated before losses on discontinued operations, impairment charge, expected credit loss provision, taxation credit on impairment charge and net unrealised foreign exchange gains and losses.
5. Impairment charge of US$91.9 million (30 June 2019: US$246.6 million) was due to the Group's impairment review of its operations and other receivables. Refer to note 8 for further details.
6. Impairment of BEE loans receivable of US$10.9 million (30 June 2019: US$nil) is due to the Group's expected credit loss assessment of its BEE loans receivable. Refer to note 16 for further details.
7. The loss on discontinued operations reflect the results of the KEM JV and Helam operations (net of tax) in FY 2019. Refer to note 35 for further details.
8. Adjusted EPS from continuing operations is stated before impairment charge, reversal of impairment charge, expected credit loss provision, taxation credit on impairment charge and net unrealised foreign exchange gains and losses.
9. The US$ loan notes represent the gross capital of US$650 million (30 June 2019: US$650 million), plus US$26.9 million accrued interest (30 June 2019: US$nil).
10. In March 2020, the Company drew down the full amount available (ZAR500 million / US$28.9 million) under its working capital facility and in May 2020, the Company reached agreement with the South African Lender Group to draw down ZAR400 million (US$23.1 million) under its ZAR1.0 billion revolving capital facility.

11. Consolidated Net Debt is bank loans and borrowings plus loan notes, less cash, less diamond debtors and includes the Black Economic Empowerment guarantees of US$40.0 million (ZAR693.6 million) as at 30 June 2020 (US$54.2 million (ZAR762.5 million) as at 30 June 2019).

12. In terms of the Amendment Agreement entered into on 29 May 2020, Petra and the South Africa lender group have agreed that covenant measurements will not be undertaken for the period ending 30 June 2020.

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

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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 mine in Tanzania (Williamson).

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. 243 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, currently subject to restructuring, are listed on the Global Exchange market of the Irish Stock Exchange. For more information, visit www.petradiamonds.com.

CEO'S REVIEW

Improved operational performance marred by external challenges
FY 2020 and the current financial year to the date of this report have undoubtedly been very challenging, particularly in relation to managing the impact of the COVID-19 pandemic on the Company. I am very pleased with the underlying operational performance of the business, particularly in light of these significant challenges.

Turning first to our most important metric, being safety: while it was disappointing that our LTIFR increased for the Year to 0.29 (FY 2019: 0.21), the majority of the accidents were found to be behavioural in nature and of low severity. Considerable focus has been placed on changing these behaviours through management intervention, including in-shift safety stops, visible leadership and management walkabouts, awareness campaigns, safety discipline enforcement and safety inspection processes.

Despite the deterioration in our LTIFR over last year, our overall safety performance for the Year improved as the Group fared better on 75% of all measured safety KPIs, including a 26% improvement in the number of total injuries to 45 (FY 2019: 61).

Operationally, we delivered a solid performance. The Company set an initial production target of ca. 3.8 Mcts for the Year and we were on track to meet this, having delivered the highest run-of-mine ("ROM") production in the Company's history of 3.0 Mcts in the nine months to 31 March 2020. This run-rate was driven by Project 2022, which resulted in the implementation of various initiatives that have eliminated or mitigated bottlenecks in the production processes of the various mines.

However, the outbreak of COVID-19 in South Africa had a severe impact on our operations from late Q3 onwards, as a national lockdown was implemented from 26 March 2020. While production was permitted to continue at our mines, it had to be significantly scaled down, with stringent protocols put in place to mitigate the spread of the disease and protect our people – read more about our management of COVID-19 on page 12 of our 2020 Annual Report. Notwithstanding these significant constraints on our South African operations, our production for the Year at 3.59 Mcts was only 5.5% lower than our pre-COVID-19 target.

While the Company has since been able to increase production in a phased manner, the restrictions and procedures in place to mitigate the spread of the disease continued to impact operations. Post Year end, we therefore took the decision to change our shift configuration in moving to continuous operations ("Contops") at the Finsch mine and a similar Contops-like configuration at the Cullinan mine in order to increase available working hours to offset those lost as a result of incorporating the necessary COVID-19 mitigation measures. Contops involve a seven-day working week (as opposed to the five-day working week previously in place). This process required extensive consultation and planning in co-operation with the relevant organised labour and employee stakeholders.

Post Year end, September and October 2020 production at the Finsch mine was impacted by the arrangements to operate Contops coming to an end. However, an agreement was subsequently reached with organised labour to reinstate Contops for the nine-month period to end June 2021. Production is therefore expected to revert to planned levels for the remainder of FY 2021.

In this way, we have been able to bring the South African operations back to normal operating levels, even while maintaining the strict COVID-19 precautionary measures. This is a significant achievement, made possible by the tireless dedication, adaptability and motivation of our workforce. I would like to thank all our employees, contractors and organised labour representatives for their important contribution to the ongoing stability of our business.

Unfortunately, we had to take the difficult decision to place the Williamson mine in Tanzania on care and maintenance in April 2020, in order to protect the mine's liquidity position, as the operation is uneconomic at the current levels of diamond pricing. This situation is under continual review and we will look to recommence production again as soon as market conditions support it. I would also like to extend my sincere thanks to our colleagues and partners at Williamson, and specifically the Government of Tanzania, for their ongoing perseverance and support, as we navigate this difficult time together.

Post Year end, production for Q1 FY 2021 was down 10% to 974,346 carats (Q1 FY 2020: 1,082,764 carats), but this was mainly due to Williamson being on care and maintenance. Cullinan performed very strongly, achieving record carat production during both August and September 2020; however, this was offset by Finsch production being weaker, mainly due to the interruption to Contops noted above.

Adapting to an unpredictable market

The impact of COVID-19 on the diamond market was immediate and served to significantly reduce activity throughout the pipeline from production, rough sales, trading, cutting and polishing, right through to consumer sales.

In response, Petra took the decision to cancel its usual May and June 2020 tenders due to the significantly reduced demand from the midstream during this period, exacerbated by travel restrictions making it all but impossible for clients to view goods on offer. As a result, there was significant inventory build to 30 June 2020 (notwithstanding the reduced production levels). The Company realised some US$10.5 million sales in Q4, following the partial sale of goods not sold during the March tender, coupled with relatively low levels of sales in June, mainly to the local South African cutting and polishing market. The excess inventory held at Year-end was sold during Q1 FY 2021, partially through private off-tender sales during July 2020, followed by a resumption of our rough diamond tenders during September 2020 from our marketing office in Antwerp, Belgium.

Our marketing department has had to adopt a flexible sales approach in order to continually assess the optimal route to market and ensure maximum participation at our sales. This led to a temporary move of its rough diamond tenders for our South African goods to Antwerp, instead of in Johannesburg, where travel restrictions severely limited participation by international diamond buyers. Post Year end, Petra realised sales of US$82.0 million in Q1 FY 2021 due to the number of carats sold during the period increasing 55% to 936,749 carats (Q1 FY 2020: 603,626 carats), further to the sale of the excess inventory noted above, offset by a weaker diamond market.

The major producers of rough diamonds have responded to these difficult market conditions by restricting supply to the market (both via production cuts and the deferral of rough purchases). This action, combined with the forthcoming seasonally stronger jewellery retail season, should assist in terms of stabilising the market and there have been positive results from China, which is the most advanced of the major economies in terms of its control of COVID-19 in-country and where retail sales are registering positive growth again. However, all participants in the industry recognise that risks to a sustained recovery remain, particularly in light of the current resurgence of COVID-19 in key diamond markets, and much will depend on the level of consumer activity in the coming months, especially in the major US market.

Petra’s participation in the Natural Diamond Council (“NDC”) remains an important strategy in terms of helping to positively impact the long-term fundamentals for our market. The NDC, formerly known as the Diamond Producers Association, rebranded in 2020 with a renewed focus on ensuring that natural diamonds inspire and excite today’s consumer. Its first major advertising campaign as the NDC, ‘For Moments Like No Other’, was launched in September 2020 starring rising Hollywood actor Ana de Arnas, which was positively received by the market. The NDC’s valuable work is dedicated to the major diamond markets, being the US, China and India, but it is also looking at cost effective ways to expand its reach to other markets including Europe.

From the supply side, the market outlook is positive, due to the trend of constrained and falling production. In 2019, diamond supply by volume fell 7% to 138.2 Mcts (2018: 148.4 Mcts) and supply by value fell 6% to US$13.6 billion (2018: US$14.5 billion) according to the Kimberley Process Statistics. In the short term, output has been impacted by the COVID-19 pandemic, with several mines being temporarily closed. One of the world’s major producers, Argyle in Australia, has also reached the end of its life in 2020. Over the next decade, there are expected to be few material additions to production, with rough diamond supply forecast to potentially be as low as 120 Mcts by 2030, according to Bain & Co.

Petra Sales and Prices

FY 2020 revenue decreased 36% to US$295.8 million (FY 2019: US$463.6 million) due to the number of carats sold for the Year decreasing 23% to 2,895,497 carats (FY 2019: 3,736,847 carats) and a weaker diamond market.

The Company’s tender in February 2020 saw pricing on a like-for-like basis strengthen marginally in comparison to prices achieved in H1 FY 2020, reflecting stable market conditions before the COVID-19 pandemic took hold globally. Overall for the Year, Petra’s realised diamond prices reduced by ca. 18%, impacted by the major market disruption caused by the COVID-19 pandemic.

Only limited sales were possible in Q4 FY 2020 due to the lockdown measures in place globally. The Company realised some US$10.5 million sales in Q4, following the partial sale of goods not sold during the March tender, coupled with relatively low levels of sales in June, mainly to the local South African cutting and polishing market.

Since the Year end, Q1 FY 2021 revenue increased 33% to US$82.0 million (Q1 FY 2020: US$61.6 million) due to the number of carats sold during the period increasing 55% to 936,749 carats (Q1 FY 2020: 603,626 carats) further to the release of excess inventory built up at Year end, offset by a weaker diamond market.

The Group's tender sale in September 2020 saw pricing on a like-for-like basis strengthen ca. 21% in comparison to prices achieved in the March and June 2020 sales cycles and the tender sale in October 2020 saw a further ca. 2% like-for-like price increase; however, prices were still around 10% below pre-COVID-19 levels (pricing achieved in January and February 2020).

Diamond prices achieved per operation

Mine	**Q1 FY 2021[1] US$/ct**	**FY 2020[2] US$/ct**	FY 2019 US$/ct
Cullinan	**72**	**98[3]**	110
Finsch	**81**	**75**	99
Koffiefontein	**790**	**387**	480
Williamson	**150[4]**	**177**	231

Notes:

1. Pricing achieved in Q1 FY 2021 was impacted by the carry-over of certain, mostly lower-value, parcels from FY 2020, which were subsequently sold during July 2020, while the September 2020 tender benefited from a higher proportion of coarse material (larger diamonds) in the product mix, specifically at Finsch and Koffiefontein. Like-for-like prices at the September 2020 tender were still around 12% below pre-COVID-19 prices.
2. Prices achieved in FY 2020 do not reflect true run-of-mine averages as the Company had to withhold certain goods for sale in Q4 due to the depressed pricing environment; these goods were sold shortly after Year end.
3. The average price achieved at Cullinan in FY 2020 was influenced by the sale in November 2019 of a 20.08 carat blue diamond which sold for US$14.9 million.
4. Despite the Williamson mine being on care and maintenance, it was possible to include ca. 30,000 carats for sale in Q1 FY 2021 due to these diamonds being withheld for sale in Q4 FY 2020.

The Letlapa Tala Collection to be sold in late November

Post Year end, we were excited to recover five blue diamonds of significant colour, clarity and size at the Cullinan mine, ranging from 9 to 25 carats in size. Blue diamonds are so rare that there are no official statistics on their recovery; however, the Cullinan mine is known as the world’s most important source. The last blue diamond recovery of significance prior to this was over a year ago at the mine in September 2019 and it was therefore even more unusual to recover five high quality stones around the same time, all in the space of one week’s production.

The collection has since been named the Letlapa Tala Collection, meaning ‘blue rock’ in Northern Sotho (commonly known as Pedi), the predominant language spoken in the Cullinan area. A special tender process has been launched and the diamonds will be available for viewings in the key diamond centres of Antwerp, Hong Kong and New York before eventual sale on or around 24 November 2020. This is likely to be the first time that five blue rough diamonds have ever been offered for sale at one time, with buyers being offered the chance to bid either on individual stones, more than one, or for the entire collection. See photos of the Letlapa Tala Collection: https://www.petradiamonds.com/media/image-library/diamonds/

Addressing our balance sheet

Constrained production, lower pricing and limited sales had a considerable impact on our balance sheet. Diamonds sold for the Year reduced 23% to 2,895,497 carats (FY 2019: 3,736,847 carats), and rough diamond prices realised by Petra decreased ca. 18%, with the overall effect that revenue decreased 36% to US$295.8 million (FY 2019: US$463.6 million).

Absolute on-mine cash costs decreased 12% despite ongoing inflationary pressures and the costs incurred directly attributable to COVID-19, due to the effect of a weaker ZAR:USD exchange rate for the Year and a decrease in tonnages treated. Petra will maintain its focus via Project 2022 on the sustainable optimisation of the Company's cost structure, particularly while market conditions remain volatile.

The lower revenue for the Year significantly impacted Group profitability, with adjusted Group EBITDA down 58% to US$64.8 million (FY 2019: US$153.0 million) and, having generated significant operational free cashflow of US$70.5 million in FY 2019, this turned into a negative outflow of US$12.3 million for FY 2020. This in turn had a detrimental effect on our balance sheet, with consolidated net debt rising 17% to US$696.6 million at Year end (30 June 2019: US$595.2 million).

Decisive action was required to shore up liquidity during this difficult and uncertain time. Capital expenditure ("Capex") was reduced where possible, without impacting our short-term production plans, resulting in operational Capex of US$36.6 million in FY 2020 being considerably lower than original guidance of ca. US$43.0 million, and a significantly reduced level of capex of ca. US$28 million is planned for FY 2021. We also placed the Williamson mine on care and maintenance in order to limit the cash outflow caused by the low diamond price environment. Finally, we drew down the full amounts available under our banking facilities and entered into a forbearance agreement with the Company's US$650 million Noteholders to defer the coupon payment due in May 2020 of US$23.6 million. At the same time, we also reached agreement with the South African lender group (the "South African BEE Lender Group") to our black economic empowerment ("BEE") partners (the "BEE Partners") to reschedule the capital repayments due in May 2020 and November 2020 under the Company's outstanding bank financing of its BEE Partners.

Further to this, on 20 October 2020, we announced that we had reached agreement in principle on a capital restructuring with both our Noteholders (represented by the AHG) and our South African Lender Group. This aims to provide the business with a more stable, deleveraged capital structure that will ensure the short and long-term viability of the Company. The terms of the Restructuring are available in the announcement of 20 October 2020 and the key features are listed on pages 18 to 19 of this announcement.

The deferment of the coupon repayment due on the Notes led to an event of default under the Notes. The execution of a Lock-Up Agreement and subsequent approval of the Restructuring by the shareholders of the Company is critical to the completion of the Restructuring and also the Group's future liquidity. Should the shareholders not approve the Restructuring, the Noteholders have the right to accelerate the principal and interest outstanding on the Notes.

Updated cashflow projections, and mitigating actions considered available to the Group in the event of downside scenarios, assuming a successful Restructuring, while also considering principal risks and uncertainties, indicate that the Group will be able to continue to operate and meet its liabilities as they fall due. However, the Group is reliant on the successful conclusion of the current Restructuring, which is dependent on execution of the Lock-up Agreement and subsequent approval by the Company's shareholders, to continue as a going concern. Additionally, in the event of a successful Restructuring, the Group's forecasts remain sensitive to trading conditions and the impact of COVID-19 may further have a material impact on the Group's ability to operate within its covenants such that continued South African Lender Group support may be required and, if unavailable, additional funding may be required. These factors indicate the existence of material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Financial Statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

The impact of lower pricing, partially offset by a weaker South African Rand against the US Dollar, as well as an increase in the discount rate used were key drivers for further operational impairments in FY 2020, with asset level impairments amounting to US$85.5 million (FY 2019: US$223.7 million). However, the underlying operational assumptions did not significantly change compared to our earlier reviews, apart from the impact of a temporary care and maintenance period at Williamson and the impact of a revised Koffiefontein mining plan with reduced Capex resulting in a shorter remaining life of mine ("LOM"). The resultant impairments were materially reflective of market factors rather than operational performance issues. Overall the Group recognised impairments of US$102.8 million (FY 2019: US$246.6 million), which includes impairments of BEE loan receivables of US$10.9 million and other receivables for the Year – further details are provided in notes 8 and 16 of the Financial Statements.

Looking ahead, Project 2022 remains a key focus to further stabilise our operations and ensure that continuous improvement is embedded in our operating model and culture. Weekly Results Action Review meetings ("RARs") focus on the delivery of agreed key performance indicators ("KPIs"), from the CEO level down to the first layers of management on site, enabling the early identification of issues and strong alignment between operational and Group functional support teams around key deliverables.

In addition to these weekly RARs, daily production meetings and meetings with teams ensures that KPIs are well understood and aligned from the General Manager of each mine through the different levels to the frontline workers, with a focus on a clear single point of accountability for each individual.

A shift in focus to cost optimisation as a result of COVID-19 production restrictions has led to the identification of annualised savings ideas increasing to ca. US$22 million. These savings are expected to be fully realised by the end of Q3 FY 2021. With operations now returning to full production, the Project 2022 throughput initiatives are expected to ramp up towards delivering an annualised contribution of ca. US$101 million by the end of FY 2021. This is expected to result in an annualised increase in operating free cashflow of ca. US$123 million.

Labour relations
Stable labour relations are essential to our productivity and the delivery of our strategy. We therefore remain highly focused on managing labour relations and on maintaining open and effective communication channels with our employees and the appropriate union representatives at our operations.

Petra did not experience any industrial action during the Year and has seen largely stable labour relations over the last four years. Post Year end, the Company announced that it had reached agreement on a new one-year wage agreement with NUM for employees in the Paterson A and B Bands at the South African operations covering FY 2021. The Company will therefore look to continue discussions in due course with NUM on a wage agreement for FY 2022.

Building a sustainable business
Petra has been through a process of considerable change and the Company continues to evolve and adapt to ensure it is successful. As set out on page 7 of our 2020 Annual Report, we have a number of change initiatives underway which are intended to provide the building blocks for establishing the desired culture within Petra. I am particularly proud of how resilient our team has been in the face of enormous pressure and I feel confident that Petra can continue to adapt to thrive.

The design phase of the Organisational Design Review, which forms part of Project 2022, has been completed and will provide for more focused delivery of support by the various Group functions to the operations and alignment of operational structures across the different sites. Implementation of this Organisational Design Review is expected to be completed by the end of Q3 FY 2021 and will result in updated role descriptions providing for clearer line of site and improved accountability.

Our long-term strategy is underpinned by responsible business practices. Only by investing in the training and development of our people, caring for the environment, making a positive contribution to local communities and treating our stakeholders with dignity and respect can we ensure that we build a sustainable company. I am pleased to report that we made good progress across all these different areas in FY 2020, as set out in our 2020 Annual Report on pages 45 to 57.

I was particularly proud of the new community projects that were completed during the Year, including the electrification project to deliver electricity to 118 homes in Daniëlskuil in the Northern Cape in South Africa, the construction of a Technical High School, again in Daniëlskuil, which should assist in improving science, technology, engineering and mathematics education standards, and the completion of the expansion project of the Onverwacht Primary School at Cullinan.

Operating according to high levels of ethical standards is expected in every part of the business. The allegations of human rights abuses relating to the security operations of the Williamson mine in Tanzania are therefore deeply concerning to me and the other Board members. The actions being taken to address these allegations are set out on page 48 of our 2020 Annual Report and copies of the Company's announcements on this topic, as well as our response letters to NGO RAID can be found on our website here: https://www.petradiamonds.com/our-operations/our-mines/williamson/allegations-of-human-rights-abuses-at-the-williamson-mine/. Petra has a policy of zero tolerance towards any behaviour that is in breach of our Code of Ethical Conduct or our Human Rights Policy Statement and we are redoubling our efforts to ensure that our commitment to ethical behaviour is communicated and adhered to throughout the Group.

FINANCIAL REVIEW

Estimated COVID-19 impact on the FY 2020 results

The COVID-19 pandemic significantly impacted the Group's results for FY 2020. The total revenue impact is estimated to be ca. US$97.1 million for the Year, consisting of lost production valued at pre-COVID-19 prices of ca. US$46.0 million, a 27% reduction in realised prices for actual sales during the period March 2020 to June 2020 of ca. US$12.6 million and sales deferred to FY 2021 due to diamond markets largely closed in the period to June 2020 of ca. US$38.5 million.

The Group's profit before tax for FY 2020 was adversely impacted by COVID-19 by an estimated US$31.0 million (excluding impairment charges), comprising:

- revenue shortfall of ca. US$97.1 million (as detailed above), additional costs incurred directly attributable to COVID-19 (including additional personal protective equipment and sanitisers as well as additional labour cost required to cover those employees with at-risk pre-existing medical conditions who were granted special paid leave) totalling US$3.6 million, and additional finance expenses incurred of US$1.7 million on the utilisation of banking facilities necessitated by COVID-19 revenue shortfalls; offset by
- cash on-mine cost savings of ca. US$19.6 million (attributable to lost production at the South African operations, costs avoided at Williamson due to the mine being on care and maintenance, and fixed cost savings across the Group), since the outbreak of COVID-19, there has been a positive operating cost impact in USD terms as a result of a weaker ZAR of ca. US$12.0 million, increased diamond inventory of ca. US$38.5 million (stated at net realisable value), and assistance received from the South African Government through the Temporary Employment Relief Scheme ("TERS") of ca. US$1.3 million.

Revenue

FY 2020 revenue decreased 36% to US$295.8 million (FY 2019: US$463.6 million), reflecting a weaker market in H1 FY 2020, exacerbated by significant price reductions and major disruptions to the planned sales cycles following the outbreak of the COVID-19 pandemic. Diamonds sold for the

Year thereby reduced 23% to 2,895,497 carats (FY 2019: 3,736,847 carats), while rough diamond prices realised by Petra decreased 18% in FY 2020.

Mining and processing costs
The mining and processing costs for the Year are comprised of on-mine cash costs as well as other operational expenses. A breakdown of the total mining and processing costs for the Year 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
FY 2020	**235.0**	**5.9**	**(34.9)**	**19.3**	**225.3**	**82.6**	**307.9**
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. Includes amortisation of right-of-use assets under IFRS 16 of US$4.9 million and excludes exploration and corporate/administration.

Absolute on-mine cash costs in FY 2020 decreased 12%, despite ongoing inflationary pressures, due to:
- the effect of translating ZAR denominated costs at the South African operations at a weaker ZAR/USD exchange rate (10.5% decrease); and
- a decrease in production/volumes treated (7.8% decrease), mostly as a result of COVID-19-related disruptions, including putting Williamson on care and maintenance during April 2020,

offset by:
- inflationary increases, including the impact of electricity and labour costs (5.5% increase), and additional costs incurred directly attributable to COVD-19 estimated to be ca. US$3.6 million (as set out in the preceding ‘Estimated COVID-19 impact on the FY 2020 results’ section), net of assistance received from the South African Government through TERS amounting to US$1.3 million during the Year (net impact of 0.8%).

Royalties decreased to US$5.9 million (FY 2019: US$13.2 million) due to reduced revenues and resultant lower profits, due to the South African mineral royalty regime being profit based.

Profit from mining activities
Profit from mining activities decreased 55% to US$72.5 million (FY 2019: US$161.1 million), due to lower pricing and revenue impacted by the COVID-19 pandemic.

Corporate overhead – general and administration
Corporate overhead (before depreciation and share-based payments) decreased 6% to US$7.2 million for the Year (FY 2019: US$7.7 million), mainly attributable to the ZAR weakening against the USD in addition to cost curtailment measures introduced following the outbreak of the COVID-19 pandemic.

Adjusted EBITDA
Adjusted EBITDA, being profit from mining activities less exploration and corporate overhead, decreased by 58% to US$64.8 million (FY 2019: US$153.0 million), representing an adjusted EBITDA margin of 22% (FY 2019: 33%), driven by lower revenue and partially offset by a decrease in mining and processing costs as set out above.

Depreciation
Depreciation for the Year decreased to US$78.6 million (FY 2019: US$106.7 million), mainly due to prior year impairments of operational assets resulting in a lower asset base; and the weakening of the ZAR against the USD during the Year, coupled with reduced levels of production due to COVID-19.

Impairment charge
As a result of the impairment reviews carried out at Cullinan, Finsch, Koffiefontein and Williamson and the Group's other receivables during the Year, the Board recognised an overall impairment charge of US$91.9 million (FY 2019: US$246.6 million). Further details are provided in note 8 of the Financial Statements.

Asset level impairments across the mining operations amount to US$85.5 million (FY 2019: US$223.7 million) (representing some 10% of the carrying value of property, plant and equipment of US$844.0 million pre-impairment), largely driven by an increase in the discount rate from 8.5% in FY 2019 to 11.25% for the South African mines and from 9% in FY 2019 to 13.5% for Williamson; reduced starting price assumptions for rough diamonds, given current rough diamond market conditions; and a reduction in the forward-looking pricing escalator from 2.5% real per annum (in our previous assumptions) to flat prices in real terms for FY 2021, followed by 1.8% per annum real growth (down from 2.5% real price growth in FY 2019) from FY 2024 to FY 2030. The underlying operational assumptions did not materially change, apart from Williamson temporarily being placed on care and maintenance, with an expectation that operations recommence in July 2021, and the expected Koffiefontein remaining LOM in the Group's base case being reduced to FY 2023, down from FY 2024 previously (refer to note 8 of the Financial Statements for further detail).

Impairment of BEE loans receivable – expected credit loss provision
The Group has applied the expected credit loss impairment model to its BEE loans receivable. In determining the extent to which expected credit losses may apply, the Group assessed the future free cashflows to be generated by the mining operations, based on the current LOM plans. Based on the assessment, the Group's free cashflows generated indicated an expected credit loss provision against its BEE loans receivable totalling US$10.9 million (30 June 2019: US$nil), comprising US$6.1 million (30 June 2019: US$nil) in respect of future free cashflows generated by Cullinan and Finsch, and US$4.8 million (30 June 2019: US$nil) in respect of future free cashflows generated by Koffiefontein (refer to note 16 of the Financial Statements for further detail).

Loss on discontinued operations
The loss on discontinued operations for the Year was US$nil (FY 2019: US$49.9 million). During FY 2019, the loss on discontinued operations related to the Group's disposal of its interests in the KEM JV and Helam operations during December 2018.

Net financial expense
Net financial expense of US$153.1 million (FY 2019: US$53.5 million) comprises:

- interest received on bank deposits of US$1.2 million (FY 2019: US$1.1 million),

offset by:

- a net unrealised foreign exchange loss of US$81.5 million (FY 2019: US$4.0 million gain) driven by a significant weakening of the ZAR against the USD from ZAR14.07 (30 June 2019) to ZAR17.32 (30 June 2020), and consisting of:
    - US$68.7 million loss (FY 2019: US$8.2 million gain) on the foreign currency retranslation of cross border loans considered to be repayable in the foreseeable future; and
    - unrealised losses on forward exchange contracts of US$12.8 million (FY 2019: US$4.0 million loss) (refer to note 9 of the Financial Statements for further detail);
- interest on the Group's debt and working capital facilities of US$52.4 million (FY 2019: US$47.0 million), stated after the capitalisation of interest of US$nil (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); the interest charges also

include US$23.6 million of interest on the Notes which was due to be settled in May 2020, but not paid (refer ‘Loans and borrowings’ below);
- net interest payable on the BEE Partner loans of US$7.2 million (FY 2019: US$8.6 million);
- a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US$4.9 million (FY 2019: US$4.0 million); and
- net realised foreign exchange losses on settlement of forward exchange contracts of US$8.3 million (H1 FY 2019: US$1.0 million gain).

Tax credit/charge
The tax credit of US$52.3 million (FY 2019: US$45.8 million) comprised a deferred tax credit of US$52.9 million (FY 2019: US$53.9 million), offset by an income tax charge of US$0.6 million (FY 2019: US$8.1 million charge).

The current period effective tax rate of 19% is lower than the South African tax rate of 28% (the Group’s primary tax paying jurisdiction) predominantly due to:
- deferred tax credit specific to Cullinan and Finsch;
- loss-making companies where deferred tax assets are not recognised; and
- loss-making companies within the Group based in tax jurisdictions with a 0% tax rate (which, when consolidated, increases the Group’s overall net loss resulting in a decreased effective tax rate).

The tax credit for FY 2020 arises due to deferred tax (net of charges and credits), reflecting principally the utilisation of certain capital allowances and the impact of the deferred taxation on the impairment charge, predominantly at Cullinan and Finsch during the Year, which reduced existing deferred tax liabilities. The cash taxes paid during the Year amounted to US$0.6 million mainly attributable to Williamson (FY 2019: US$13.0 million mainly attributable to Finsch).

Group loss/profit
The Group’s net loss after tax is US$223.0 million (FY 2019 net loss: US$258.1 million).

Earnings per share
A basic loss per share from continuing operations of 21.96 US$ cents was recorded (FY 2019: 20.18 US$ cents).

An adjusted loss per share from continuing operations (adjusted for impairment charges, estimated credit loss on BEE loans receivable, taxation credit on impairment charge, net unrealised foreign exchange gains and losses) of 4.94 US$ cents was recorded (FY 2019: 2.63 US$ cents).

Operational free cashflow
During the Year, negative operational free cashflow of US$12.3 million (FY 2019: US$70.5 million inflow) reflects the impact of a weaker diamond market in H1, further compounded by the severe effect of the COVID-19 pandemic on production and sales across the operations. Operational free cashflow for the Year was further impacted by:
- US$33.3 million (FY 2019: US$43.1 million) cash finance expenses net of finance income and realised foreign exchange gains/(losses);
- US$14.1 million (FY 2019: US$46.7 million) advances to BEE Partners, largely related to servicing of BEE bank debt, with the advances recoverable against future BEE Partner distributions; and
- US$0.4 million net receipts from (FY 2019: US$5.5 million net advances to), KEM JV further to the disposal in the prior Year.

Cash and diamond debtors
As at 30 June 2020, Petra had cash at bank of US$67.6 million (30 June 2019: US$85.2 million). Of these cash balances, US$53.6 million was held as unrestricted cash (30 June 2019: US$71.7 million), US$13.3 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) (30 June 2019:

US$12.6 million) and US$0.7 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 (30 June 2019: US$0.9 million).

Diamond debtors at 30 June 2020 were US$4.8 million (30 June 2019: US$23.8 million), due to limited sales in Q4 as a result of the COVID-19 pandemic.

Diamond inventory
Diamond inventory at 30 June 2020 increased significantly to 1,357,584 carats/US$84.1 million (FY 2019: 666,201 carats/US$57.5 million), due to limited sales in Q4 as a result of the COVID-19 pandemic. As at 30 June 2020, diamonds held for resale with a cost value of US$53.5 million (30 June 2019: US$nil) have been written down by US$7.4 million (30 June 2019: US$nil) to a fair value less costs to sell of US$46.1 million (30 June 2019: US$nil, due to the fair value less cost to sell being below cost) within the overall carrying value of US$84.1 million (30 June 2019: US$57.5 million).

Loans and borrowings
The Group had loans and borrowings (measured under IFRS) at Year end of US$769.0 million (30 June 2019: US$650.6 million), comprised of the US$676.9 million Notes including US$26.9 million accrued interest (30 June 2019: US$650.6 million), bank loans and borrowings of US$52.1 million (30 June 2019: US$nil) and guarantees related to the BEE Partner debt facilities of US$40.0 million (30 June 2019: US$nil); refer to 'BEE loans receivable and payable' below for further detail. Following the outbreak of the COVD-19 pandemic, the Group decided to fully draw down on its banking facilities with the South African Lender Group in order to shore up liquidity. Bank debt facilities undrawn and available to the Group at 30 June 2020 were US$nil (30 June 2019: US$106.6 million).

On 29 May 2020, the Company and other members of the Group entered into:

- an amendment agreement with the South African Lender Group in respect of the first lien facilities (the "Amendment Agreement"); and
- a forbearance agreement with the AHG of Noteholders (which is from time to time comprised of certain of the largest holders of the US$650 million 7.25% senior second lien notes due 2022) in respect of the Company's obligations under the Notes Indenture (the "Forbearance Agreement"),

to provide the Group with a short-term solution to its liquidity issues.

The Amendment Agreement facilitated the drawdowns of ZAR400 million and ZAR500 million from the existing revolving credit facility ("RCF") and existing working capital facilities ("WCFs") respectively and met the short-term liquidity requirements of the Group. The ZAR400 million drawdown was received by the Group on 23 June 2020. Each of the maturity dates under the RCF and WCFs was also aligned to 31 July 2021. The Amendment Agreement also: (a) increased the margin on the WCF provided by Absa and RMB by 100 bps to match the South African prime lending rate; and (b) increased the margin on the RCF to 9% above SA JIBAR (previously 5% above SA JIBAR).

It was intended that entry into the Amendment Agreement and the drawdown of the RCF were interim measures to provide the Company with a short-term solution to its immediate liquidity concerns, to be followed by a broader restructuring of the Group. As such, the Amendment Agreement requires the Group to progress a long-term solution to the Group's financial difficulties through a restructuring of the Group's capital structure, and failure by the Group to achieve certain milestones in this regard would constitute an event of default under the first lien facilities.

The Amendment Agreement also provides that no member of the Group shall make a payment in respect of the Notes (including the interest payments falling due on 1 May 2020 and 1 November 2020), other than as part of a broader restructuring solution approved by the South African Lender Group. If a member of the Group were to make a payment under the Notes other than in connection with the Restructuring, or an alternative restructuring arrangement without the prior consent of the South African Lender Group, this would constitute an event of default under the Amendment Agreement.

In light of the above, the Group did not pay the interest payment due under the Notes Indenture in May 2020, nor has it paid the interest payment that fell due on 1 November 2020. The Group's failure to pay the interest payment due under the Notes Indenture in May 2020 triggered a default under the Notes Indenture. Accordingly, the Company sought a forbearance commitment from a majority of the Noteholders in respect of the rights arising under the Notes Indenture as a result of the event of default. On 29 May 2020 the Forbearance Agreement was entered into by the members of the AHG (as it was then constituted, representing a majority of the outstanding principal amount of the Notes). As at the date of this announcement, the forbearing Noteholders bound by the Forbearance Agreement represent a considerably higher percentage of the outstanding principal amount of the Notes. Pursuant to the Forbearance Agreement, the relevant Noteholder parties agreed to forbear from the exercise of certain rights and remedies such parties have under the Notes Indenture in respect of the missed May interest payment, including agreeing not to accelerate all present and future monies, debts and liabilities owed or incurred under the Notes.

As with the Amendment Agreement, the Forbearance Agreement was agreed with the counterparties on the understanding that a broader financial restructuring of the Group would occur. The initial forbearance period ceased on 31 August 2020. At each month end thereafter the Noteholder counterparties have the ability to terminate the forbearance obligations (with respect to themselves only) by giving notice to the Company. One forbearing Noteholder notified the Company of its intention to terminate the Forbearance Agreement, effective 31 August, but no further termination notices were received. None of the remaining forbearing Noteholders notified the Company of their intention to so terminate on either 30 September 2020 or 31 October 2020 and, in accordance with the terms of the Forbearance Agreement, the forbearance obligations presently continue to be in force with respect to the remaining Noteholders, which together represent a majority of the Notes in value.

Equivalent forbearance undertakings in respect of the November interest payment, which fell due on 1 November 2020, are contained in the Lock-Up Agreement. The forbearance undertakings under the Lock-Up Agreement would bind the Noteholder parties (expected to represent a majority (in value) of the Notes) and the South African Lender Group not to bring, or cause to be brought, any enforcement action against the Group in respect of any defaults while the parties are all pursuing the Restructuring. As a result, and due to the ongoing nature of discussions with the AHG and the South African Lender Group, the outstanding amounts due under the Notes have been reclassified as ‘current loans and borrowings’. Post the envisaged Restructuring being completed successfully, any remaining debt will be appropriately classified as ‘long term’ and ‘current loans and borrowings’ in future reporting periods.

Consolidated net debt at 30 June 2020 was US$696.6 million (30 June 2019: US$595.2 million).

Covenant measurements attached to banking facilities
The Company’s EBITDA-related covenants associated with its banking facilities during the Year were as outlined below:

	12 months to 31 Dec 2019	**12 months to 30 Jun 2020**
Consolidated net debt to consolidated EBITDA:	≤ 4.25x	**≤ 3.5x**
Consolidated EBITDA to consolidated net finance charges:	≥ 2.5x	**≥ 2.75x**
Consolidated net senior debt to book equity:	≤0.4x	**≤0.4x**

The recent weakness in the diamond market, compounded by the outbreak of the COVID-19 pandemic, significantly impacted the Group's operating results and cashflow position. The Company's South African Lender Group therefore agreed to waive the EBITDA-related covenants for the 31 December 2019 measurement period and in terms of the Amendment Agreement entered into on 29 May 2020, Petra and the South Africa Lender Group agreed that covenant measurements will not be undertaken for the period ending 30 June 2020. In addition to its existing covenant ratios, the Group is required to maintain liquidity of the aggregate of the undrawn amounts available under the RCF and WCF and consolidated cash and cash equivalents (excluding diamond debtors) which shall not fall below ZAR200 million (US$11.6 million).

Details of the envisaged new banking facilities and the associated covenants are set out under the section 'The Restructuring' to follow.

Going concern considerations
The Group closely monitors and manages its liquidity risk, and cash forecasts are regularly produced and run for different scenarios. The forecasts assume that the envisaged Restructuring will be implemented in line with the provisions of the in-principle term sheet. The Group also considered risks associated with COVID-19, which were considered to focus primarily on the potential for further production disruption, deferral of tenders due to travel restrictions and adverse impacts on diamond pricing.

In light of both normal trading risks and elevated risks associated with the potential impact of the COVID-19 pandemic, the following have been key considerations in assessing the Group's ability to operate as a going concern at the date of this report:

- an unforeseen disruption to operations at its South African mines due to either COVID-19 restrictions or otherwise;
- an unforeseen deferral of two consecutive rough diamond tenders, due to COVID-19 restrictions, coupled with a significant price decline at an assumed subsequent private sale (in line with actual experiences during FY 2020);
- a sustained 5% decrease in forecast rough diamond prices throughout the forecast period; and
- an increase in forecast operating cost.

Under the base case, which itself is dependent upon the successful completion of the proposed Restructuring and continued availability of the South African banking facilities in line with the in-principle Restructuring agreement, the forecasts indicate that the Company will be able operate within covenants set out in the in-principle agreement and maintain sufficient liquidity.

However, the proposed first lien covenants (as more fully set out in note 37 of the Financial Statements) were set with limited headroom to the base case. As such, although adequate liquidity is maintained throughout the review period under each of the individual scenarios subject to continued availability of the South African Lender Group facilities, results of the stress testing indicate that in the event of deferral to the tenders outlined above or a combination of scenarios such as sustained reduced pricing and production disruption, possible covenant breaches associated with the South African banking facilities may occur in December 2021. Whilst reasonably available mitigating actions, which include cost savings and capital deferrals, are foreseen to address the risk of such a covenant breach, the delivery of such mitigating actions remains uncertain. In the event of a breach of covenant, the Company would be dependent on the South African Lender Group continuing to make the facilities available and under certain of the scenarios there would be insufficient liquidity to settle the outstanding South African Lender Group facilities if required. Whilst the South African Lender Group has indicated its support in recent discussions and ongoing dialogue with the South African Lender Group will be important during this period, there can be no guarantee that the facilities would continue to remain available in the event of a covenant breach.

However, the Group is reliant on the successful conclusion of the current Restructuring to continue as a going concern, which is dependent on the execution of the Lock-Up Agreement and subsequent approval by the Company's shareholders. Additionally, as set out above, in the event of a successful Restructuring the Group's forecasts remain sensitive to trading conditions and the impact of COVID-19 may further have a material impact on the Group's ability to operate within its covenants, such that continued South African Lender Group support may be required and, if unavailable, additional funding may be required.

As a result, the Board concluded that a material uncertainty exists in respect of the Company continuing as a going concern. Accordingly, the auditor's report on the Company's Financial Statements [includes a paragraph highlighting such material uncertainty. See 'Basis of preparation including going concern' in the Financial Statements for further information.

BEE loans receivable and payable
BEE loans receivable of US$137.0 million (FY 2019: US$109.6 million) relate to advances provided to the Group's BEE Partners to enable them to discharge interest and capital commitments under the BEE Lender facilities, advances to the BEE Partners to enable trickle payment distributions to both Kago Diamonds (Pty) Ltd's ("Kago Diamonds") shareholders and to the beneficiaries of the Itumeleng Petra Diamonds Employee Trust ("IPDET") (Petra Directors and Senior Managers do not qualify as beneficiaries under the IPDET Trust Deed), and financing of their interests in the Koffiefontein mine. The balance at Year end also includes US$40.0 million (FY 2019: US$nil) related to the BEE guarantees provided to the BEE Lender Group – refer below for more detail.

As detailed in the section "Impairment of BEE loans receivable – expected credit loss provision", an IFRS 9 estimated credit loss assessment was conducted at the end of the Year which resulted in a provision of US$10.9 million impairment being raised against the BEE loans receivable. Refer to note 16 of the Financial Statements for further detail on the estimated credit loss assessment.

During the Year, Petra advanced US$12.2 million (FY 2019: US$42.2 million) to facilitate the servicing of capital and interest payments on behalf of the BEE Partners and US$1.9 million (FY 2019: US$4.5 million) for distributions to the beneficiaries of the IPDET and shareholders of Kago Diamonds.

In May 2020, as part of the Amendment Agreement, Petra reached agreement with the South African BEE Lender Group, being Absa Bank, Rand Merchant Bank and Ninety-One (previously Investec), to reschedule the capital repayments due in May 2020 and November 2020 under the Company's BEE Partners' outstanding bank financing. In terms of the Amendment Agreement, the capital balance outstanding (US$40.0 million) will become payable on 31 July 2021, subject to the outcome of the Restructuring described above. However, should the Restructuring complete as planned, the Company's new banking facilities will enable it to refinance the BEE facilities with proceeds from the new term loan – for more detail, refer to 'The Restructuring' below.

The aforementioned Forbearance Agreement and Amendment Agreement entered into during May 2020 did not confer the unconditional right to the Company to defer the coupon repayment and as such triggered an event of default under the BEE Lender facility. The event of default sets out that the Company under the BEE guarantee is liable for the outstanding obligation under the BEE Lender facility. As at 30 June 2020, the Company accrued for the outstanding obligation of US$40.0 million under current loans and borrowings (refer to note 21 of the Financial Statements). The Company raised a compensating receivable from the BEE Partners (included in the US$137.0 million balance as mentioned above), repayable from the BEE Partners' share of future operational cashflows.

The BEE loans payable of US$108.6 million (FY 2019: US$120.5 million) relate to the initial acquisition loan funding advanced by the Group's BEE Partners to the operations to acquire their investments in Cullinan and Finsch. The repayment of these loans by the mines to the BEE Partners will be from future free cashflows generated by the mining operations.

Refer to note 16 of the Financial Statements for further detail on BEE loans receivable and payable.

The Restructuring

Despite strong operational performance in FY 2020, with Project 2022 delivering record throughput results for the first nine months of FY 2020, the disruption to operations caused by the outbreak of the COVID-19 pandemic eroded the benefits generated. This, in combination with the resultant weakness in the diamond market, placed further strain upon the Company's balance sheet.

In March 2020, Petra therefore launched a strategic review, in conjunction with a set of independent advisers, in order to evaluate an optimal long-term capital structure for the Group. The key focus of this review was to bring down the Company's leverage to a manageable level and it therefore involved extensive consultations with the AHG of the Company's US$650 million 7.25% senior secured second lien notes due in May 2022, as well as with the South African Lender Group. The review also aimed to assess all strategic options available to maximise value to stakeholders and included a formal sale process, whereby interested parties could submit bids either for Petra or for any parts of the business or assets of the Group.

In October 2020, the Company announced that it had reached agreement in principle with the AHG and the South African Lender Group on a common set of commercial terms with respect to the Restructuring. Petra is currently well advanced in terms of agreeing a Lock-Up Agreement with the parties to the Restructuring, which will bind each party into supporting the Restructuring on the proposed terms.

As of 1 November 2020, the Group had US$697.2 million of Notes outstanding, reflecting the US$650.0 million principal amount and US$47.2 million of accrued coupons for May and November 2020. The final amount of the Notes outstanding will increase to reflect any additional accrued interest from 1 November 2020 until the closing date of the Restructuring.

The key features of the proposed Restructuring are as follows:

1. Partial reinstatement of the Notes debt and the contribution by holders of the existing Notes of US$30.0 million in New Money, each to take the form of new senior secured second lien notes ("New Notes"). It is expected that the New Notes will amount to approximately US$337.0 million (including the New Money and fees paid as part of the transaction in New Notes) and will have a maturity date of five years from completion. The New Notes will be subject to an interest rate of 10.50% Payment in Kind for the first 24 months, reverting to a cash interest rate of 9.75% thereafter. Those Noteholders that contribute to the New Money will be entitled to a greater portion of the New Notes.
2. Conversion of the remainder of the Notes debt into equity, which will result in the Noteholder group holding 91% of the enlarged share capital of Petra Diamonds Limited, with the existing shareholders holding the remaining 9%. Those Noteholders that contribute to the New Money will be entitled to a greater portion of the equity.
3. The restructuring of the first lien facilities provided by the South African Lender Group, with a new term loan of ZAR1.2 billion in order to refinance the existing drawn ZAR500 million WCF and the BEE Facilities (approximately ZAR683 million), and a new RCF of ZAR560 million, constituted by the rollover of the existing RCF but upsized by ZAR160 million. Both facilities will have a maturity date of three years from completion and a first lien debt service cover ratio of 1.3x tested semi-annually on a rolling 12-month basis which, if breached, will give rise to an event of default under the new bank facilities. Both facilities will have an interest rate of JIBAR + 5.25% per annum.
4. New governance arrangements, whereby up to four Noteholders that individually hold at least 10% of the shares in Petra at the closing of the Restructuring shall have a 'Nomination Right' to nominate a person for appointment to the Board as a non-independent Non-Executive Director, as well as the right to appoint an observer to the Board (who will not have voting rights at Board meetings). Any Board appointments must comply with the UK Listing Rules and the UK Corporate Governance Code.
5. Certain cashflow controls will be introduced.

The full terms of the Restructuring are listed in the announcement released on 20 October 2020 and further details are provided in note 37 of the Financial Statements.

The Restructuring is expected to become effective in Q1 calendar year ("CY") 2021. In order to become effective, the Restructuring is subject to execution of the Lock-Up Agreement and will need to be approved by shareholders at a Special General Meeting. For the purposes of convening the SGM, the Company will publish a circular and prospectus to shareholders. The Company currently anticipates publishing the combined circular and prospectus before the end of the calendar Year.

The Restructuring was deemed by the Board and its advisers to offer the optimal value to all stakeholders and therefore the formal sales process was concluded in October 2020.

Other liabilities
Other than trade and other payables of US$52.5 million (comprising US$18.4 million trade creditors, US$2.8 million employee-related accruals and US$31.3 million other payables) (FY 2019: US$54.9 million), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, post-retirement employee-related provisions, lease liabilities and deferred tax.

Capex
Total Group Capex for the Year reduced to US$36.4 million (FY 2019: US$86.9 million), comprising:
- US$21.8 million expansion Capex (FY 2019: US$56.0 million);
- US$14.8 million sustaining Capex (FY 2019: US$25.4 million); and
- corporate/exploration Capex of US$0.2 million (net recoupment) (FY 2019: US$1.8 million).

Capex	**Unit**	**FY 2020**	**FY 2019**
Cullinan	US$m	16.4	46.3
Finsch	US$m	8.4	24.1
Koffiefontein	US$m	3.8	6.1
Williamson	US$m	8.0	8.6
Subtotal – Capex incurred by operations	US$m	**36.6**	**85.1**
Corporate/exploration	US$m	(0.2)	1.8
Total Group Capex	US$m	**36.4**[1]	**86.9**

Note:
1. Capex for the Year includes US$0.0 million (FY 2019: US$3.7 million) of capitalised borrowing costs.

Dividend
Distribution covenants were not met for the measurement period to 30 June 2020 and as a result no dividend is declared for FY 2020.

OPERATIONAL REVIEW

Safety and Health

In FY 2020 the Group reported an LTIFR of 0.29 (FY 2019: 0.21). The Group recorded 19 LTIs in FY 2020 (FY 2019: 16), the majority of which were at Finsch, where the number of LTIs for the Year increased from six in FY 2019 to 11 in FY 2020. Most of the accidents in FY 2020 were found to be behavioural in nature and of low severity. Considerable focus has been placed on reinforcing safe behaviour and continuous improvement in striving for a zero harm working environment – read more on page 49 of our 2020 Annual Report.

While the COVID-19 pandemic presents a significant threat to the health of our employees and stakeholders, we are pleased to report that overall cases of the disease at our operations have remained fairly low, which is a testament to the controls we have put in place. However, we remain highly vigilant and will continue to enforce strict compliance with the Mandatory Codes of Practice covering each operation in South Africa to ensure we are playing our part to mitigate the spread of the virus and to protect our people.

The health, safety and wellbeing of all Petra people remains the Company's overriding priority. While Petra's South African mines are highly mechanised underground operations, with limited human interaction, the Company has put in place stringent protocols in order to minimise the risk of COVID-19 to its employees and contractors. More information about the Company's response to the pandemic can be accessed here: https://www.petradiamonds.com/sustainability/health-and-safety/our-response-to-covid-19/.

As at 30 October 2020, the Company was screening 3,336 individuals a day and a total of 750 possible cases were tested. To date, the total number of employees confirmed COVID-19 positive at the South African operations is 223; of these, so far 217 have recovered in full and four cases are still active. No deaths were reported during the Year. However, very regrettably we have lost two people to causes related to the disease since Year end, being Joseph Phoku, a Boilermaker at Cullinan, and Eurith Sekgoro, a Cleaner at the Kimberley Group satellite offices. Our heartfelt condolences go to the family, friends and colleagues of the deceased; support has been offered to their next of kin.

There have been no cases of COVID-19 confirmed at the Williamson mine in Tanzania to date.

Combined Operations

	Unit	FY 2020	FY 2019	Variance
Sales				
Diamonds sold	Carats	2,895,497	3,736,847	-23%
Revenue	**US$M**	**295.8**	**463.6**	-36%
Production				
ROM diamonds	Carats	3,442,593	3,763,622	-9%
Tailings & other[1] diamonds	Carats	146,583	111,324	+32%
Total diamonds	**Carats**	**3,589,176**	**3,874,946**	-7%
Tonnages				
ROM tonnes	Mt	11.5	13.3	-13%
Tailings & other[1] tonnes	Mt	0.8	1.6	-50%
Total tonnes	**Mt**	**12.3**	**14.9**	-17%
On mine cash costs	**US$M**	**225.3**	**266.9**	**-15%**
Capex				
Expansion	US$M	21.8	56.0	-61%
Sustaining	US$M	14.8	25.4	-42%
Borrowing Costs Capitalised	US$M	-	3.7	-100%
Total	**US$M**	**36.6**	**85.1**	**-57%**

Notes:

1. *'Other' represents alluvial diamond mining at Williamson.*

FY 2020 production totalled 3.59 Mcts (FY 2019: 3.87 Mcts). While the Company was on track to meet or exceed its original guidance of ca. 3.8 Mcts (guidance was suspended on 27 March 2020), production was severely disrupted by the lockdown implemented in South Africa from 26 March 2020 and the Williamson mine in Tanzania being placed on care and maintenance in April 2020.

Cullinan – South Africa

	Unit	FY 2020	FY 2019	Variance
Sales				
Revenue	**US$M**	**116.5**	**171.4**	**-32%**
Diamonds sold	Carats	1,183,745	1,562,922	-24%
Average price per carat	US$	98	110	-10%
ROM Production				
Tonnes treated	Tonnes	3,972,682	4,119,406	-4%
Diamonds produced	Carats	1,482,482	1,589,707	-7%
Grade[1]	Cpht	37.3	38.6	-3%
Tailings Production				
Tonnes treated	Tonnes	257,549	956,035	-73%
Diamonds produced	Carats	95,918	66,222	+45%
Grade[1]	Cpht	37.2	6.9	+438%
Total Production				
Tonnes treated	Tonnes	4,230,231	5,075,441	-17%
Diamonds produced	**Carats**	**1,578,400**	**1,655,929**	**-5%**
Costs				
On-mine cash cost per tonne treated	ZAR	270	234	+15%
Capex				
Expansion Capex	US$M	13.0	37.2	-65%
Sustaining Capex	US$M	3.4	6.8	-50%
Borrowing Costs Capitalised	US$M	0.0	2.3	-100%
Total Capex	US$M	16.4	46.3	-65%

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 totalled 1,578,400 carats (FY 2019: 1,655,929 carats) with underground throughput of 4.0 Mt, almost matching FY 2019's 4.1 Mt, and an average ROM grade of 37.3 cpht (FY 2019: 38.6 cpht).

Production from the C-Cut and CC1 East mining areas increased to ca. 3.9 Mt in FY 2020 (FY 2019: ca. 3.6 Mt) with the remaining tonnage being supplemented from older B-Block mining areas. As a result of the COVID-19 disruptions, Cullinan's ROM tonnes treated for Q4 represented ca. 60% of the production rate achieved during the preceding three quarters.

A total of 0.2 Mt of recovery tailings were treated with an average grade of 37.2 cpht.

Cullinan's revenue decreased by 32% to US$116.5 million for the Year (FY 2019: US$171.4 million), due to a combination of significantly lower sales due to the COVID-19 disruptions and a lower average value per carat, which was in part influenced by the market but also reflected the withholding for sale of higher value goods in Q4 due to the depressed bidding conditions.

The full range of diamonds was recovered at the Cullinan mine in FY 2020, including a number of larger white diamonds of high quality, as well as the recovery of a number of blue diamonds of varying qualities.

Costs
The on-mine unit cash cost per total tonne treated increased to ZAR270/t (FY 2019: ZAR234/t), mainly due to lower tonnages and inflationary increases including Project 2022 consulting costs.

Capex
FY 2020 Capex of US$16.4 million was mainly spent on the development of the C-Cut Phase 1 block cave, development to North Crusher 2, and rehabilitation in the North West Corner of C-Cut Phase 1. Based on the re-prioritisation of capital spend, the completion of the shaft plant interface project was deferred. The current system has proved to be reliable and will be utilised in the interim.

FY 2021 Capex for Cullinan is guided at ca. US$13 million, primarily relating to underground development, including the decline to the CC1E production areas, the finalisation and commissioning of North Crusher 2, and the implementation of the sixth XRL stream to expose all large diamonds to X-ray technology in order to minimise the recirculation of these larger stones and improve the value of diamonds recovered. It also includes Stay in Business Capex.

Finsch – South Africa

	Unit	FY 2020	FY 2019	Variance
Sales				
Revenue	**US$M**	**101.1**	**170.2**	**-41%**
Diamonds sold	Carats	1,348,181	1,711,311	-21%
Average price per carat	US$	75	99	-25%
ROM Production				
Tonnes treated	Tonnes	2,719,389	3,073,479	-12%
Diamonds produced	Carats	1,603,678	1,724,265	-7%
Grade[1]	Cpht	59.0	56.1	+5%
Tailings Production				
Tonnes treated	Tonnes	211,541	223,568	-5%
Diamonds produced	Carats	39,890	31,503	+27%
Grade[1]	Cpht	18.9	14.1	+34%
Total Production				
Tonnes treated	Tonnes	2,930,930	3,297,047	-11%
Diamonds produced	**Carats**	**1,643,568**	**1,755,768**	**-6%**
Costs				
On-mine cash cost per tonne treated	ZAR	477	388	+23%
Capex				
Expansion Capex	US$M	6.1	13.6	-55%
Sustaining Capex	US$M	2.3	9.1	-75%
Borrowing Costs Capitalised	US$M	0.0	1.4	-100%
Total Capex	US$M	8.4	24.1	-65%

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.*

Overall production totalled 1,643,568 carats (FY 2019: 1,755,768 carats) with ROM carat production of 1,603,678 carats (FY 2019: 1,724,265 carats) and tailings production of 39,890 carats (FY 2019: 31,503 carats). The ROM grade for FY 2020 was 59.0 cpht (FY 2019: 56.1 cpht).

The contribution from underground ROM production increased to 1,594,194 carats (FY 2019: 1,504,722 carats) while the treatment of surface overburden ROM stockpiles decreased to 9,484 carats (FY 2019: 219,544 carats).

Finsch's ROM tonnes treated reduced to 2,719,389 tonnes (FY 2019: 3,073,479 tonnes), mainly as a result of the COVID-19-related disruptions from March 2020, with Finsch's ROM tonnes treated for Q4 representing 61% of the production rate achieved during the preceding three quarters. The tonnage contribution from the Block 5 SLC ramped up to 2.7 Mt (FY 2019: 2.5 Mt), notwithstanding the Q4 disruptions, with the remaining ROM ore supplemented from surface overburden ROM stockpiles, which came at a much reduced grade as the stockpiles were depleted over the Year.

Revenue decreased by 41% to US$101.1 million (FY 2019: US$170.2 million) due to a combination of significantly lower sales due to the COVID-19 disruptions and the lower average value per carat.

Costs

The on-mine cash unit cost increased to ZAR477/t (FY 2019: ZAR388/t), mainly due to decreased tonnages, increased water costs and Project 2022 consulting costs.

Capex

FY 2020 Capex of US$8.4 million was mainly spent on underground development and infrastructure relating to the Block 5 SLC.

FY 2021 Capex is guided at ca. US$6 million, primarily relating to the continuation of the SLC development, the installation of the third crusher and Stay in Business Capex.

Koffiefontein – South Africa

	Unit	FY 2020	FY 2019	Variance
Sales				
Revenue	**US$M**	**25.7**	**28.9**	**-11%**
Diamonds sold	Carats	66,326	60,291	+10%
Average price per carat	US$	387	480	-19%
ROM Production				
Tonnes treated	Tonnes	891,705	1,000,726	-11%
Diamonds produced	Carats	69,077	63,635	+9%
Grade	Cpht	7.7	6.4	+22%
Total Production				
Tonnes treated	Tonnes	891,705	1,000,726	-11%
Diamonds produced	**Carats**	**69,077**	**63,635**	**+9%**
Costs				
On-mine cash cost per tonne treated	ZAR	510	450	+13%

Capex				
Expansion Capex	US$M	2.7	5.2	-48%
Sustaining Capex	US$M	1.1	0.8	+22%
Total Capex	US$M	3.8	6.0	-38%

ROM production totalled 69,077 carats (FY 2019: 63,635 carats), with ROM tonnage throughput down 11% on FY 2019, significantly impacted by the COVID-19-related disruptions since March 2020, but overall carats produced up 9% due to the average ROM grade rising from 6.4 cpht in FY 2019 to 7.7 cpht in FY 2020. As a result of the COVID-19 disruptions, Koffiefontein's ROM tonnes treated for Q4 represented some 35% of the production rate achieved during the preceding three quarters, with lockdown activities focused primarily on mining, while treatment of stockpiled ore was limited. A ROM stockpile of 70,041 tonnes was available for treatment at Year end.

Revenue decreased 11% to US$25.7 million (FY 2019: US$28.9 million) for the Year, despite a 10% increase in carats sold, due to the 19% decrease in the average value per carat.

Costs
The on-mine cash unit cost increased to ZAR510/t (FY 2019: ZAR 450/t), mainly due to decreased tonnages.

Capex
FY 2020 Capex of US$3.8 million was mainly spent on the completion of the SLC development and 56 Level workshop development. This Capex will contribute to largely completing the SLC and associated development, with further expansions to levels below 58 Level removed from the current mining plan. This will see Koffiefontein's remaining LOM reducing to FY 2023, as opposed to FY 2024 as previously stated.

FY 2021 Capex is guided at ca. US$2 million primarily relating to the finalisation of the 56 Level workshop engineering infrastructure and other Stay in Business Capex.

Williamson – Tanzania

	Unit	FY 2020	FY 2019	Variance
Sales				
Revenue	**US$M**	**52.5**	**93.0**	**-44%**
Diamonds sold	Carats	297,245	402,329	-26%
Average price per carat	US$	177	231	-24%
ROM Production				
Tonnes treated	Tonnes	3,980,438	5,082,319	-22%
Diamonds produced	Carats	287,356	386,016	-26%
Grade	Cpht	7.2	7.6	-5%
Alluvial Production				
Tonnes treated	Tonnes	302,567	413,151	-27%
Diamonds produced	Carats	10,774	13,599	-21%
Grade	Cpht	3.6	3.3	8%
Total Production				
Tonnes treated	Tonnes	4,283,005	5,495,470	-22%
Diamonds produced	**Carats**	**298,130**	**399,615**	**-25%**

Costs				
On-mine cash cost per tonne treated	US$	10.2	11.1	-8%
Capex				
Expansion Capex	US$M	0.0	0.0	0%
Sustaining Capex	US$M	8.0	8.6	-7%
Total Capex	US$M	8.0	8.6	-7%

Note:

1. *Negatively impacted by the 71,654 carat parcel blocked for export in FY 2018.*

FY 2020 production totalled 298,130 carats (FY 2019: 399,615 carats), impacted by the initial 1.3 Mt pit slump that occurred at the mine in January 2020 in an area on the south western sector of the pit, as well as the decision to place the mine on care and maintenance during April 2020.

Revenue decreased 44% to US$52.5 million (FY 2019: US$93.0 million) due to a combination of significantly lower sales due to the COVID-19 disruptions and the lower average value per carat.

Costs

The on-mine cash cost decreased to US$10.2/t (FY 2019: US$11.1/t) due to a force majeure notice issued to all contractors including the mining contractor when the mine was placed on care and maintenance. The notice resulted in a significant reduction in the mine's fixed costs, compensating for the reduced volumes in FY 2020.

Capex

FY 2020 Capex of US$8.0 million mainly related to in-pit waste removal, the raising of the slimes dam wall and the extension of the tailings disposal infrastructure.

FY 2021 Capex is guided at ca. US$7 million, assuming production restarts during H2 FY 2021. FY 2021 Capex is primarily related to the ongoing waste removal, commencing the removal of the pit slump material, slimes dam extensions, the completion of the tailings disposal facilities and the preparation of a pit dewatering sump. It also includes Stay in Business Capex.

Project 2022

Project 2022 commenced in July 2019 with the aim of identifying opportunities to increase throughput across the business, drive efficiencies and facilitate continuous improvement. A key objective of this project was to target delivery of significant free cashflow over three years, though this has been impeded primarily by the weakness in the diamond market, compounded further by precautionary measures imposed at the operations related to the COVID-19 pandemic.

Project 2022 is not only now fully operational across the Group, but its principles of focused and continuous improvement are being entrenched in the operating model and are becoming part of the culture of the Company.

Weekly Project 2022 RARs are held within the first four structural layers of the organisation, starting with the CEO, to monitor progress, provide support and resourcing where required and ensure we are on track to deliver on our targets. In addition, we are in the process of aligning our various incentive and production bonus schemes to support and reward delivery of our Project 2022 targets across the Group.

A major component of Project 2022 is to optimise throughput; during FY 2020 we implemented initiatives to eliminate or mitigate the impact of bottlenecks in the production processes of the mines. This resulted in the increased throughput recorded for FY 2020, prior to the disruption of the COVID-19 pandemic.

Cullinan
At Cullinan the team has successfully implemented initiatives to address bottlenecks and change the behaviours of all employees on site, specifically in the loading and hoisting processes, the recycling and crushing of ore, and the milling and processing of tailings ore.

In the loading process, the team looked at the shift handovers and implemented measures to increase the number of productive hours on the ore loaders by changing blasting times and ensuring that shift handovers happen effectively. In addition, a contractor was appointed to load over the weekends to increase the number of days utilised and reduce overtime costs on the mine.

The hoisting process has also been improved following the implementation of a new shaft shift structure to increase the shaft winder's operating time and to reduce the amount of time that the loaders have to stop loading due to full underground silos.

At the plant, the high pressure grinding roll crushers were refurbished and the rolls were redesigned in order to crush recycled material more effectively and to reduce the recycle load of the milling circuit. This has allowed for a higher proportion of ROM ore to be fed into the mills. At the mills, improvements were made to the automated control system, and operating procedures were standardised to ensure a more consistent operating performance and a higher overall feed rate. Also at the plant, the processing of the mine's historically high value red tailings was accelerated to fill the plant's capacity.

Finsch
Some of the ideas that already contributed significant value during FY 2020 at Finsch include improved secondary blasting to effectively deal with big rocks, the introduction of a second blasting window to reduce tunnel turnaround time, improved management of activities at tips to reduce delays on loaders and other downstream delays, charging of blast holes to specification to improve blast results and tunnel availability, treatment of tailings to take benefit of available plant capacity to generate more revenue, conveyor system improvements to reduce downtime, and using a local water source to save costs.

Koffiefontein
The focus at Koffiefontein is on mining and including ideas to improve the availability of less diluted ore to benefit the recovered grade and carats produced. This idea is dependent on improvement of availability and utilisation of loaders and production drill rigs to a target of 70%. The drill rig performance is stable and meets and sustains the targets. Further work is required to also make the loader performance sustainable but is already contributing benefits. The grade is further supported by initiatives that focus on managing extraction ratios and making more tunnels available to load.

Cost optimisation
A shift in focus to cost optimisation as a result of COVID-19 production restrictions resulted in the identification of annualised savings ideas, increasing to US$22 million. These savings are expected to be fully realised by the end of Q3 FY 2021. The bulk of these savings come from:

- cost reduction at Finsch in the areas of ventilation, water and electricity (ca. US$8 million);
- reduced corporate expenses (ca. US$7 million);
- cost reductions at Cullinan in the areas of ventilation, tyres and transport (ca. US$3 million);
- ca. US$3 million from procurement initiatives; and
- old or redundant asset disposals.

In FY 2020, notwithstanding the negative impact of COVID-19 precautionary measures on production in Q3 and Q4, the positive throughput improvements driven by Project 2022 led to the highest ROM production recorded in Petra's history for the nine months up to 31 March 2020. With operations now returning to full production, the Project 2022 throughput initiatives are expected to ramp up towards delivering an annualised contribution of some US$101 million by the end of FY

2021. In combination with the cost savings noted above, this therefore is expected to result in an annualised increase in operating free cashflow of ca. US$123 million.

EXPLORATION

As Petra continued to focus on the ramp up of its development programmes at its producing operations, a limited exploration programme was continued in South Africa and Botswana in FY 2020, with a cash budget of US$0.5 million (FY 2019: US$0.4 million).

Botswana

On 20 July 2020 the Company announced that it had entered into an agreement to dispose of its exploration assets in Botswana via the sale of 100% of its holding in Sekaka Diamonds Exploration (Pty) Limited (previously known as Petra Diamonds Botswana (Pty) Limited) ("Sekaka Diamonds") to Botswana Diamonds PLC for a total consideration of US$300,000 and a 5% royalty on future diamond revenues should any of the prospects within the exploration licences be brought into production.

The assets of Sekaka Diamonds include the Company's three existing Prospecting Licenses in Botswana, which includes the KX36 project, a 3.5 hectare kimberlite that was a new discovery by Petra in 2010, as well as a bulk sampling plant. These assets have been classified as 'Assets held for sale' since 30 June 2018 following a decision by the Board to dispose of its Botswana exploration assets; the transaction is not a result of the recent sales process announced on 26 June 2020.

The purchase price of US$300,000 will be payable in two equal instalments of US$150,000 each, on or before 31 August 2021 and 31 August 2022 respectively. Petra is also entitled to a 5% royalty on the sale of diamonds commercially produced from any kimberlite which falls within the licence areas covered in the sale. Botswana Diamonds has the option to buy-out the royalty for a cash payment of US$2.0 million.

The acquisition is expected to complete during November 2020.

South Africa

Petra currently holds 984km^2 of Prospecting Rights in the Northern Cape province of South Africa. Due to current market conditions and the COVID-19 pandemic exploration activities have been put on hold. The Company is looking to divest of its exploration assets in South Africa when market conditions allow.

GROSS RESERVES & RESOURCES

Petra manages one of the world's largest diamond resources of 244 Mcts and this major resource implies that the potential mine lives of our core assets could be considerably longer than the current mine plans in place at each operation or could support higher production rates.

As at 30 June 2020 the Group's gross diamond resources (inclusive of reserves) decreased 2% to 243.51 Mcts (30 June 2019: 248.15 Mcts), predominantly due to the finalisation of a new resource model at Cullinan, which includes all outstanding sampling information from the recently completed C-Cut block cave development, the reclassification of remnant surface resources at Finsch and Koffiefontein, and the removal of the Eskom tailings mineral resources at Koffiefontein following the transfer of ownership to the Koffiefontein Community Mining Primary Cooperative, as well as depletions at all mining assets further to ore mined in FY 2020.

The Group's gross diamond reserves decreased 9% to 38.86 Mcts (30 June 2019: 42.51 Mcts) primarily due to mining depletions and the impact on the remaining reserves at Williamson following the pit slump experienced during FY 2020.

The following table summarises the gross Reserves and Resources status of the combined Petra Group operations as at 30 June 2020.

Category	Gross		
	Tonnes (millions)	**Grade (cpht)**	**Contained Diamonds (Mcts)**
Reserves			
Proved	-	-	-
Probable	131.4	29.6	38.86
Sub-total	**131.4**	**29.6**	**38.86**
Resources			
Measured	-	-	-
Indicated	354.2	46.8	165.64
Inferred	1,295.5	6.0	77.87
Sub-total	**1,649.6**	**14.8**	**243.51**

1. The gross Resources include 8.73 Mcts relating to the KX36 project in Botswana. On 20 July 2020, Petra entered into an agreement to dispose of its exploration assets in Botswana, including KX36, via the sale of its holding in Sekaka Diamonds Exploration (Pty) Limited to Botswana Diamonds PLC; the transaction is expected to be concluded in the six month period to 31 December 2020.

The full 2020 Resource Statement can be accessed at https://www.petradiamonds.com/our-operations/reserves-resources/.

CORPORATE

Board Succession Plan
As part of the Board's Three Year Succession Plan, Non-Executive Chairman Adonis Pouroulis stepped down from the Board at the end of Q3 FY 2020. Peter Hill was appointed to the Board on 1 January 2020 and assumed the role of Non-Executive Chairman and Chairman of the Nomination Committee on 31 March 2020.

Dr Pat Bartlett, retired from the Board of Directors, effective 30 June 2020, but continues to offer technical consultancy services to the Company for a period of one year following his retirement from the Board.

Mr Tony Lowrie has today retired from the Board and his role as Senior Independent Non-Executive Director of the Company, and is consequently no longer a member of the Company's Audit and Risk, Nomination and Remuneration Committees.

Ms Varda Shine has assumed the role of Senior Independent Non-executive Director, effective today. Varda is an outstanding appointee given her deep experience of the diamond industry, as well as the UK public company corporate world, and her expertise in multi-stakeholder engagement.

As previously indicated, Mr. Gordon Hamilton, Independent Non-executive Director, will retire from the Board and as Chair of the Audit and Risk Committee ("ARC") at the conclusion of the FY 2021 Annual General Meeting. A search process for his successor as Chair of the ARC has commenced.

Update on Tanzania
Discussions with the Government in relation to various issues, including the overdue VAT receivables and the blocked diamond parcel, are ongoing but have been interrupted by the COVID-19 outbreak.

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.

A summary of the risks identified as the Group's principal external, operating and strategic risks (in no order of priority), which may impact the Group over the next twelve months, is listed below. More detail on the Company's risk management can be found in the 2020 Annual Report on pages 93 to 99.

Risk	Risk appetite	Risk rating	Nature of risk	Change in FY 2020
External risks				
1. Diamond price	High	High	Long term	Higher - diamond prices realised by Petra fell ca. 18% during the Year, mainly due to the major disruption to all parts of the diamond pipeline (from mine to retail) caused by the COVID-19 pandemic.
2. Currency	High	Medium	Long term	No change - the ZAR/USD exchange rate continues to be volatile. The short-term weakness in the Rand has the capacity to offset some of the diamond price weakness.
3. Country and political	High	High	Long term	No change - regulatory uncertainty in South Africa has eased somewhat with the completion of the 2019 elections and the publication of the new Mining Charter. However, the risk of political instability remains, and certain components of the Mining Charter remain under review. Petra is in ongoing dialogue with the Government of Tanzania and local advisers in relation to legislative developments, overdue VAT receivables and the blocked parcel of diamonds from Williamson.
4. COVID-19 pandemic (NEW) (operational impact) *Diamond market impact included in diamond price risk above*	Medium	High	Short to medium term	New risk - the COVID-19 pandemic took hold in early CY 2020 and caused major disruption to all aspects of the diamond pipeline. Certain Government-imposed restrictions, including varying levels of lockdown, impacted the mining operations and Petra's ability to conduct tenders in South Africa and Belgium. Petra has put in place stringent procedures in order to prevent or mitigate the spread of the virus at our operations, some of which resulted in lost production time; the Group introduced revised shift configurations, with the support from organised labour, to offset this. Petra's suppliers to its mines, although also impacted by the COVID-19 restrictions, continued to deliver as required and no major supply chain disruption was experienced. The Company is maintaining a flexible sales approach in order to bring goods to market at the optimal time and location based on prevailing market conditions.
Operating risks				
5. Mining and production	Medium	Medium	Long term	Higher - positive throughput improvements driven by Project 2022 led to the highest ROM production recorded in the Company's history for the nine months up to 31 March 2020, but production for the full Year was down 7% to 3.59 Mcts further to the disruption to operations caused by the COVID-19 pandemic. During the Year, the Cullinan mine experienced scaling of the open pit wall, resulting in 3 Mt of material falling into the open pit, and the Williamson mine experienced an initial 1.3 Mt pit slump at the south western sector, both of which occurred after a period of heavy rainfall. Petra's current financial position may result in deferral of capital expansion projects, resulting in increased future production risk. To this end, the Company has proactively identified alternative expansion strategies, mainly to defer the CC1E extension project at its Cullinan mine, should a further need arise to preserve cash.

6. ROM grade and product mix volatility	Medium	Medium	Short term	No change - ROM grades were generally in line with expectations, with both Finsch and Williamson slightly above guidance, while Cullinan and Koffiefontein were slightly below guidance. The mines recovered the full range of diamonds in FY 2020.
7. Labour relations	Medium	Medium	Short to medium term	Higher - stable labour relations were experienced during the Year. Post Year end, Petra agreed a one-year salary agreement with the National Union of Mineworkers (“NUM”), rather than the customary three-year salary agreement, as a result of the COVID-19 pandemic. This may result in an increased likelihood of industrial action during the early parts of FY 2022 when a further round of salary negotiations will be undertaken.
Strategic risks				
8. Financing	Medium	High	Short to medium term	Higher - despite the good progress made with Project 2022 initiatives, the delivery of free cashflow was impeded by the weaker diamond market in calendar 2019, compounded by the outbreak of the COVID-19 pandemic in 2020. This led to Petra’s debt level becoming higher than anticipated and the Board subsequently launched a strategic review to evaluate an optimal long-term capital structure for the Group. Post Year end, the Company reached agreement with its financial stakeholders with respect to a long-term solution for the recapitalisation of the Group. Should the Restructuring not be approved by shareholders, the Group's financial position will be materially adversely affected and there is a significant risk that the Group's debt obligations under the first lien facilities, the BEE outstanding bank financing and the Notes will be accelerated, which would likely result in the Company being placed into insolvent liquidation.
9. Licence to operate	Medium	Medium	Long term	Higher - continued compliance in all material aspects with relevant laws and regulations, as well as industry standards. Incorporated in Petra’s licence to operate is its continued focus on safety, as well as its impacts on the environment and communities. Petra has initiated an investigation into the human rights allegations relating to the Williamson mine in Tanzania, which is being carried out by a specialist external adviser in conjunction with the Company’s lawyers.

OUTLOOK

Finally, I would like to thank all of our stakeholders for their continued support. Navigating the COVID-19 challenges has required a highly collaborative approach, working in partnership with local Government bodies to ensure our people remain safe and to assist local communities, working constructively with organised labour around the revised shift configurations as well as agreeing a new one-year wage agreement, engaging with our lenders, shareholders and Noteholders to re-evaluate the capital structure for our business, managing our supply chain in the face of unprecedented business interruptions, working flexibly with our customers to supply rough diamonds despite the travel restrictions, and finally, and most importantly, benefiting from the dedication and incredible efforts of our employees, who have had to adapt to very different work and home lives.

I am extremely proud of the resilience displayed across our business in confronting and overcoming the considerable challenges that 2020 presented. I am confident that we are now well down the road in repositioning Petra for a successful and sustainable future, building on the operational successes delivered to date and benefiting from a capital restructuring, once complete, that will result in considerably lower levels of debt going forward.

Richard Duffy
Chief Executive
17 November 2020

Notes

1. *The following exchange rates have been used for this announcement: average for the Year US$1:ZAR17.11 (FY 2019: US$1:ZAR14.19); closing rate as at 30 June 2020 US$1:ZAR17.32 (30 June 2019: US$1:ZAR14.07).*
2. *The following definitions have been used in this announcement:*
    a. *ct: carat*
    b. *cpht: carats per hundred tonnes*
    c. *Kcts: thousand carats*
    d. *Mctpa: million carats per annum*
    e. *Mcts: million carats*
    f. *mL: metre level*
    g. *Mt: million tonnes*
    h. *Mtpa: million tonnes per annum*
    i. *ROM: run-of-mine, i.e. relating to production from the primary orebody*
    j. *SLC: sub-level cave, a variation of block caving*

Consolidated Income Statement

For the Year ended 30 June 2020

US$ million	Notes	**2020**	2019
Revenue	2	**295.8**	463.6
Mining and processing costs	3	**(307.9)**	(407.6)
Other direct income/(expense)	4	**2.0**	(0.8)
Exploration expenditure	5	**(0.6)**	(0.5)
Corporate expenditure	6	**(8.7)**	(8.6)
Impairment of non-financial assets	8	**(91.9)**	(246.6)
Impairment of BEE loans receivable – expected credit loss provision	16	**(10.9)**	—
Total operating costs		**(418.0)**	(664.1)
Financial income	9	**7.9**	12.1
Financial expense	9	**(161.0)**	(65.6)
Loss before tax		**(275.3)**	(254.0)
Income tax credit	10	**52.3**	45.8
Loss for the Year from continuing operations		**(223.0)**	(208.2)
Loss on discontinued operations including associated impairment charges (net of tax)	35	**—**	(49.9)
Loss for the Year		**(223.0)**	(258.1)
Loss for the Year attributable to:			
Equity holders of the parent company		**(190.0)**	(226.8)
Non-controlling interest		**(33.0)**	(31.3)
		(223.0)	(258.1)
Loss per share attributable to the equity holders of the parent during the Year			
From continuing operations:			
Basic loss per share – US$ cents	12	**(21.96)**	(20.18)
Diluted loss per share – US$ cents	12	**(21.96)**	(20.18)
From continuing and discontinued operations:			
Basic loss – US$ cents	12	**(21.96)**	(26.19)
Diluted loss – US$ cents	12	**(21.96)**	(26.19)

Consolidated Statement of Other Comprehensive Income

For the Year ended 30 June 2020

US$ million	**2020**	2019
Loss for the Year	**(223.0)**	(258.1)
Exchange differences on translation of the share-based payment reserve	**(0.2)**	(0.1)
Exchange differences on translation of foreign operations[1]	**(91.3)**	(14.9)
Exchange differences on non-controlling interest[1]	**(0.6)**	(0.7)
Total comprehensive expense for the Year	**(315.1)**	(273.8)
Total comprehensive expense for the Year attributable to:		
Equity holders of the parent company	**(281.5)**	(241.8)
Non-controlling interest	**(33.6)**	(32.0)
	(315.1)	(273.8)

Exchange differences arising on translation of foreign operations and non-controlling interest will be reclassified to profit and loss if specific future conditions are met.

Consolidated Statement of Financial Position

At 30 June 2020

US$ million	Notes	**2020**	2019
ASSETS			
Non-current assets			
Property, plant and equipment	14	**675.8**	967.8
Right-of-use asset	15	**4.9**	—
BEE loans receivable	16	**137.0**	109.6
Other receivables	18	**10.3**	10.1
Deferred tax assets	25	**23.3**	—
Total non-current assets		**851.3**	1,087.5
Current assets			
Trade and other receivables	18	**20.0**	35.9
Inventories	19	**103.5**	85.6
Cash and cash equivalents (including restricted amounts)	20	**67.6**	85.2
Total current assets		**191.1**	206.7
Non-current assets classified as held for sale	36	**0.3**	0.6
Total assets		**1,042.7**	1,294.8
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**133.4**	133.4
Share premium account	21	**790.2**	790.2
Foreign currency translation reserve	21	**(453.0)**	(361.7)
Share-based payment reserve	21	**1.1**	6.2
Other reserves	21	**(0.8)**	(0.8)
Accumulated losses	21	**(440.4)**	(255.6)
Attributable to equity holders of the parent company		**30.5**	311.7
Non-controlling interests	17	**(18.8)**	14.4
Total equity		**11.7**	326.1
Liabilities			
Non-current liabilities			
Loans and borrowings	22	**—**	603.5
BEE loans payable	16	**108.6**	120.5
Provisions	24	**55.6**	61.3
Lease liability	15	**1.1**	—
Deferred tax liabilities	25	**40.5**	81.4
Total non-current liabilities		**205.8**	866.7
Current liabilities			
Loans and borrowings	22	**769.0**	47.1
Lease liability	15	**3.6**	—
Trade and other payables	23	**52.5**	54.9
Total current liabilities		**825.1**	102.0
Liabilities directly associated with non-current assets classified as held for sale	36	**0.1**	—
Total liabilities		**1,031.0**	968.7
Total equity and liabilities		**1,042.7**	1,294.8

Consolidated Statement of Cashflows

For the Year ended 30 June 2020

US$ million	Notes	**2020**	2019
Loss before taxation for the Year from continuing and discontinued operations		**(275.3)**	(303.9)
Depreciation of property, plant and equipment		**78.3**	106.7
Amortisation of right-of-use asset		**5.2**	—
Unrealised gain on lease liability		**(0.8)**	—
Impairment charge	8	**92.3**	246.6
Impairment charge reversal for other receivables	8	**(0.4)**	—
Impairment of BEE loans receivable – expected credit loss provision	16	**10.9**	—
Loss and impairment charge in relation to discontinued operation	35	**—**	49.9
Movement in provisions		**(0.1)**	0.7
Financial income	9	**(7.9)**	(12.1)
Financial expense	9	**161.0**	65.6
(Profit)/loss on sale of property, plant and equipment		**(0.1)**	1.3
Share-based payment provision		**0.7**	0.2
Operating profit before working capital changes		**63.8**	155.0
Decrease in trade and other receivables		**11.4**	61.0
Decrease in trade and other payables		**(15.5)**	(53.2)
Increase in inventories		**(32.7)**	(6.4)
Cash generated from operations		**27.0**	156.4
Net realised (losses)/gains on foreign exchange contracts		**(8.3)**	1.0
Finance expense		**(26.2)**	(45.4)
Income tax paid		**(0.6)**	(13.0)
Net cash (utilised in)/generated from operating activities		**(8.1)**	99.0
Cashflows from investing activities			
Acquisition of property, plant and equipment (including capitalised cash interest paid of US$nil (30 June 2019: US$3.7 million))		**(39.3)**	(85.9)
Proceeds from sale of property, plant and equipment		**0.8**	0.4
Loans advanced to BEE Partners		**(14.1)**	(46.7)
Loans advanced to KEM JV post disposal		**—**	(9.4)
Repayment of loans from KEM JV		**0.4**	3.9
Disposal of interest in KEM JV and Helam (net of cash disposed of)		**—**	(1.5)
Finance income		**1.2**	1.3
Net cash utilised in investing activities		**(51.0)**	(137.9)
Cashflows from financing activities			
Principal paid on lease liabilities		**(5.0)**	—
Increase in borrowings		**100.9**	5.8
Repayment of borrowings		**(43.5)**	(108.5)
Net cash generated from/(utilised in) by financing activities		**52.4**	(102.7)
Net decrease in cash and cash equivalents		**(6.7)**	(141.6)
Cash and cash equivalents at the beginning of the Year		**71.7**	223.0
Effect of exchange rate fluctuations on cash held		**(11.4)**	(9.7)
Cash and cash equivalents at the end of the Year[1]	20	**53.6**	71.7

1. Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US$14.0 million (30 June 2019: US$13.5 million) and unrestricted cash of US$53.6 million (30 June 2019: US$71.7 million).

The cashflows specific to the discontinued operation (net of tax) are included in the amounts above and are disclosed in note 35.

Notes to the Consolidated Statement of Cashflows are set out in note 29.

Consolidated Statement of Changes in Equity

For the Year ended 30 June 2020

US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Other reserves	Accumulated losses	Attributable to the parent	Non-controlling interest	Total equity
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 Year	—	—	—	—	—	(190.0)	(190.0)	(33.0)	(223.0)
Other comprehensive expense	—	—	(91.3)	(0.2)	—	—	(91.5)	(0.6)	(92.1)
Transfer between reserves - Williamson non-controlling interest.	—	—	—	—	—	(0.4)	(0.4)	0.4	—
Transfer between reserves for lapsed employee options	—	—	—	(5.6)	—	5.6	—	—	—
Equity-settled share-based payments	—	—	—	0.7	—	—	0.7	—	0.7
At 30 June 2020	**133.4**	**790.2**	**(453.0)**	**1.1**	**(0.8)**	**(440.4)**	**30.5**	**(18.8)**	**11.7**

US$ million	Share capital	Share premium account	Foreign currency translation reserve	Share-based payment reserve	Other reserves	Accumulated losses	Attributable to the parent	Non-controlling interest	Total equity
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 Year	—	—	—	—	—	(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. 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 35).

Notes to the Annual Financial Statements

For the Year ended 30 June 2020

1. Accounting policies

Petra Diamonds Limited ("Petra" or "the Company"), a limited liability company listed on the Main Market of the London Stock Exchange, is registered in Bermuda and domiciled in the United Kingdom. The Company's registered address is 2 Church Street, Hamilton, Bermuda. The Financial Statements incorporate the principal accounting policies set out below and in the subsequent notes to these Financial Statements, which are consistent with those adopted in the previous year's Financial Statements, apart from the adoption of new standards and interpretations where applicable as detailed in note 1.4).

1.1 Basis of preparation

The Financial Statements of the Company and its subsidiaries, jointly controlled operations and associates ("the Group") are prepared in accordance with International Financial Reporting Standards ("IFRS") (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union.

This results announcement does not represent the Company's Annual Report and Accounts for the year ended 30 June 2020 which was approved by the Board on 17 November 2020 and will be made available on the Company's website. The financial statements included in this announcement have been extracted from the audited financial statements included in the Annual Report and Accounts for the year ended 30 June 2020. The auditors have reported on the Company's financial statements and their audit report was unmodified but included a paragraph highlighting material uncertainties in respect of going concern in respect of the matters identified in the 'Going concern' paragraph below.

Going concern

In FY 2020 our operations delivered a strong performance for the first nine months of the Year, further to throughput improvements driven by Project 2022. However, the outbreak of the COVID-19 pandemic during Q3 FY 2020 presented unprecedented challenges to our operations and the industry as a whole. This, in combination with the resultant weakness in the diamond market, placed further strain upon the Company's balance sheet.

The COVID-19 pandemic has placed additional emphasis on optimisation of the business, though this was already well underway via Project 2022. We acted quickly to put in place comprehensive systems and strategies to address COVID-19, to both limit the threat to our employees, contractors and local stakeholders, and to protect the ongoing viability of our operations.

Capital restructuring

In May 2020, to maintain liquidity and in order to meet anticipated conditions associated with the drawdown of ZAR400 million of revolving credit facilities, the Company decided not to make payment of the interest due on its US$650 million 7.25% Senior Second Lien Notes due 2022. The Company entered into a Forbearance Agreement with the AHG of the Notes under which the AHG agreed not to exercise its rights to accelerate payment of the Notes notwithstanding the continuing event of default whilst the Forbearance Agreement was in place. Additionally, the Company entered into amendments to its South African Lender Group facilities and BEE Facilities which reset the maturity of the revolving credit facility and BEE Facilities to July 2021, although the South African Lender Group reserved the right to demand repayment in the event of the Forbearance Agreement ceasing to apply.

Petra therefore launched a strategic review, in conjunction with a set of independent advisers, to evaluate an optimal long-term capital structure for the Group. The key focus of this review was to bring down the Company's leverage to a manageable level and it therefore involved extensive consultations with the AHG as well as with the South African Lender Group, which provides the Group's first lien bank facilities.

As announced on 20 October 2020, the Group reached an in-principle agreement with its lenders to restructure both its existing US$650 million Notes as well as its first lien bank facilities, including amounts drawn under its ZAR500 million WCF, ZAR400 million RCF and amounts outstanding under the Group's guarantee to its BEE Partners' facilities (ca. ZAR694 million). The envisaged Restructuring is subject to completion of a binding Lock-Up Agreement between the parties, which is yet to be executed but is expected to complete imminently. At the estimated time of the envisaged restructure, the Group's gross debt under the existing facilities is estimated to be US$797 million, being US$650 million loan notes plus US$47 million associated with May 2020 and November 2020 coupon payments not settled, plus ZAR1,594 million (ca. US$100 million at ZAR16/US$1) owed under the Group's banking facilities, including the BEE guarantees. The envisaged Restructuring will also impact the Group's equity shareholders as it entails a likely debt for equity swap and remains subject to shareholder approval by way of voting at an upcoming SGM, currently estimated to take place early CY 2021.

In the event that the shareholders do not approve the Restructuring, it is likely that the Company, or one or more of the Group members, would file for insolvency (in the relevant jurisdiction(s)). It may in these circumstances be possible to effect a restructuring through a structured insolvency process. However, this would be reliant on the Group obtaining additional funding to fund trading as a going concern for a period of time before such restructuring could be effected, the obtaining (or waiving) of certain regulatory consents, support from the South African Lender Group and agreement from the Noteholders (potentially through a second scheme of arrangement or restructuring plan pursuant to the UK Companies Act 2006).

COVID-19

Uncertainty exists around the ongoing impact of COVID-19 on the Group. Although the South African Government declared mining operations able to continue during previous lockdown periods, the required social distancing measures which had to be implemented initially resulted in some operational disruptions, but these measures now put the Group in good stead to curtail the impact of any further possible lockdowns in South Africa. The more pronounced impact was seen on the Group's rough diamond sales, with the usual May 2020 tender having to be cancelled due to the inability of a majority of international clients to travel to the Company's sales offices in both Johannesburg and Antwerp. In addition, prices of rough diamonds reduced by ca. 27% for sales immediately after the outbreak. At these price levels, the South African operations continued to generate sufficient cashflow to warrant ongoing operations, while the Williamson mine in Tanzania was placed on care and maintenance with effect from April 2020.

At the Group's tenders post Year end, held in September and October 2020, rough diamond prices improved by ca. 23%, but remain ca. 10% below the prices achieved immediately pre-COVID-19. A second wave of outbreak and possible further restrictions on international travel may negatively impact the Group's short- and medium-term liquidity profile due to the potential impact on production, ability to hold tenders and market pricing, as set out below, notwithstanding the proposed Restructuring.

Williamson mine, Tanzania

As mentioned above, the Williamson mine is currently on care and maintenance and the likely timing of a recommencement of production remains subject to improving market conditions and the mine's liquidity position. In addition, the Group remains in discussions with the Government of Tanzania ("GoT") around various issues including, inter alia, the sharing of economic benefit, the recoverability of VAT receivables, and the potential release of the blocked diamond parcel. Due to the Group's current financial position, Petra is not in a position to provide any financial assistance to the Williamson mine. Williamson's liquidity position is reliant on its ability to generate cash through operations (which is not possible during care and maintenance); and/or its ability to reach agreement with the GoT allowing it to sell the blocked diamond parcel and around potential recoupment of VAT receivables; and/or its ability to procure funding via borrowings from local financial institutions. The mine is currently seeking approval from the GoT to proceed with arranging a US$25 million working capital facility from a local Tanzanian bank, while pledging its own assets as security. Should an agreement with either the GoT or the local bank not be reached within the next three months, Williamson is likely to face a liquidity shortfall. Under the terms of the in-principle agreements with the South African Lender Group any additional funding by Petra would require its approval and if not provided may result in Williamson's insolvent liquidation.

Forecast liquidity and covenants

The Board has reviewed the Group's forecasts and sensitivities for a period of at least 18 months from Year end, including both forecast liquidity and covenants. The forecasts assume that the envisaged Restructuring will be implemented in line with the provisions of the in-principle term sheet. In doing so, careful consideration was given to potential risks to the forecasts under the review period. The Board carefully considered risks associated with COVID-19 which were considered to focus primarily on the potential for further production disruption, deferral of tenders due to travel restrictions and adverse impacts on diamond pricing.

In light of both normal trading risks and elevated risks associated with the potential impact of the COVID-19 pandemic, 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:

- an unforeseen disruption to operations at its South African mines due to either COVID-19 restrictions or otherwise;
- an unforeseen deferral of two consecutive rough diamond tenders, due to COVID-19 restrictions, coupled with a significant price decline at an assumed subsequent private sale (in line with a similar process followed in FY 2020);
- a sustained 5% decrease in forecast rough diamond prices throughout the forecast period; and
- an increase in forecast operating cost.

Under the base case, which itself is dependent upon the successful completion of the proposed Restructuring and continued availability of the South African banking facilities in line with the in-principle agreement above, the forecasts indicate that the Company will be able to operate within the covenants set out in the in-principle agreement and maintain sufficient liquidity.

However, the proposed first lien covenants (as more fully set out in note 37 were set with limited headroom to base case. As such, although adequate liquidity is maintained throughout the review period under each of the individual scenarios, subject to continued availability of the South African Lender Group facilities, results of the stress testing indicate that in the event of deferral to the tenders outlined above or a combination of scenarios such as sustained reduced pricing and production disruption, possible covenant breaches associated with the South African banking facilities may occur in December 2021. Whilst reasonably available mitigating actions, which include cost savings and capital deferrals, are foreseen to address the risk of such a covenant breach, the delivery of such mitigating actions remains uncertain. In the event of a breach of covenant, the Company would be dependent on the South African Lender Group continuing to make the facilities available and under certain of the scenarios there would be insufficient liquidity to settle the outstanding South African Lender Group facilities if required. Whilst the South African Lender Group has indicated its support in recent discussions and ongoing dialogue with the South African Lender Group will be important during this period, there can be no guarantee that the facilities would continue to remain available in the event of a covenant breach.

Conclusion

The Board is of the view that the longer-term fundamentals of the diamond market remain sound and that the Group will continue to benefit from Project 2022 (which includes increased production and reduced spend) throughout the review period and beyond.

Based on its assessment of the forecasts, principal risks and uncertainties and mitigating actions considered available to the Group in the event of downside scenarios, assuming a successful Restructuring the Board confirms that it is satisfied that the Group will be able to continue to operate and meet its liabilities as they fall due over the review period. However, the Group is reliant on the successful conclusion of the Restructuring, which is dependent on approval by the Company's shareholders, to continue as a going concern. Additionally, as set out above, in the event of a successful Restructuring, the Group's forecasts remain sensitive to trading conditions and the ongoing COVID-19 pandemic may have a further material impact on the Group's ability to operate within its covenants such that continued South African Lender Group support may be required and, if unavailable, additional funding may be required and, if unavailable, additional funding may be required, specifically for the December 2021 period.

These factors indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Financial Statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Currency reporting

The functional currency of the Company is Pounds Sterling (GBP). The functional currency of the Group's business transactions in Botswana is Botswana Pula (BWP) and Tanzania is US Dollars (US$). The functional currency of the South African operations is South African Rand (ZAR or R). The Group Financial Statements are presented in US Dollars (US$). ZAR balances are translated to US Dollars at ZAR17.32 as at 30 June 2020 (30 June 2019: ZAR14.07) and at an average rate of ZAR15.68 for transactions during the Year ended 30 June 2020 (30 June 2019: ZAR14.19).

Financial statements of foreign entities

Assets and liabilities of foreign entities (i.e. those with a functional currency other than US$) are translated at rates of exchange ruling at the financial Year end; income and expenditure and cashflow items are translated at rates of exchange ruling at the date of the transaction or at rates approximating the rates of exchange at the date of the translation where appropriate. Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling at the reporting date. Exchange differences arising from the translation of foreign entities are recorded in the Consolidated Statement of Other Comprehensive Income and recycled to the Consolidated Income Statement on disposal of the foreign entity.

Foreign operations

Unrealised gains and losses arising on the translation of loans to subsidiaries into the currency in which they are denominated and that are not expected to be repaid in the foreseeable future are treated as part of the net investment in foreign operations. The unrealised foreign exchange gains and losses attributable to foreign operations are taken directly to the Consolidated Statement of Other Comprehensive Income and reflected in the foreign currency translation reserve. Such unrealised gains and losses are recycled through the Consolidated Income Statement on disposal of the Group's shares in the entity.

Unrealised gains and losses arising on the translation of loans to subsidiaries into the currency in which they are denominated and that are expected to be repaid in the foreseeable future are recognised in the Consolidated Income Statement.

Foreign currency transactions

Transactions in foreign currencies are recorded at rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains and losses arising on translation are credited to, or charged against, income. The issue of shares is included in share capital and share premium at the prevailing US$/GBP spot rate at the date of the transaction.

Significant judgements and estimates relevant to the basis of preparation

Net investments in foreign operations

Management assesses the extent to which intra-group loans to foreign operations that give rise to unrealised foreign exchange gains and losses are considered to be permanent as equity or repayable in the foreseeable future. The judgement is based upon factors including the life of mine ("LOM") plans, cashflow forecasts and strategic plans. The unrealised foreign exchange gains or losses on, permanent as equity loans, is recorded in the foreign currency translation reserve until such time as the operation is sold, whilst the foreign exchange on loans repayable in the foreseeable future are recorded in the Consolidated Income Statement.

1.2 Basis of consolidation

Subsidiaries

Subsidiaries are those entities over whose financial and operating policies the Group has the power to exercise control. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group Financial Statements incorporate the assets, liabilities and results of operations of the Company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition to the date control ceases. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Subsidiaries are deconsolidated from the date control ceases. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportionate share of the acquiree's identifiable net assets (after any relevant fair value adjustments to the assets, liabilities and contingent liabilities recognised as part of the business combination).

Changes in the Group's ownership interests that do not result in a loss of control are accounted for as equity transactions with the existing shareholder.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any gains or losses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprises and against the investment in the associates. Unrealised losses on transactions with associates are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination. The non-controlling interests' share of losses, where applicable, is attributed to the non-controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

1.3 Key estimates and judgements

The preparation of the Consolidated 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. 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 in the relevant sections of this report and summarised as follows:

Key estimate or judgement	Note
Going concern	1.1
Net investments in foreign operations judgements	1.1
Life of mine and ore reserves and resources estimates and judgements	8
Impairment review estimates and judgements	8

Capitalisation of borrowing costs judgements in the prior year	9 and 14
Depreciation judgements	14
Leases	15
BEE guarantee and expected credit loss assessment for BEE receivables	16
Recoverability of VAT in Tanzania	18
Inventory net realisable value and recoverability of confiscated diamond parcel in Tanzania	19
Provision for rehabilitation estimates	24
Pension scheme estimates	31
Post-retirement medical fund estimates	32
Loss on discontinued operations in the prior year	35
Non-current assets held for sale in the prior year	36

1.4 New standards and interpretations applied

The IASB has issued the following new standards, amendments to published standards or interpretations to existing standards with effective dates on or prior to 1 July 2019 which have been adopted by the Group:

IFRIC 23 “Uncertainty over Income Tax Treatments”

The Group was required to apply IFRIC 23 for annual reporting periods beginning on or after 1 July 2019. IFRIC 23 provides for the treatment of income tax where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 “Income Taxes” specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by addressing the following issues when there is uncertainty over income tax treatments:

- whether an entity considers uncertain tax treatments separately or together with one or more other uncertain tax treatments;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities. IFRIC 23 requires an entity to assume that the taxation authorities will examine amounts it has a right to examine and has full knowledge of all related information when making those examinations;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. IFRIC 23 requires an entity to consider the probability that the tax authorities will accept or reject an uncertain tax treatment, with the accounting treatment being driven by the conclusion of that assessment; and
- how an entity considers changes in facts and circumstances. IFRIC 23 requires an entity to reassess judgements or estimates required if the facts and circumstances on which the judgement or estimate was based change or as a result of new information that affects the judgement or estimate.

The Group has elected to adopt IFRIC 23 retrospectively with the cumulative effect recognised at the date of initial application rather than through the restatement of comparatives. The adoption of IFRIC 23 did not have any impact on the Group’s Financial Statements.

IFRS 16 “Leases”

The Group was required to apply IFRS 16 for annual reporting periods beginning on or after 1 July 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 July 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;
- rely 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 leases, except for leases of low value assets based on the value of the underlying asset when new and 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 lender 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 Year are US$5.2 million of amortisation of right-of-use assets, US$0.6 million of finance expense on lease liabilities and other income of US$0.8 million.

For additional disclosure for right-of-use assets and lease liabilities refer to note 15.

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 on or after 1 July 2020 or in later periods, which the Group has decided not to adopt early.

New standards and interpretations not yet effective continued

		Effective period commencing on or after
IFRS 3	Amendments to IFRS 3 "Business Combinations": Definition of a Business	1 January 2020
Amendments IFRS 7, IFRS 9 and IAS 39	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	1 January 2020
Definition of Material	Amendments to IAS 1 and IAS 8	1 January 2020
Amendments IFRS 16	Amendments to IFRS 16 "Leases": COVID-19-related Rent Concessions	1 June 2020
Amendments IFRS 4	Amendments to IFRS 4 "Insurance Contracts": Deferral of IFRS 9	1 January 2021[1]
Amendments IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023[1]

1. Not yet endorsed by the European Union.

The only standard which is anticipated to be significant or relevant to the Group is:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

Amendments to IAS 1, which are intended to clarify the requirements that an entity applies in determining whether a liability is classified as current or non-current. The amendments are intended to be narrow scope in nature and are meant to clarify the requirements in IAS 1 rather than modify the underlying principles. The amendments include clarifications relating to:

how events after the end of the reporting period affect liability classification;

what the rights of an entity must be in order to classify a liability as non-current;

how an entity assesses compliance with conditions of a liability (e.g. bank covenants); and

how conversion features in liabilities affect their classification.

The amendments were originally effective for periods beginning on or after 1 January 2022 which was deferred to 1 January 2023 by the IASB in July 2020. Earlier application is permitted but they are yet to be endorsed for application in the European Union.

2. Revenue

Significant accounting policies relevant to revenue

Revenue comprises net invoiced diamond sales to customers excluding VAT. Revenue is split between rough diamond sales and revenue from interest in polished diamonds, when applicable. Diamond sales are made through a competitive tender process and recognised when point of control passes to the buyer, costs can be measured reliably and receipt of future economic benefits is probable. The performance obligation is met at the point at which the tender is awarded. Where the Group makes rough diamond sales to customers and also retains a right to an interest in their future sale as polished diamonds, the Group records the sale of the rough diamonds but such contingent revenue on the onward sale is only recognised at the date when the polished diamonds are sold.

US$ million	**2020[1]**	2019
Revenue from diamond sales	**295.8**	463.6

1. The disaggregation of revenue is disclosed per segment as per note 34.

3. Mining and processing costs

Refer to notes 11, 14, 19, and 27 for the Group's policies, relevant to the significant cost lines below, on employment costs, depreciation, inventories, share-based payments and related key judgements and estimates.

US$ million	**2020**	2019
Raw materials and consumables used	**139.5**	151.3
Employee expenses (including share-based payments)	**114.8**	140.2
Depreciation of mining assets	**77.7**	105.9
Amortisation of right-of-use asset	**4.9**	—
Diamond royalty	**5.9**	13.2
Changes in inventory of finished goods and stockpiles	**(34.9)**	(3.0)
	307.9	407.6

4. Other direct (income)/expense

US$ million	**2020**	2019
(Profit)/loss on disposal of fixed assets	**(0.1)**	1.1
Other income	**(1.9)**	(0.3)
	(2.0)	0.8

5. Exploration expenditure

Exploration costs relate to the Company's exploration activities in Botswana and are written off in the year in which they are incurred.

US$ million	**2020**	2019
Direct exploration costs	**0.2**	0.2
Employee expenses	**0.3**	0.2
Depreciation of exploration assets	**0.1**	0.1
	0.6	0.5

6. Corporate expenditure

Corporate expenditure includes:

US$ million	**2020**	2019
Depreciation of property, plant and equipment	**0.5**	0.7
Amortisation of right-of-use asset	**0.3**	—
London Stock Exchange and other regulatory expenses	**1.4**	1.3
Share-based expense – Directors	**0.7**	0.2
Salaries and other staff costs	**2.0**	2.6
Total staff costs	**2.7**	2.8

7. Auditors' remuneration

US$ million	**2020**	2019
Audit services[1]	**0.9**	0.9
Audit-related assurance services[2]	**0.1**	0.1
Total	**1.0**	1.0

1. Audit services are in respect of audit fees for the Group.

2. Audit-related services are in respect of the interim review of US$0.1 million (FY 2019: US$0.1 million) and specific agreed upon procedures in relation to the Sustainability Report, under the International Standard on Related Services 4400 as issued by the International Auditing and Assurances Standards Board, of US$5.0k (FY 2019: US$5.0k).

8. Impairment of operational assets and other assets

Significant accounting policies relevant to impairment

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

In assessing the recoverable amount, which is determined on a fair value less costs to develop basis, the expected future post-tax cashflows from the asset are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The LOM plan for each mine is the approved management plan at the reporting date for ore extraction and its associated capital expenditure. The capital expenditure included in the impairment model does not include capital expenditure to enhance the asset performance outside of the existing LOM plan. The ore tonnes included in the Resource Statement, which management considers economically viable, often include ore tonnes in excess of those used in the LOM model and therefore the impairment test.

For an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Each mine represents a separate cash-generating unit. An impairment loss is recognised in the Consolidated Income Statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

8. Impairment of operational assets and other assets continued

Significant judgements and estimates relevant to impairment of non-financial assets

Life of mine and ore reserves/resources

There are numerous risks inherent in estimating ore reserves and resources and the associated current LOM plan. The LOM plan for each mine is the current approved management plan for ore extraction that considers specific ore reserves and resources and associated capital expenditure. The LOM plan frequently includes fewer tonnes than the total reserves and resources that are set out in the Group's Resource 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 and recovery and production rates. Any such estimates and assumptions may change as new information becomes available. Changes in exchange rates, rough diamond and commodity prices, extraction and recovery costs 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 LOM.

The current LOM plans are used to determine the ore tonnes and capital expenditure in the impairment tests.

Ore reserves and resources, both those included in the LOM and certain additional tonnes contained within the Group's Resource Statement, 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 units-of-production basis (refer to note 14). Ore reserves and resources further impact the estimated date of decommissioning and rehabilitation (refer to note 24).

Impairment reviews

While conducting an impairment review of its assets using the fair value less cost to develop basis, the Group exercises judgement in making assumptions about future exchange rates, rough diamond prices, contribution from Exceptional Diamonds, volumes of production, ore reserves and resources included in the current LOM plans, feasibility studies, future development and production costs and macro-economic factors such as inflation and discount rates. Changes in estimates used can result in significant changes to the Consolidated Income Statement and the Consolidated Statement of Financial Position. The key inputs and sensitivities are detailed in note 8.

30 June 2020

The continued downturn in the global rough diamond market, impact of the COVID-19 pandemic and variability in product mix have severely impacted rough diamond prices achieved by Petra, resulting in management taking a critical review of the Group's business models and operational assets. The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of 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 Year, the Group reviewed the carrying value of its investments and operational assets for indicators of impairment. Following the assessment, impairment of property, plant and equipment was considered appropriate for Cullinan, Finsch, Koffiefontein and Williamson and the Group recognised a Consolidated Income Statement charge of US$85.5 million, being management's estimate of decrease in value of the Cullinan, Finsch, Koffiefontein and Williamson assets. Details of the impairment test assessments for the operations are shown in note 8.1.

30 June 2019

During the year ended 30 June 2019, the Group impaired the Cullinan, Finsch, Koffiefontein and Williamson operational assets by an amount of US$223.7 million.

For impairment considerations at KEM JV and Helam refer to note 35.

8.1 Impairment testing assumptions

(a) Impaired continuing operations

The key assumptions used in determining the recoverable value calculations, determined on a fair value less cost to develop basis, are listed in the table below:

Key assumptions	Explanation
LOM and recoverable reserves and resources	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. The LOM for the operations are as follows: Finsch: FY 2030 (FY 2019: FY 2030) Cullinan: FY 2029 (FY 2019: FY 2029) Koffiefontein: FY 2023 (FY 2019: FY 2024) Williamson: FY 2030 (FY 2019: FY 2032) Resources remaining after the current LOM plans have not been included in impairment testing for the operations.

LOM – reserves and resources	Finsch: LOM plan over the next ten years; total resource processed 33.0 Mt (FY 2019: LOM plan over the next 11 years; total resource processed 35.8 Mt). Cullinan: LOM plan over the next nine years; total resource processed 37.8 Mt (FY 2019: LOM plan over the next ten years; total resource processed 40.5 Mt). Koffiefontein: LOM plan over the next three years; total resource processed 2.9 Mt (FY 2019: LOM plan over the next five years; total resource processed 4.8 Mt). Williamson: LOM plan over the next nine years; total resource processed 49.3 Mt (FY 2019: LOM plan over the next 13 years; total resource processed 64.1 Mt).
LOM – capital expenditure	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.
Diamond prices	The diamond prices used in the impairment test have been set with reference to recently achieved pricing and market trends, and long-term diamond price escalators are informed by industry views of long-term market supply/demand fundamentals. Given the current market uncertainty, the assessment of short-term diamond prices and the rate and extent of pricing recovery, together with the longer-term pricing escalators, represented a critical judgement. 30 June 2020 impairment testing models incorporated diamond prices impacted by the COVID-19 pandemic with expected diamond prices returning to pre-COVID-19 adjusted long-term average by FY 2024. The long-term models incorporate normalised diamond price escalation of 1.8% above a long-term US inflation rate of 2.5% per annum from FY 2024 to FY 2030. Estimates for the contribution of Exceptional Diamonds sold for more than US$5.0 million each are determined with reference to historical trends. 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 equated to a 2.5% real CAGR for the ten-year period from the start of FY 2021 to the end of FY 2030. Estimates for the contribution of Exceptional Diamonds sold for more than US$5.0 million each are determined with reference to historical trends.
Discount rate	A discount rate of 11.25% (30 June 2019: 8.5%) was used for the South African operations and 13.5% (30 June 2019: 9.0%) for Williamson. Discount rates were calculated based on a nominal weighted cost of capital including the effect of factors such as market risk and country risk as at the Year end.
Cost inflation rate	Long-term inflation rates of 6.0%–9.8% (30 June 2019: 3.5%–7.5%) above the long-term US$ inflation rate were used for Opex and Capex escalators. In the prior year, Opex savings of 5% per annum were applied from FY 2021 onwards in line with the Project 2022 strategy implemented by the Group.
Exchange rates	Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The USD/ZAR exchange rate range used for all South African operations commenced at ZAR16.00 (30 June 2019: ZAR14.00), further devaluing from FY 2023 at 3.5% (30 June 2019: 3.9%) per annum thereafter. Given the volatility in the USD/ZAR exchange rate and the current levels of economic uncertainty the determination of the exchange rate assumptions required significant judgement.
Valuation basis	Discounted present value of future cashflows.
Williamson	During the Year, Williamson was placed on care and maintenance. For impairment testing at Williamson, management has assumed that operations will recommence from 1 July 2021 at normal monthly costs. However if the recommencement of operations is delayed by six months, the impact would be to increase the impairment by an additional US$9.4 million. Management has not included the recovery of the historical VAT receivable in the impairment model. At 30 June 2019 a key judgement was around the recoverability of such VAT subsequent to legislation effective 20 July 2018. As detailed in note 18, management considered the future VAT to be fully recoverable based on its interpretation of the legislation. However, if the VAT had not been recoverable, the impact would be to increase the FY 2019 impairment by an additional US$80.9 million. In line with the prior period, VAT incurred prospectively on costs is assumed to be recoverable. Following recent legislative changes in Tanzania, effective 1 July 2020, the eligibility for VAT recovery on costs incurred during diamond production has been confirmed.

Impairment of non-financial assets

Impairment (US$ million)	Asset class	Carrying value pre-impairment	Impairment	Carrying value post-impairment
Impairment – operations:				
Finsch	Property, plant and equipment	250.1	(27.6)	222.5
Cullinan	Property, plant and equipment	475.2	(11.6)	463.6
Koffiefontein	Property, plant and equipment	17.4	(11.7)	5.7
Williamson	Property, plant and equipment	101.3	(34.6)	66.7
Sub-total		**844.0**	**(85.5)**	**758.5**

Impairment – non-financial receivables:				
Other – reversal current	Other receivables (refer to note 18)	—	0.4	0.4
Other – non-current	Tanzania VAT receivable (refer to note 18)	17.1	(6.8)	10.3
Sub-total		**17.1**	**(6.4)**	**10.7**
Total		**861.1**	**(91.9)**	**769.2**

30 June 2019

Impairment (US$ million)	Asset class	Carrying value pre-impairment	Impairment	Carrying value post-impairment
Impairment – operations:				
Finsch	Property, plant and equipment	374.0	(85.4)	288.6
Cullinan	Property, plant and equipment	637.2	(63.9)	573.3
Koffiefontein	Property, plant and equipment	46.5	(33.2)	13.3
Williamson	Property, plant and equipment	129.8	(41.2)	88.6
Sub-total		**1,187.5**	**(223.7)**	**963.8**
Impairment – other receivables:				
Other – current	Other receivables (refer to note 18)	4.0	(4.0)	—
Other – non-current	Tanzania VAT receivable (refer to note 18)	29.0	(18.9)	10.1
Sub-total		**33.0**	**(22.9)**	**10.1**
Total		**1,220.5**	**(246.6)**	**973.9**

Sensitivity analysis

The impairment impact of applying sensitivities on the key inputs is noted below:

	Additional impairment charge			
(US$ million)	Cullinan	Finsch	Koffiefontein	Williamson
Increase in discount rate by 2%	34.7	26.1	0.3	7.6
Reduction in pricing by 5% over LOM	42.5	41.8	4.7	18.1
Reduction in short-term production by 10%	34.7	28.8	5.7	17.9
Increase in Opex by 5%	20.9	22.9	0.1	26.5
Strengthening of the ZAR from US$/ZAR16.00 to US$/ZAR15.00	34.1	42.1	5.7	—

9. Net financing expense

Significant accounting policies relevant to net financial expense

Finance income comprises income from interest and finance-related exchange gains and losses. Interest is recognised on a time-apportioned basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the Group.

Borrowing costs, including any upfront costs, that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The borrowing costs capitalised by the Group during the Year were US$nil (30 June 2019: US$3.7 million) as a result of the expansion projects undertaken by the Group being completed during the prior year. Borrowing costs have been expensed directly to the Consolidated Income Statement.

Other borrowing costs are recognised as an expense in the period in which the borrowing cost is incurred.

Refer to notes 1.1, 14, 24 and 33 for the Group's policy on foreign exchange, borrowing cost capitalisation, unwinding of rehabilitation provisions and derivative instruments together with key estimates and judgements.

US$ million	**2020**	2019
Net unrealised foreign exchange gains[1]	**—**	4.0
Interest received on BEE loans and other receivables	**6.7**	5.8
Interest received on bank deposits	**1.2**	1.1

Realised foreign exchange gains on the settlement of foreign loans and forward exchange contracts	**—**	1.2
Financial income	**7.9**	12.1
Gross interest on the Notes, bank loans and overdrafts	**(52.4)**	(50.7)
Interest on bank loans and overdrafts capitalised	**—**	3.7
Net interest expense on the Notes, bank loans and overdrafts	**(52.4)**	(47.0)
Other debt finance costs, including BEE loan interest and facility fees	**(13.9)**	(14.4)
Unwinding of present value adjustment for rehabilitation costs	**(4.9)**	(4.0)
Net unrealised foreign exchange losses[1]	**(81.5)**	—
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts	**(8.3)**	(0.2)
Financial expense	**(161.0)**	(65.6)
Net financial expense	**(153.1)**	(53.5)

1. The Group predominantly enters into hedge contracts where the risk being hedged is the volatility in the South African Rand, Pound Sterling and US Dollar exchange rates affecting the proceeds in South African Rand of the Group's US Dollar denominated diamond tenders. The fair value of the Group's hedges as at 30 June 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. A significant weakening of the South African Rand against the US Dollar from ZAR14.07 (30 June 2019) to ZAR17.32 (30 June 2020) resulted in an unrealised loss of US$81.5 million (30 June 2019: US$4.0 million gain) in respect of losses incurred on foreign exchange contracts held at Year end of US$12.8 million (30 June 2019: US$4.2 million loss) and inter-group foreign denominated loans of US$68.7 million (30 June 2019: US$8.2 million gain), and a net realised foreign exchange loss of US$8.3 million (30 June 2019: US$1.0 million gain) in respect of foreign exchange contracts closed during the Year is included in the net finance expense amount. For additional information on the Company's ZAR credit facilities refer to note 22.

10. Taxation

Significant accounting policies relevant to taxation

Current tax comprises tax payable calculated on the basis of the expected taxable income for the Year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment of tax payable for previous years. Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

US$ million	**2020**	2019
Current taxation:		
– Current tax charge	**0.6**	8.1
Deferred taxation:		
– Current period (origination and reversal of temporary differences)	**(52.9)**	(53.9)
	(52.3)	(45.8)
Reconciliation of tax rate:		
– Loss before taxation (including loss on discontinued operation)	**(275.3)**	(303.9)
Tax at South African corporate rate of 28%	**(77.1)**	(85.1)
Effects of:		
– Tax charge at rates in foreign jurisdictions	**(1.0)**	(0.4)
– Non-deductible expenses	**13.5**	24.9
– Non-taxable income	**(10.3)**	(6.6)
– Tax losses not recognised	**23.8**	21.1
– Prior year (over)/under provision of deferred tax	**(1.2)**	0.3
Total tax credit	**(52.3)**	(45.8)

In the current Year the impact of unrecognised tax losses totalled US$23.8 million (30 June 2019: US$21.1 million). Tax losses not utilised do not have an expiry period in the country in which they arise, unless the entity ceases to continue trading. Gross tax losses available but not utilised as at 30 June 2020 amount to US$229.9 million (30 June 2019: US$109.7 million) and primarily arise in South Africa and Tanzania; amounts stated provide tax benefit at 28%, being the tax rate in South Africa, and 30%, being the tax rate in Tanzania. Gross other temporary differences as at 30 June 2020 amount to US$167.0 million (30 June 2019: US$105.7 million) and arise in South Africa. There is no taxation arising from items of other comprehensive income and expense.

11. Director and employee remuneration

Significant accounting policies relevant to remuneration

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided to the reporting date. Provisions are calculated based on current wage and salary rates.

Refer to note 27 for the Group's policy in respect of share-based payments and related key judgements and estimates.

Staff costs (excluding the Non-Executive Directors) during the Year were as follows:

US$ million	**2020**	2019
Wages and salaries – mining	**114.8**	140.2
Wages and salaries – exploration	**0.3**	0.2
Wages and salaries – administration	**2.7**	2.8
	117.8	143.2

	Number	Number
Number of employees (excluding the Non-Executive Directors and contractors)	**3,696**	3,826

Key management personnel

Key management is considered to be the Non-Executive Directors, the Executive Directors and the Executive Committee ("EXCO"). The EXCO comprises the Chief Technical Officer, the General Managers of each mining operation, the Group Head of Human Resources and Public Affairs, the Group Head of Health and Safety, the Group Head of Risk and the Group Head of Sales and Marketing (30 June 2019: key management comprised the Non-Executive Directors, Executive Directors, the Chief Operating Officer and the Group Head of Sales and Marketing). Remuneration for the Year for key management is disclosed in the table below:

US$ million	**2020**	2019
Salary	**2.7**	3.4
Benefits	**0.2**	0.1
Annual bonus – paid in cash	**0.1**	0.4
Annual bonus – deferred to shares	**—**	0.4
Share-based payment charge	**0.7**	0.2
	3.7	4.5

The remuneration for key management personnel in FY 2019 includes termination remuneration for Johan Dippenaar (former CEO) of US$0.7 million.

12. Loss per share

Significant accounting policies relevant to earnings per share

Basic loss per share amounts are calculated by dividing net loss for the Year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the Year. Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the Year plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive potential Ordinary Shares into Ordinary Shares.

Numerator	**Continuing operations 30 June 2020 US$**	**Discontinued operations 30 June 2020 US$**	**Total 30 June 2020 US$**	Continuing operations 30 June 2019 US$	Discontinued operations 30 June 2019 US$	Total 30 June 2019 US$
Loss for the Year attributable to parent	**(190,021,687)**	**—**	**(190,021,687)**	(174,622,904)	(52,015,046)	(226,637,950)
Denominator	**Shares**	**Shares**	**Shares**	Shares	Shares	Shares
Weighted average number of Ordinary Shares used in basic EPS:						
As at 1 July	**865,336,485**	**865,336,485**	**865,336,485**	865,336,485	865,336,485	865,336,485
Effect of shares issued during the Year	**63,152**	**—**	**63,152**	—	—	—
As at 30 June	**865,399,637**	**865,336,485**	**865,399,637**	865,336,485	865,336,485	865,336,485

	Shares	Shares	Shares	Shares	Shares	Shares
Dilutive effect of potential Ordinary Shares	**—**	**—**	**—**	—	—	—
Weighted average number of Ordinary Shares in issue used in diluted EPS	**865,399,637**	**865,336,485**	**865,399,637**	865,336,485	865,336,485	865,336,485

Significant accounting policies relevant to earnings per share continued

	US$ cents	US$ cents	US$ cents	US$ cents	US$ cents	US$ cents
Basic loss per share	**(21.96)**	**—**	**(21.96)**	(20.18)	(6.01)	(26.19)
Diluted loss per share	**(21.96)**	**—**	**(21.96)**	(20.18)	(6.01)	(26.19)

Due to the loss for the Year, 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 and Executive Director and Senior Management share award schemes, is nil (30 June 2019: nil). These potentially dilutive Ordinary Shares may have a dilutive effect on future earnings per share. There have been no significant post-balance sheet changes to the number of options and awards under the share schemes to impact the dilutive number of Ordinary Shares.

13. Adjusted earnings/(loss) per share (non-GAAP measure)

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

	Continuing operations 30 June 2020 US$	**Discontinued operations 30 June 2020 US$**	**Total 30 June 2020 US$**	Continuing operations 30 June 2019 US$	Discontinued operations 30 June 2019 US$	Total 30 June 2019 US$
Loss for the Year attributable to parent	**(190,021,687)**	**—**	**(190,021,687)**	(174,622,904)	(52,015,046)	(226,637,950)
Adjustments:						
Net unrealised foreign exchange losses/(gains) [1]	**64,036,456**	**—**	**64,036,456**	(4,022,483)	—	(4,022,483)
Impairment charge – Williamson VAT receivable	**6,816,715**	**—**	**6,816,715**	14,212,444	—	14,212,444
Impairment charge – operations[1]	**74,524,791**	**—**	**74,524,791**	174,009,126	—	174,009,126
(Reversal)/impairment – loan receivables	**(382,713)**	**—**	**(382,713)**	3,941,305	—	3,941,305
Impairment of BEE loans receivable – expected credit loss provision	**10,887,714**	**—**	**10,887,714**	—	—	—
Taxation credit on impairment charge[1]	**(8,595,566)**	**—**	**(8,595,566)**	(36,279,098)	—	(36,279,098)

Adjusted loss for the Year attributable to parent	**(42,734,290)**	**—**	**(42,734,290)**	(22,761,610)	(52,015,046)	(74,776,656)

1. Portion attributable to equity shareholders of the Company.

13. Adjusted earnings/(loss) per share (non-GAAP measure) continued

	Continuing operations 30 June 2020 Shares	**Discontinued operations 30 June 2020 Shares**	**Total 30 June 2020 Shares**	Continuing operations 30 June 2019 Shares	Discontinued operations 30 June 2019 Shares	Total 30 June 2019 Shares
Weighted average number of Ordinary Shares used in basic EPS:						
As at 1 July	**865,336,485**	**865,336,485**	**865,336,485**	865,336,485	865,336,485	865,336,485
Effect of shares issued during the Year	**63,152**	**—**	**63,152**	—	—	—
As at 30 June	**865,399,637**	**865,336,485**	**865,399,637**	865,336,485	865,336,485	865,336,485

	Shares	**Shares**	**Shares**	Shares	Shares	Shares
Dilutive effect of potential Ordinary Shares	**—**	**—**	**—**	—	—	—
Weighted average number of Ordinary Shares in issue used in diluted EPS	**865,399,637**	**865,336,485**	**865,399,637**	865,336,485	865,336,485	865,336,485

	US$ cents	**US$ cents**	**US$ cents**	US$ cents	US$ cents	US$ cents
Adjusted basic loss per share	**(4.94)**	**—**	**(4.94)**	(2.63)	(6.01)	(8.64)
Adjusted diluted loss per share	**(4.94)**	**—**	**(4.94)**	(2.63)	(6.01)	(8.64)

14. Property, plant and equipment

Significant accounting policies relevant to property, plant and equipment

Capital expenditure

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditure relating to an item of property, plant and equipment considered to be an asset under construction is capitalised when it is probable that future economic benefits from the use of that asset will be realised. Assets under construction, such as the Group's expansion projects, start to be depreciated once the asset is ready and available for use and commercially viable levels of production are being obtained.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of that asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(deficits) on the disposal of property, plant and equipment are credited/(charged) to the Consolidated Income Statement. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

14. Property, plant and equipment continued

Significant accounting policies relevant to property, plant and equipment continued

Stripping costs

Costs associated with the removal of waste overburden at the Group's open cast mine are classified as stripping costs within property, plant and equipment or inventory, depending on whether the works provide access to future ore tonnes in a specific orebody section or generate ore as part of waste removal. When costs provide both benefits, they are allocated, although the stripping to date has not generated inventory ore. The stripping asset is depreciated on a units-of-production basis over the tonnes of the relevant orebody section to which it provides future access.

Depreciation

The Group depreciates its mining assets using a units-of-production or straight-line basis, depending on its assessment of the most appropriate method for the individual asset. When a units-of-production basis is used, the relevant assets are depreciated at a rate determined as the tonnes of ore treated (typically production facility assets) or hoisted (typically underground development and conveying assets) from the relevant orebody section, divided by the Group's estimate of ore tonnes held in reserves and resources which have sufficient geological and geophysical certainty and are economically viable. The relevant reserves and resources are matched to the existing assets which will be utilised for their extraction. The assets depreciated in the units-of-production method are existing assets. Future capital expenditure is only subject to depreciation over remaining reserves and resources once incurred. The Group depreciates its assets according to the relevant sections of the orebody over which they will be utilised. A key estimate involves determination of future production units assigned to on-mine shared infrastructure, which is an ongoing assessment given the mining plan and development projects. Shared infrastructure is defined as common infrastructure enabling ore extraction, treatment and related support services, shared across more than one section of the orebody (such as the mine shaft or processing plant).

In applying the Group's policy, assets associated solely with specific sections of the orebody are depreciated over reserves associated with that section of the orebody. Examples include underground development associated with accessing a specific orebody section. By contrast, shared infrastructure, including shared surface and underground infrastructure, is utilised for the extraction of multiple sections of the orebody or is considered to have a life in excess of the ore tonnes included in the current approved LOM plan given the substantial residual resources that exist at deeper levels in certain of the Group's kimberlite pipe mines. When the shared infrastructure assets provide benefit over multiple sections of the orebody they are depreciated over the reserves of the relevant sections of the orebody. When the shared infrastructure is expected to be utilised to access or process ore tonnes from deeper areas of the mine, which frequently represent ore resources that are outside of the current approved LOM plans but for which the Group considers there to be sufficient certainty of future extraction, such assets are depreciated over those reserves and resources.

The depreciation rates are as follows:

Mining assets	
Plant, machinery and equipment	Units-of-production method or 4–33% straight-line basis depending on the nature of the asset
Mineral properties	Units-of-production method
Exploration and other assets	
Plant and machinery	10–25% straight-line basis

Refer to notes 8, 9 and 24 for the Group's policy on impairment, borrowing cost capitalisation and rehabilitation provisions and associated decommissioning assets.

Judgement is applied in making assumptions about the depreciation charge for mining assets as noted above. Judgement is applied when using the units-of-production method in estimating the ore tonnes held in reserves and resources which have sufficient geological and geophysical certainty of being economically viable and are extractable using existing assets. The relevant reserves and resources include those included in current approved LOM plans and, in respect of certain surface and underground shared infrastructure, certain additional resources which also meet these levels of certainty and viability. The Group depreciates its assets according to relevant sections of the orebody over which these will be utilised and a key judgement exists in determining the future production unit assigned to on-mine shared infrastructure which is utilised over more than one section of the orebody or is used to access ore tonnes outside the current approved LOM plan as noted above. Judgement is also applied when assessing the estimated useful life of individual assets and residual values. The assumptions are reviewed at least annually by management and the judgement is based on consideration of the LOM plans and structure of the orebody, as well as the nature of the assets. The assessment is determined by the Group's capital project teams and geologists.

Borrowing cost capitalisation

The Group capitalises effective interest costs (inclusive of fees) to property, plant and equipment when the loans are considered to have been drawn down for the purpose of funding the Group's capital development programmes. Judgement is required in determining the extent to which borrowing costs relate to qualifying capital projects. The US$650 million bond raised in April 2017 and existing bank borrowings were utilised to fund the completion of underground expansion projects, the processing plant at Cullinan and the refinancing of existing bond and bank borrowings. When the Group's borrowings are refinanced, the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised as a charge in the income statement on an accelerated basis when the refinancing is considered to be a substantial modification of terms. Judgement is required in determining the extent to which borrowing costs relate to qualifying capital projects. The Group completed its expansion projects that met the criteria for borrowing cost capitalisation in FY 2019 and, as such, no borrowing costs were capitalised during the Year (30 June 2019: US$3.7 million).

Significant accounting policies relevant to property, plant and equipment continued

US$ million	Plant and machinery	Mineral properties	Assets under construction[1]	Total
Cost				
Balance at 1 July 2018	1,576.9	68.3	92.7	1,737.9
Exchange differences	(37.9)	(1.7)	(3.6)	(43.2)
Additions	1.8	—	85.1	86.9
Transfer of assets under construction	154.2	—	(154.2)	—
Disposal – Helam	(1.5)	—	—	(1.5)
Disposals	(77.0)	—	—	(77.0)
Balance at 30 June 2019	1,616.5	66.6	20.0	1,703.1
Balance at 1 July 2019	1,616.5	66.6	20.0	1,703.1
Exchange differences	(292.6)	(12.5)	(2.7)	(307.8)
Additions	0.1	—	36.3	36.4
Transfer of assets under construction	35.4	—	(35.4)	—
Change in rehabilitation asset	(0.1)	—	—	(0.1)
Disposals	(149.8)	—	—	(149.8)
Balance at 30 June 2020	**1,209.5**	**54.1**	**18.2**	**1,281.8**
Depreciation and impairment				
Balance at 1 July 2018	462.3	28.5	2.9	493.7
Exchange differences	(13.9)	(0.8)	(0.1)	(14.8)
Disposals	(74.0)	—	—	(74.0)
Transfer of assets under construction	2.9	—	(2.9)	—
Impairments[2]	218.2	5.5	—	223.7
Provided in the Year	99.0	7.6	0.1	106.7
Balance at 30 June 2019	694.5	40.8	—	735.3
Balance at 1 July 2019	694.5	40.8	—	735.3
Exchange differences	(135.7)	(8.3)	—	(144.0)
Disposals	(149.1)	—	—	(149.1)
Impairments[2]	85.3	0.2	—	85.5
Provided in the Year	75.3	3.0	—	78.3
Balance at 30 June 2020	**570.3**	**35.7**	**—**	**606.0**
Net book value				
At 30 June 2019	922.0	25.8	20.0	967.8
At 30 June 2020	**639.2**	**18.4**	**18.2**	**675.8**

1. During the Year, assets under construction comprising stay-in-business and expansion capital expenditure of US$35.4 million (30 June 2019: US$154.2 million) were commissioned and transferred to plant and machinery. Included within assets under construction are amounts mainly for expansion projects at the Finsch and Cullinan mines. Borrowing costs of US$nil (30 June 2019: US$3.7 million) have been capitalised to assets under construction.
2. Refer to note 8 for additional detail on the Cullinan, Finsch, Koffiefontein and Williamson impairments of US$85.5 million (30 June 2019: US$223.7 million).

Capital commitments

The Group's total commitments of US$4.4 million (30 June 2019: US$6.6 million) mainly comprise Cullinan US$2.0 million (30 June 2019: US$3.1 million), Finsch US$1.4 million (30 June 2019: US$1.9 million), Koffiefontein US$0.3 million (30 June 2019: US$0.5 million) and Williamson US$0.7 million (30 June 2019: US$1.1 million).

15. Leases

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 July 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 weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.98%. Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension and termination options are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Extension options requiring the consent of the respective lessor have been disregarded as there are no enforceable rights and obligations that exist between the Group and the lessor beyond the non-cancellable period.

The lease term will be reassessed if an option is actually exercised or the Group becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs which affects this assessment and which is within the control of the lessee.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payments associated with short-term leases of equipment and vehicles and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture.

Included in profit or loss for the Year are US$5.2 million of amortisation of right-of-use assets, US$0.6 million of finance expense on lease liabilities and other income of US$0.8 million.

Information for leases for which the Group is a lessee is presented below:

Right-of-use assets

US$ million	Buildings	Plant and machinery	Total
Cost			
Balance at 1 July 2019	1.9	8.2	10.1
Exchange differences	—	—	—
Additions	—	—	—
Balance at 30 June 2020	**1.9**	**8.2**	**10.1**
Depreciation and impairment			
Balance at 1 July 2019	—	—	—
Exchange differences	—	—	—
Impairments	—	—	—
Provided in the Year	(0.3)	(4.9)	(5.2)
Balance at 30 June 2020	**(0.3)**	**(4.9)**	**(5.2)**
Net book value			
At 30 June 2019	—	—	—
At 30 June 2020	**1.6**	**3.3**	**4.9**

Lease liabilities

US$ million	Buildings	Plant and machinery	Total
Balance at 1 July 2019	1.8	8.2	10.0
Exchange differences	—	—	—
Additions	—	—	—
Finance charges	0.1	0.4	0.5
Lease payments	(0.8)	(4.2)	(5.0)
Gain on lease liability	—	(0.8)	(0.8)
Balance at 30 June 2020	**1.1**	**3.6**	**4.7**

US$ million	**2020**	2019
Current	**3.6**	—
Non-current	**1.1**	—
As at 30 June	**4.7**	—

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Amounts recognised in profit and loss

US$ million	2020	2019
Amortisation on right-of-use assets	**(5.2)**	—
Finance expense on lease liabilities	**(0.6)**	—
Expense relating to short-term leases	**—**	—
Expense relating to leases of low value assets	**—**	—
Income from suspended lease payments	**0.8**	—
	(5.0)	—

16. BEE loans receivable and payable

Significant accounting policies relevant to BEE loans receivable and payable

Refer to note 33 for the Group's policy in respect of financial instruments, which include BEE receivables and payables.

Significant judgements and estimates relevant to BEE loans receivable and payable

Refer below for significant judgments in respect of the BEE loans receivable related to the recognition of the BEE Lender facility guarantee payable in loans and borrowings, a receivable for reimbursement of the BEE Lender facilities guarantee and expected credit loss provision recorded in respect of BEE receivables.

US$ million	2020	2019
Non-current assets		
BEE loans receivable[1]	**137.0**	109.6
Non-current liabilities		
BEE loans payable[2]	**108.6**	120.5

1. Interest on the BEE loans receivable is charged at the prevailing South African prime interest rate plus an interest margin ranging between 0–2%. The movement in the Year includes advances, repayments, accrued interest and foreign exchange retranslation. The loans are repayable from future cashflows, attributable to the loan holders, generated from the underlying mining operations.
2. The BEE loans payable bear interest at the prevailing South African prime interest rate. The movement includes accrued interest and foreign exchange retranslation. The loans are repayable from future cashflows from the underlying mining operations.

BEE loans receivable

The non-current BEE loans receivable represents those amounts receivable from the Group's BEE Partners (Kago Diamonds and the IPDET) in respect of, advances historically provided to the Group's BEE Partners to enable them to discharge interest and capital commitments under the BEE Lender facilities, advances to the BEE Partners to enable trickle payment distributions to both Kago Diamonds shareholders and to the beneficiaries of the IPDET (Petra Directors and Senior Managers do not qualify as beneficiaries under the IPDET Trust Deed), and financing of their interests in the Koffiefontein mine. In addition, US$40.0 million has been recorded in FY 2020 as part of the gross receivable (before expected credit loss provisions) in respect of amounts to be reimbursed to the Group in respect of the guarantee under the BEE Lender facilities which has been recognised at 30 June 2020. Judgment was required in determining the extent to which reimbursement is applicable based on the terms of the agreements, South African legislation and discussions with the BEE partners.

As a result of historical delays in the Cullinan plant ramp-up and the Finsch SLC ramp-up, the Group has historically and through FY 2020 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). The BEE loans receivable due to Petra has increased, mainly attributable to the weakening of the ZAR against the US Dollar and accounting for the Group guarantee of US$40.0 million provided to the BEE Lenders (refer to the Group guarantee provided to BEE Lenders section in the note) after adjusting for the expected credit loss provision of US$10.9 million. These BEE receivables, including interest raised, will be recoverable from the BEE Partners' share of future cashflows from the underlying mining operations less any offset agreements reached between the parties which are proposed to create a reduced net receivable.

As part of the in principle agreement reached subsequent to Year end as part of the Restructuring, Petra will assume the BEE Lender facility obligations under the terms outlined in note 37

The Group has applied the expected credit loss impairment model to its financial assets and the BEE loans receivable. In determining the extent to which expected credit losses may apply, the Group assessed the probability of agreeing an offset of the gross receivable and payable balances and the future free cashflows to be generated by the mining operations, based on the current LOM plans. In assessing the future cashflows, the Group considered a probability weighted range of diamond price outlooks. Based on the assessment, the analysis generated an expected credit loss provision totalling US$10.9 million (30 June 2019: US$nil), comprising of US$6.1 million (30 June 2019: US$nil) in respect of Cullinan and Finsch and US$4.8 million (30 June 2019: US$nil) in respect of Koffiefontein.

US$ million	2020	2019
As at 1 July	**109.6**	64.7
Foreign exchange movement on opening balances	**(22.5)**	(1.2)
Discretionary advance – capital and interest commitment (BEE Lender facility)	**12.2**	42.2
Discretionary advance – distributions to beneficiaries	**1.9**	4.5

Interest receivable	**6.7**	4.9
Group guarantee provided to BEE Lenders – default event under Notes (refer below)	**40.0**	—
Impairment of BEE loans receivable – expected credit loss provision	**(10.9)**	—
BEE Partner receivables written off[1]	**—**	(5.5)
As at 30 June	**137.0**	109.6

1. The receivables written off in the prior year comprise advances to the BEE Partners associated with the KEM JV.

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	**2020**	2019
As at 1 July	**120.5**	110.5
Foreign exchange movement on opening balances	**(23.8)**	(2.6)
Interest payable	**11.9**	12.6
As at 30 June	**108.6**	120.5

The IPDET holds 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 are disclosed in the table below:

Mine	BEE Partner	BEE interest %	Resultant Group's effective interest %
Cullinan	Kago Diamonds and IPDET	26.00	78.4
Finsch	Kago Diamonds and IPDET	26.00	78.4
Koffiefontein	Kago Diamonds and IPDET	26.00	78.4

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 historical refinancing arrangements the Group provided a guarantee to the BEE Lenders over the repayment of loans advanced to the Group's BEE Partners. The BEE Partners were expected to settle their loan obligations with the BEE Lenders from their share of future operational cashflows from the South African operations, either through repayment of the amounts owing to the BEE Partners by Petra or through recoverable advances provided by Petra from Group treasury. In prior periods, judgement has been applied by management in assessing the risk of the BEE Partners defaulting under their obligations to the BEE Lenders. Management had considered the Group's future cashflow forecasts and its ability to meet, at its discretion, planned forecast BEE Partner distributions. Accordingly management was of the opinion that the risk of default by the BEE Partners to the BEE Lenders was remote.

As disclosed in Note 1.1, in May 2020, the Company deferred the coupon repayment due on the Notes to preserve liquidity and entered into a Forbearance Agreement in respect of the Notes with the AHG and an Amendment Agreement in respect of its banking facilities with the South African Lender Group, including the South African BEE Lender Group. Under the terms of the BEE guarantee, the failure by the Group to pay the coupon on the Notes created an event of default under the BEE Lender facility. The revised terms under the banking facilities Amendment Agreement reset the capital repayment profile to 31 July 2021; however; if the Forbearance Agreement is not extended by the AHG and the South African Lender Group then the BEE Lender facility becomes immediately payable. The Company does not have the unconditional right to defer the coupon repayment beyond a period of 12 months and thus is unable to control the extension of the Forbearance Agreement. Accordingly as at 30 June 2020, the Company recorded the outstanding obligation of US$40.0 million in the Consolidated Statement of Financial Position under current loans and borrowings (refer to note 22) and recognised an equivalent receivable due from the BEE Partners to the Company as detailed above.

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 22).

Further details of the transactions with the BEE Partners are included in note 28.

17. Non-controlling interests

The non-controlling interests of the Group's partners in its operations are presented in the table below:

US$ million	Cullinan	Finsch	Koffiefontein	Tarorite	Williamson	Total
Effective interest %	21.6	21.6	21.6	17.8	25.0	
Country	South Africa	South Africa	South Africa	South Africa	Tanzania	
As at 1 July 2019	(2.1)	47.7	(31.0)	0.1	(0.3)	14.4
Loss for the Year	(18.2)	(9.7)	(5.0)	—	(0.1)	(33.0)
Transfer between reserves of Williamson non-controlling interest	—	—	—	—	0.4	0.4

Foreign currency translation difference	0.1	(2.0)	1.3	—	—	(0.6)
At 30 June 2020	**(20.2)**	**36.0**	**(34.7)**	**0.1**	**—**	**(18.8)**

During the Year, no dividends were paid to the non-controlling interests (30 June 2019: US$nil). For additional information on total assets, total liabilities and segment results for each operation in the table above refer to note 34.

18. Trade and other receivables

Significant accounting policies relevant to trade and other receivables

Refer to note 33 for the Group's policy in respect of financial instruments, which include trade and other receivables.

Significant judgements and estimates relevant to VAT receivable at Williamson

The Group has VAT receivables of US$10.3 million (30 June 2019: US$10.1 million), net of an impairment provision of US$29.6 million (30 June 2019: US$ 22.8 million), in the Statement of Financial Position in respect of the Williamson mine, all of which is past due, and the receivables have been classified, after providing for a time value of money provision, as non-current given the potential delays in receipt. Of the total VAT receivable, US$13.0 million (30 June 2019: US$13.8 million) relates to historical VAT pre-July 2017. The assessment of the carrying value of the VAT receivable under the historical 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$26.9 million (30 June 2019: US$19.1 million) relates to VAT under the legislation, effective from July 2017 to 30 June 2020. Under that legislation, costs incurred in the production and sale of raw minerals were not eligible for VAT and judgement was required in determining whether rough diamonds qualified as raw minerals. The assessment of the carrying value of the VAT receivable under the VAT legislation effective in this period required significant judgement considering 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. In addition to judgement regarding the eligibility for VAT, judgement was required over the timing of future payments. Management has considered the amendment to the VAT legislation which became effective during FY 2020 and considers that input VAT can continue to be recovered in relation to the export of rough diamonds; however, note that the legislation is unclear and the Tanzania Revenue Authority disputes the recoverability of such VAT. It is noted that in June 2020, the VAT legislation was, again, amended to remove any reference to raw minerals with effect from 1 July 2020. Whilst this amendment to the legislation is to be applied prospectively, management considers that this further helps support its view that the VAT receivables in this period are valid and recoverable. Accordingly, the Group is considering various alternatives in pursuing payment in accordance with legislation.

While the total VAT balance is considered due, uncertainty exists regarding the timing of receipt. Accordingly, the receivable has been impaired by US$29.6 million (30 June 2019: US$22.8 million), which required estimates as to the timing of future receipts and applicable credit adjusted discount rate. A discount rate of 16.25% has been applied to the expected cash receipts. A 1% increase in the discount rate would increase the provision by US$0.8 million and a one-year delay would increase the provision by US$1.4 million.

US$ million	**2020**	2019
Current		
Trade receivables[1]	**4.8**	23.8
Other receivables	**15.0**	20.3
Less: expected credit loss provision of KEM JV receivables (refer to note 28)[2]	**(6.9)**	(7.3)
Less: expected credit loss provision of other receivables[2]	**(1.3)**	(4.0)
Other receivables – net	**6.8**	9.0
Income tax receivable	**1.4**	1.5
Prepayments[3]	**7.0**	1.6
	20.0	35.9
Non-current		
Other receivables[4]	**39.9**	32.9
Less: impairment provision	**(29.6)**	(22.8)
	10.3	10.1

1. Included in the opening balance of trade receivables are trade receivables in respect of diamond revenue of US$23.8 million (30 June 2018: US$75.0 million).

2. Included within other receivables is an amount of US$1.1 million due from KEM JV (comprising a gross receivable of US$8.0 million and an expected credit loss provision of US$6.9 million). Management has assessed the recoverability considering various factors as described below and taking into account repayments of US$0.4 million received during the Year and as such have not raised an additional impairment provision against the receivable. The Group raised an impairment provision of US$1.3 million in respect of VAT and diesel rebate refunds due from the tax authorities in South Africa as the amounts are past due.

3. Included in prepayments are costs of US$3.9 million relating to the debt restructuring of the Group, which is expected to complete during FY 2021, and the costs are expected to form transaction costs associated with debt and or equity instruments.

4. Other non-current receivables comprise the VAT receivable at Williamson.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and the 12-month approach, unless a specific risk exists, for other receivables. To measure expected credit losses on a collective basis, trade receivables and other receivables are grouped based on similar credit risk and ageing.

As at 30 June 2020 trade receivables of US$4.8 million (30 June 2019: US$23.8 million) comprised of diamond debtors, all of which had settled post Year end and as such have lifetime expected credit losses of US$nil.

In assessing the credit risk loss and recoverability of other receivables, management considered the historical trading performance of the third parties, the current downturn in the diamond market and outlook, the current economic climate and outlook, payment history, recent press coverage involving the third parties and ongoing legal discussions. Such assessment resulted in impairment provisions totalling US$1.3 million (30 June 2019: US$11.3 million) in respect of VAT and diesel rebate refunds due from the South African tax authorities and a reversal of prior year impairment in respect of KEM JV of US$0.4 million (30 June 2019: US$11.3 million).

Included in trade and other receivables are amounts due from related parties (refer to note 28).

19. Inventories

Significant accounting policies relevant to inventories

Inventories, which include rough diamonds, are stated at the lower of cost of production on the weighted average basis or estimated net realisable value. Cost of production includes direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less marketing costs. Net realisable value also incorporates costs of processing in the case of the ore stockpiles. Consumable stores are stated at the lower of cost on the weighted average basis or estimated replacement value. Work in progress is stated at raw material cost including allocated labour and overhead costs.

Significant judgements and estimates relevant to diamond inventories

Judgement is applied in making assumptions about the value of inventories and inventory stockpiles, including diamond prices, production grade and expenditure, to determine the extent to which the Group values inventory and inventory stockpiles. The Group uses empirical data on prices achieved, grade and expenditure in forming its assessment. The impact of the COVID-19 pandemic resulted in the Company not being able to proceed with its May and June 2020 rough diamond tenders. As a result, when determining the value of diamond inventories at Year end, management considered for each of the South African operations the product mix, the average actual prices achieved for FY 2020 and H2 FY 2020, actual prices achieved for tender four in FY 2020 and actual selling prices for tender one in FY 2021. For each of the price data points considered, management deemed it appropriate to use the lower of each of the pricing points when valuing diamond inventories at Year end having considered the product mix and information in respect of market price trends between the tender dates and 30 June 2020.

Recoverability of diamond parcel in Tanzania

The Group holds diamond inventory valued at lower of cost and net realisable value of US$9.2 million (30 June 2019: 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) 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 its ongoing discussions with the GoT, confirmation received from the GoT in FY 2018 that it still holds the diamond parcel of 71,654.45 carats, verbal re-confirmation that 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 external 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 eventual sale at the Company’s marketing office in Antwerp. While a resolution has not yet been reached with regard to the parcel of diamonds that was blocked from export, based on the above judgements and assessment thereof, management remains confident that the diamond parcel will be released by GoT and will be available for future sale.

US$ million	**2020**	2019
Diamonds held for sale	**84.1**	57.5
Work in progress stockpiles	**6.4**	13.3
Consumables and stores	**14.1**	15.5
Provision for redundant consumables and stores	**(1.1)**	(0.7)
Consumables and stores	**13.0**	14.8
	103.5	85.6

Recoverability of diamond parcel in Tanzania continued

As at 30 June 2020, diamonds held for resale with a cost value of US$53.5 million (30 June 2019: US$nil) have been written down by US$7.4 million (30 June 2019: US$nil) to a fair value less costs to sell of US$46.1 million (30 June 2019: US$nil) (due to the fair value less costs to sell being below cost) within the overall carrying value of US$84.1 million (30 June 2019: US$57.5 million).

20. Cash

Significant accounting policies relevant to cash

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated. Restricted cash represents amounts held by banks, the Group’s insurance cell captive and other financial institutions as guarantees in respect of environmental rehabilitation obligations in respect of the Group’s South African mines.

US$ million	**2020**	2019
Cash and cash equivalents – unrestricted	**53.6**	71.7
Cash – restricted	**14.0**	13.5
	67.6	85.2

The Group's environmental rehabilitation insurance product, which currently includes the Finsch, Cullinan and Koffiefontein mines, has secured cash assets of US$13.3 million (30 June 2019: US$12.8 million) held in a cell captive. As part of the disposal of the KEM JV and Helam operations in FY 2019, an amount of US$2.0 million was transferred from the cell captive to the new owners. The Group has a commitment to pay insurance premiums over the next year of US$1.8 million (30 June 2019: US$2.2 million) to fund the environment rehabilitation insurance product for the South African operations. The rehabilitation provisions are disclosed in note 24.

21. Equity and reserves

Share capital

Significant accounting policies relevant to share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's Ordinary Shares are classified as equity instruments.

US$ million	**Number of shares**	**2020**	Number of shares	2019
Authorised – Ordinary Shares of 10 pence each				
At 1 July 2019 and 30 June 2020	**1,000,000,000**	**164.3**	1,000,000,000	164.3
Issued and fully paid				
At 1 July	**865,336,485**	**133.4**	865,336,485	133.4
Allotments during the Year	**94,858**	**—**	—	—
At 30 June	**865,431,343**	**133.4**	865,336,485	133.4

Allotments during the Year were in respect of the award of 94,858 Ordinary Shares to Mr Dippenaar and Mr Davidson (previous Group Executive Directors) granted under the 2012 Performance Share Plan in receipt of performance measured over the period 1 July 2016 to 30 June 2019.

The Group's equity and reserve balances include the following:

Share capital

The share capital comprises the issued Ordinary Shares of the Company at par.

Share premium account

The share premium account comprises the excess value recognised from the issue of Ordinary Shares at par less share issue costs.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of entities with a functional currency other than US Dollars and foreign exchange differences on net investments in foreign operations.

Share-based payment reserve

The share-based payment reserve comprises:

the fair value of employee and Director options as measured at grant date and spread over the period during which the employees or Directors become unconditionally entitled to the options;

the fair value of shares awarded under the 2011 Longer-term Share Plan and the 2012 Performance Share Plan measured at grant date (inclusive of market-based vesting conditions) with estimated numbers of awards to vest due to non-market-based vesting conditions evaluated each period and the fair value spread over the period during which the employees or Directors become unconditionally entitled to the awards;

foreign exchange retranslation of the reserve;

amounts transferred to retained losses in respect of exercised and lapsed warrants and options; and

amounts derecognised as part of cash settlement of vested awards originally planned for equity settlement.

Other reserves

The other reserves comprise the cumulative gains or losses arising from other listed financial assets of US$0.8 million (30 June 2019: US$0.8 million).

Accumulated losses

The accumulated losses comprise the Group's cumulative accounting losses incurred since incorporation.

Non-controlling interest

Non-controlling interest comprises amounts attributable to BEE (in South Africa) and Government (in Tanzania) shareholders in the Finsch, Cullinan, Koffiefontein and Williamson mines together with foreign exchange retranslation of the reserve. Included in the movement in non-controlling interest at 30 June 2019 is an amount of US$35.2 million relating to the disposal of the KEM JV and Helam operations. The non-controlling interest share of total comprehensive income includes US$33.6 million total comprehensive expense (30 June 2019: US$32.0 million expense) for the Year. Refer to note 17 and the Statement of Changes in Equity for further detail.

22. Interest-bearing loans and borrowings

Significant accounting policies relevant to loans and borrowings

Bank borrowings are recognised initially at fair value less attributable transaction costs. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of liability carried in the Consolidated Statement of Financial Position. 'Interest expense' in this context includes initial transaction costs, as well as any interest or coupon payable while the liability is outstanding.

The following table summarises the Group's current and non-current interest-bearing borrowings:

US$ million	2020	2019
Current		
Loans and borrowings – BEE Partner debt facilities	**40.0**	—
Loans and borrowings – senior secured lender debt facilities	**52.1**	—
Loans and borrowings – senior secured second lien notes	**676.9**	47.1
	769.0	47.1
Non-current		
Loans and borrowings – senior secured second lien notes	**—**	603.5
	769.0	650.6

(a) 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 loan notes, with a maturity date of 1 May 2022. The Notes carry a coupon of 7.25% per annum, which is payable semi-annually in arrears on 1 May and 1 November of each year. The costs associated with issuing the Notes of US$12.6 million were capitalised against the principal amount; an amount of US$4.6 million remains unamortised as at 30 June 2020.

On 1 May 2020, the Company deferred the coupon repayment due on the Notes to preserve liquidity within the Group which led to an event of default under the Notes. On 29 May 2020, the Group entered into a Forbearance Agreement with an ad-hoc group of Noteholders. Pursuant to the Forbearance Agreement, as a result of the event of default due to the non-payment of the coupon, the AHG agreed to forbear from the exercise of certain rights and remedies that they have under the Notes indenture, including agreeing not to accelerate the Notes obligations as a result of the missed interest payment. Under the terms of the indenture, the failure by the Group to pay the coupon on the Notes created an event of default. The extension of the Forbearance Agreement is at the discretion of the AHG and thus the Company does not have the unconditional right to defer the coupon repayment beyond a period of 12 months. Accordingly as at 30 June 2020, the Company recorded the outstanding obligation of US$676.9 million in the Consolidated Statement of Financial Position under current loans and borrowings. For further detail regarding the negotiations with the AHG refer to note 37.

As at 30 June 2020, the Notes had accrued interest of US$26.8 million (30 June 2019: US$8.3 million) which includes the May 2020 coupon of US$23.6 million which was deferred under the Forbearance Agreement. The Notes are guaranteed by the Company and by the Group's material subsidiaries and are secured on a second-priority basis on the assets of the Group's material subsidiaries (refer to note 30 for further detail). The Notes are listed on the Irish Stock Exchange and traded on the Global Exchange Market. On or after 1 May 2019, the Company has the right to redeem all or part of the Notes at the following redemption prices (expressed as percentages of the principal amount), plus any unpaid accrued interest:

	Redemption price
Period of 12 months from 1 May 2019	103.6250%
Period of 12 months from 1 May 2020	101.8125%
Period of 12 months from 1 May 2021	100.0000%

The Notes are secured on a second-priority basis to the senior secured lender debt facilities by:

- the cession of all claims and shareholdings held by the Company and certain of the guarantors within the Group;
- the cession of all unsecured cash balances held by the Company and certain of the guarantors;
- the creation of liens over the moveable assets of the Company and certain of the guarantors; and
- the creation of liens over the mining rights and immovable assets held and owned by certain of the guarantors.

(b) Senior secured lender debt facilities

The Group's South African Lender Group is Absa Corporate and Investment Banking ("Absa"), FirstRand Bank Limited (acting through its Rand Merchant Bank division) ("RMB") and Nedbank Limited.

Due to the deferment of the Notes coupon on 1 May 2020, explained in (a) above, an event of default occurred under the terms of the debt facilities held with the South African Lender Group. On 29 May 2020, the Company entered into an Amendment Agreement with the South African Lender Group amending the terms of the RCF and WCF. The extension of the Amendment Agreement is at the discretion of the South African Lender Group and thus the Company does not have the unconditional right to defer the coupon repayment beyond a period of 12 months and shall remain in default until the default is remedied. Accordingly as at 30 June 2020, the Company recorded the outstanding obligation of US$52.1 million in the Consolidated Statement of Financial Position under current loans and borrowings. For further detail regarding the terms agreed with the South African Lender Group post Year-end refer to note 37.

The amendments to the RCF and WCF are:

resetting the maturity date of the RCF to 31 July 2021 (previously 20 October 2021);

increasing the margin on the WCF provided by Absa and RMB by 100 bps to match the South African prime lending rate; and

the margin on the RCF increasing to 9% above SA JIBAR (5% above SA JIBAR).

The RCF, as amended in the Amendment Agreement of ZAR400.0 million (US$23.1 million) and WCF of ZAR500 million (US$28.9 million) were fully drawn at Year end.

(c) BEE Partner debt facilities

On 29 May 2020, the BEE Lenders agreed to amend the BEE Lender facility capital repayment profile of the outstanding balance. The balance, which was to be settled in three instalments, November 2020, May 2021 and November 2021, will now have a final single bullet repayment date of 31 July 2021. The BEE Lender facility bears interest at SA JIBAR plus 9.0%. The fees incurred for the amendment includes a 50 bps fee to the BEE Lenders referenced against the current principal amount outstanding under the BEE Facilities. The outstanding obligation has been disclosed under current loans and borrowings as a result of the event of default and the facility becomes immediately repayable for reasons described in note 16. For events subsequent to Year end affecting the BEE Lender facility refer to note 37.

As at 30 June 2020, the Group's debt and hedging facilities are detailed in the table below:

	Bank loan – secured		Bank loan – secured		Senior second lien notes – secured	
	2020	2019[1]	**2020**	2019[1]	**2020**	2019
Institution	Nedbank, Absa		FirstRand, Absa		Bond holders	
Type	Revolving credit facility		Working capital facility		Bond notes	
Total facility (ZAR million)	**400.0**	1,000.0	**500.0**[2]	500.0	**—**	—
Total facility (US$ million)	**—**	—	**—**	—	**650.0**	650.0
Draw-down ZAR facility (US$ million) at 30 June	**400.0**	—	**500.0**	—	**—**	—
Draw-down (US$ million) at 30 June	**—**	—	**—**	—	**650.0**	650.0
Interest rate (ZAR)	**SA JIBAR plus 9.0%**	SA JIBAR plus 5.0%	**SA Prime**	SA Prime less 1.0%	**—**	—
Interest rate (US$)	**—**	—	**—**	—	**7.25%**	7.25%
Interest rate at Year end (ZAR)	**12.83%**	12.70%	**7.50%**	9.25%	**—**	—
Interest rate at Year end (US$)	**—**	—	**—**	—	**7.25%**	7.25%
Interest repayment period	**Monthly**	Monthly	**Monthly**	Monthly	**Bi-annually**	Bi-annually
Latest date available for draw-down	**Fully drawn down**	20 October 2021	**Annual review**	Annual review	**Fully drawn down**	Fully drawn down
Capital repayment profile	**Single payment**	Single payment	**On demand**	On demand	**Single payment**	Single payment
Final repayment date (US$ million)	**—**	—	**—**	—	**1 May 2022**	1 May 2022
Final repayment date (ZAR million)	**31 July 2021**	20 October 2021	**31 July 2021**	On demand	**—**	—

1. On 9 and 13 July 2018, the Company settled the RCF loan (capital plus interest) of US$73.1 million and the WCF loan (capital plus interest) of US$33.6 million respectively with its lender group.
2. The facility also comprises a ZAR300 million (30 June 2019: ZAR300 million) foreign exchange settlement line not included above. No additional fees are charged on the foreign exchange settlement line.

Covenant ratios

30 June 2020

As part of the Amendment agreement entered into with the South African Lender Group, the Company is required, in addition to its existing covenant ratios (as above), to maintain certain liquidity requirements. The liquidity requirements mean the aggregate of the undrawn amounts available under the RCF and WCF and consolidated cash and cash equivalents (excluding diamond debtors) shall not fall below ZAR200 million (US$11.6 million).

22. Interest-bearing loans and borrowings continued

Covenant ratios continued

30 June 2019

The covenant amendments during the prior year (refer below) resulted in a change in the interest rate and commitment fee ratchet mechanisms to the ZAR RCF contingent on the consolidated net debt to consolidated EBITDA covenant levels at each measurement date. The revised interest rate and commitment fee ratchet mechanisms are as follows:

Consolidated net debt to consolidated EBITDA	Additional interest rate ratchet	Additional commitment fee ratchet
≤ 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 revolving credit and working capital facilities are secured on the Group's interests in Finsch, Cullinan, Koffiefontein and Williamson.

For further detail on the Company's interest-bearing loans and borrowings subsequent to the period end refer to note 37.

In the prior year, agreement was reached with the lender group to amend the EBITDA-related maintenance covenant levels for the respective measurement periods. There have been no changes to the EBITDA-related maintenance covenants during the current Year.

The Company's EBITDA-related maintenance covenant levels for the respective measurement periods are outlined below:

	12 months to 30 Jun 2019	12 months to 31 Dec 2019	12 months to 30 Jun 2020	12 months to 31 Dec 2020	12 months to 30 Jun 2021	Distribution covenants (all periods)
Consolidated net debt to consolidated EBITDA[1,2]:						
– New covenant ratio:	**≤ 4.5x**	**≤ 4.25x**	**≤ 3.5x**	**≤ 3.25x**	**≤ 3.0x**	**≤ 2.0x**
– Previous covenant ratio:	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.0x
Consolidated EBITDA to consolidated net finance charges:						
– New covenant ratio:	**≥ 2.5x**	**≥ 2.5x**	**≥ 2.75x**	**≥ 3.0x**	**≥ 3.25x**	**≥ 6.0x**
– Previous covenant ratio:	≥ 4.0x	≥ 4.0x	≥ 4.0x	≥ 4.0x	≥ 4.0x	≥ 6.0x

1. Fees to the lender group relating to the above mentioned changes in covenants and facilities were in the form of the increased interest rate and commitment fee ratchet mechanism.
2. Consolidated net debt for covenant measurement purposes is bank loans and borrowings plus loan notes, less cash and diamond debtors, and includes the BEE guarantees of US$40.0 million (ZAR692.6 million) (30 June 2019: US$54.2 million (ZAR762.5 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 Consolidated Statement of Financial Position.

There are no significant differences between the fair value and carrying value of loans and borrowings.

23. Trade and other payables

Significant accounting policies relevant to trade and other payables

Refer to note 33 for the Group's policy in respect of financial instruments, which include trade and other payables, together with note 10 for the Group's policy on taxation.

US$ million	**2020**	2019
Current		
Trade payables	**18.4**	20.9
Accruals and other payables[1]	**34.1**	34.0
	52.5	54.9
Income tax payable	**—**	—
	52.5	54.9

1. Included within accruals and other payables are amounts in respect of foreign exchange losses on hedging contracts of US$11.5 million (30 June 2019: US$0.5 million gain).

Included in trade and other payables are amounts due to related parties (refer to note 28).

24. Provisions

Significant accounting policies relevant to provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Decommissioning, mine closure and environmental rehabilitation

The obligation to restore environmental damage caused through mining is raised as the relevant mining takes place. Assumptions are made as to the remaining life of existing operations based on the approved current LOM plan and assessments of extensions to the LOM plans to access resources in the Resources Statement that are considered sufficiently certain of extraction.

The estimated cost of decommissioning and rehabilitation will generally occur on or after the closure of the mine, based on current legal requirements and existing technology. A provision is raised based on the present value of the estimated costs. These costs are included in the cost of the related asset. The capitalised assets are depreciated in accordance with the accounting policy for property, plant and equipment. Increases in the provision, as a result of the unwinding of discounting, are charged to the Consolidated Income Statement within finance expense. The cost of the ongoing programmes to prevent and control pollution, and ongoing rehabilitation costs of the Group's operations, is charged against income as incurred.

Changes to the present value of the obligation due to changes in assumptions are recognised as adjustments to the provision together with an associated increase/(decrease) in the related decommissioning asset. In circumstances where the decommissioning asset has been fully amortised, reductions in the provision give rise to other direct income.

Significant estimates and assumptions are made in determining the amount attributable to rehabilitation provisions. These deal with uncertainties such as the legal and regulatory framework, timing and future costs. In determining the amount attributable to rehabilitation provisions, management used a discount rate range of 8.1–9.7% (30 June 2019: 8.8–9.7%), estimated rehabilitation timing of 3 to 45 years (30 June 2019: 8 to 46 years) and an inflation rate range of 6.1–7.7% (30 June 2019: 6.8–7.7%). The Group estimates the cost of rehabilitation with reference to approved environmental plans filed with the local authorities. Reductions in estimates are only recognised when such reductions are approved by local legislation and are consistent with the Group's planned rehabilitation strategy. Increases in estimates are immediately recognised.

US$ million	Pension and post-retirement medical fund	Rehabilitation	Total
Balance at 1 July 2018	12.1	47.4	59.5
Disposal – Helam	—	(1.5)	(1.5)
(Decrease)/increase in provisions	(0.3)	0.4	0.1
Unwinding of present value adjustment of rehabilitation provision	—	4.0	4.0
Exchange differences	(0.1)	(0.7)	(0.8)
Balance at 30 June 2019	11.7	49.6	61.3
Balance at 1 July 2019	11.7	49.6	61.3
Increase/(decrease) in provisions	0.8	(0.8)	—
Decrease in rehabilitation provision – change in estimate	—	(0.1)	(0.1)
Unwinding of present value adjustment of rehabilitation provision	—	4.9	4.9
Exchange differences	(2.2)	(8.3)	(10.5)
Balance at 30 June 2020	**10.3**	**45.3**	**55.6**

Employee entitlements and other provisions

The provisions relate to provision for an unfunded post-retirement medical fund and pension fund. The Group's policy in respect of the post-retirement medical and pension schemes and related key judgements and estimates are disclosed in notes 31 and 32. Additional information on the provision for post-retirement medical and pension funds is also described in notes 31 and 32.

Rehabilitation

The provision is the estimated cost of the environmental rehabilitation at each site, which is based on current legal requirements, existing technology and the Group's planned rehabilitation strategy. The Group estimates the present value of the rehabilitation expenditure at each mine as follows:

	Total		Cullinan		Finsch		Koffiefontein		Williamson	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Decommissioning period (years)			**45**	46	**10**	14	**3**	8	**10**	14
Estimated rehabilitation cost (US$ million)	**45.3**	49.6	**12.4**	14.3	**20.2**	22.4	**6.3**	6.8	**6.4**	6.1

The vast majority of the rehabilitation expenditure is expected to be incurred at the end of mining activities.

The movements in the provisions during the Year are attributable to the unwinding of discount, change in estimates and unrealised foreign exchange on retranslation from functional to presentational currency.

In FY 2019, the decrease in the provisions was attributable to unwinding of discount, disposal of Helam, change in estimates and unrealised foreign exchange on retranslation from functional to presentational currency.

Cash and cash equivalents have been secured in respect of rehabilitation provisions, as disclosed in note 20.

25. Deferred taxation

Significant accounting policies relevant to deferred taxation

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the Consolidated Income Statement except to the extent that it relates to a transaction that is recognised directly in other comprehensive income or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the Consolidated Income Statement, except to the extent that it relates to items previously charged or credited directly to other comprehensive income. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Significant estimates and judgments related to deferred tax assets

Judgement is applied in making assumptions about recognition of deferred tax assets. Judgement is required in respect of recognition of such deferred tax assets including the timing and value of estimated future taxable income and available tax losses, as well as the timing of rehabilitation costs and the availability of associated taxable income.

In FY 2020, deferred tax assets of US$23.3 million (30 June 2019: US$nil) were recognised in respect of tax losses and other temporary differences to be utilised by future taxable profits at Cullinan. The Directors believe it is probable that these tax assets will be recovered through future taxable income or the reversal of temporary differences having considered the current LOM plans used for impairment testing at Cullinan. The assessment of the LOM plans is subject to the risks associated with the assumptions made with respect to the recovery of diamond prices and foreign exchange rates amongst other inputs as detailed in note 8.

Management has made assumptions in the recognition of deferred tax assets including the timing and value of estimated future taxable income, available tax losses and capital allowances at Williamson. If the available tax losses and capital allowances are not allowed under the ongoing discussions with GoT, it would result in the Group recognising an additional deferred tax liability of US$12.8 million. Management made assumptions based on the probability of the tax losses and capital allowances not being allowed, the current status and all associated elements of the ongoing discussions with GoT. Based on the assumptions and the uncertain outcomes, management deemed it appropriate not to recognise the deferred tax liability of US$12.8 million as at 30 June 2020.

US$ million	**2020**	2019
Balance at the beginning of the Year	**81.4**	139.2
Income statement credit	**(52.9)**	(53.9)
Foreign currency translation difference	**(11.3)**	(3.9)
Balance at the end of the Year	**17.2**	81.4
Comprising:		
Deferred tax asset	**(23.3)**	—
Deferred tax liability	**40.5**	81.4
	17.2	81.4

The deferred tax assets and liabilities are offset to determine the amounts stated in the Consolidated Statement of Financial Position when the taxes can legally be offset and will be settled net.

Deferred taxation comprises:

US$ million	**Total**	**2020 Recognised**	**2020 Unrecognised**
Deferred tax liability			
– Property, plant and equipment	**169.5**	**169.5**	**—**
– Prepayment and accruals	**—**	**—**	**—**
	169.5	**169.5**	**—**
Deferred tax asset			
– Capital allowances	**(144.8)**	**(118.5)**	**(26.3)**
– Provisions and accruals	**(22.2)**	**(14.1)**	**(8.1)**
– Tax losses	**(64.4)**	**(19.7)**	**(44.7)**
	(231.4)	**(152.3)**	**(79.1)**
Net deferred taxation (asset)/liability	**(61.9)**	**17.2**	**(79.1)**

US$ million	Total	2019 Recognised	2019 Unrecognised
Deferred tax liability			
– Property, plant and equipment	157.4	157.4	—
– Prepayment and accruals	0.3	0.3	—
	157.7	157.7	—
Deferred tax asset			
– Capital allowances	(84.2)	(59.9)	(24.3)
– Provisions and accruals	(21.5)	(16.4)	(5.1)
– Tax losses	(30.7)	—	(30.7)
	(136.4)	(76.3)	(60.1)
Net deferred taxation liability/(asset)	21.3	81.4	(60.1)

Movements in deferred tax include amounts recognised in the Consolidated Income Statement and foreign exchange retranslation. The Consolidated Income Statement deferred tax charge for the Year reflects movements in deferred tax of US$30.2 million (credit) (30 June 2019: US$57.2 million (credit)) in respect of property, plant and equipment and associated capital allowances, US$0.9 million (30 June 2019: US$0.9 million credit) comprised of provisions and US$21.8 million (30 June 2019: US$nil) in respect of tax losses recognised at Cullinan and Finsch. The US$30.2 million credit movement arises from temporary differences related to the impairments of property, plant and equipment (US$11.0 million) and other temporary differences (US$19.2 million).

26. Contingent assets/liabilities

Significant accounting policies relevant to contingent assets/liabilities

Contingent assets and liabilities refer to potential receivables or obligations arising on the Group as a result of past events. Items are disclosed when considered to be probable receivables or possible obligations and are recognised as assets when virtually certain, or provisions or liabilities if they are considered probable.

Revenue

In FY 2016, the Group sold two pink rough diamonds into polishing partnerships, retaining a 20% and 10% interest in the sales proceeds (net of expenses) and value uplift of the polished sale of the diamonds respectively. The polished stones from both pink diamonds are yet to be sold but are expected to be sold in the foreseeable future and only then will Petra's share of any proceeds in the retained interest be recognised as revenue.

Environmental

The controlled entities of the Company provide for all known environmental liabilities. While the Directors believe that, based upon current information, the current provisions for environmental rehabilitation are adequate, there can be no assurance that new material provisions will not be required as a result of new information or regulatory requirements with respect to known mining operations or identification of new rehabilitation obligations at other mine operations.

Litigation at Williamson

During May 2020, a UK-based law firm, Leigh Day, filed claims in the High Court of England and Wales against Petra and WDL. The claims are understood to have been filed on behalf of 32 anonymous individuals in relation to alleged breaches of human rights at the Williamson mine, arising from the mine's security operations.

To date, the claims filed by Leigh Day have not been served on either Petra or WDL. In its letter before claim, Leigh Day has expressed an interest in alternative dispute resolution methods, including mediation.

Petra takes these allegations extremely seriously. A sub-committee of the Board, formed entirely of independent Non-Executive Directors, was established. The committee has initiated an investigation, which is being carried out by a specialist external adviser in conjunction with the Company's lawyers for the purposes of responding to the allegations and will be responsible for overseeing this investigation and reporting back regularly to the Board. Responses will be provided to the claimants' lawyers in accordance with the relevant pre-action procedures of the English court.

Additionally, Petra received a letter from the UK-based non-governmental organisation RAID regarding similar allegations raised by local residents and others relating to actions by WDL, its security contractor and others linked to WDL. Petra is engaging and co-operating with RAID in order to address the allegations raised.

Judgement has been applied by management in assessing the merits and outcome of the claims. Management has considered the pending independent investigations around the claims and the completion thereof. Accordingly management is of the opinion that the outcome of the claims remains uncertain.

Withholding tax on services rendered to non-residents and interest charged on Group loans at Williamson

The Tanzanian Revenue Authority ("TRA") has issued tax assessments amounting to US$0.8 million in respect of withholding taxes not paid for services provided to and costs incurred from non-resident Group companies. The Company has lodged an objection to the TRA and is awaiting a response from the TRA.

The TRA is claiming withholding tax of US$3.2 million on interest accrued on Group loans for the FY 2007 and FY 2008 periods. The matter is still under discussion and yet to be resolved. Accordingly management is of the opinion that the outcome of the claims remains uncertain.

Details of related parties are disclosed in note 28.

27. Share-based payments

Significant accounting policies relevant to share-based payments

Employee and Director share option scheme

The fair value of options granted to employees or Directors is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees or Directors become unconditionally entitled to the options. The fair value of the options granted is measured based on the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. The exercise price is fixed at the date of grant and no compensation is due at the date of grant. On exercise, equity is increased by the amount of the proceeds received applicable to the option strike price.

The LTIP award fair value is recognised annually at the date of grant as an employee expense with reference to the Company share price and award quantum. The amount recognised as an expense is then adjusted to reflect the final number of LTIPs which vest once the final performance conditions and weighted average share price are determined. Measurement of the expense is calculated on a straight-line basis (LTIP award multiplied by the vesting percentage, multiplied by the Company's share price, multiplied by the foreign exchange rate).

2012 Performance Share Plan ("PSP") and 2016 Longer-term Incentive Plan ("LTIP")

Share-based awards granted under the PSP are valued using the Monte Carlo model at the date of grant and the associated expense recognised over the vesting period during which the associated vesting conditions are satisfied unconditionally by the beneficiaries with a corresponding increase in reserves.

Where the awards are subject to non-market-based performance conditions, the expense will be adjusted subject to the actual vesting outcome of those specific performance conditions.

The PSP performance conditions are a combination of market-based (i.e. movement/growth in Company share price) and non-market-based conditions. The vesting conditions attributable to market-based conditions are valued by taking into account the considered likelihood of meeting the vesting conditions at the date the fair value is calculated. Unlike non-market conditions, no adjustment is made for changes in the likelihood of the market conditions being met. In the event that vesting conditions were not met the charge would be reversed.

The LTIP performance conditions are non-market based (i.e. HSE, production, project delivery and adjusted EBITDA) with vesting conditions measured annually.

Company schemes

The total share-based payment charge of US$0.7 million (30 June 2019: US$0.2 million) for the PSP share plan comprises US$0.7 million (30 June 2019: US$0.2 million charged to the Consolidated Income Statement.

The total charge of US$nil (30 June 2019: US$0.6 million) for the LTIP share plan was charged to the Consolidated Income Statement.

Share grants to Directors: PSP and deferred awards

The share-based payment awards are considered to be equity settled, albeit they can be cash settled at the Company's option. The fair value of the PSP granted during the current and prior year and the assumptions used in the Monte Carlo model are as follows:

PSP – market and non-market-based performance conditions	**2020**	2019
Fair value (PSP absolute TSR/PSP relative TSR/PSP non-market)	**9.5p/10.0p/17.6p**	20.3p/25.0p/37.3p
Grant date	**24 October 2019**	15 October 2018
Share price at grant date	**7.0p**	37.3p
Expected volatility	**55.1%**	55.1%
Life of award	**3 years**	3 years
Expected dividends	**—**	—
Performance period	**3 years**	3 years
Correlation	**19.8%**	19.8%
Risk-free interest rate (based on national Government bonds)	**0.5%**	0.9%

The expected volatility is based on historical volatility of the Group's share price, adjusted for any extreme changes in the share price during the historical period. During the Year, 3,613,636 (30 June 2019: 1,051,333) PSP shares were awarded to the Executive Directors at a fair value price of 7.0 pence (30 June 2019: 37.3 pence). The correlation factor used above is based on analysis of historical correlation rates between the Company and mining companies within the FTSE 350. The grant date fair values incorporate the effect of the relevant market-based conditions. The awards have no exercise price.

On 24 October 2019, the Executive Directors of the Company were granted a total of 753,460 (30 June 2019: 585,240) deferred awards over Ordinary Shares in the Company. The total deferred awards granted comprise 374,170 granted to Mr Dippenaar under his FY 2019 settlement agreement. The deferred share awards were fair valued using the market price of the share awards which approximated the fair value in a Black-Scholes model. The awards represent 100% (30 June 2019: 100%) of the total bonus in respect of performance for the financial year ended 30 June 2019. The awards vest on 30 June 2020 and vesting is subject to continued employment. These awards have no exercise price.

Further information on the terms of the awards (including their vesting conditions) can be found in the Directors' Remuneration Report in the 2020 Annual Report on pages 109 to 119.

Senior Management LTIP 2016

The LTIP 2016 scheme is a cash-based reward scheme linked to the share price performance. Upon vesting, no shares will be issued to Senior Management under the LTIP 2016 scheme. To align Senior Management to the Company objectives for Project 2022, the Remuneration Committee approved an alternate approach for the LTIP 2016 scheme. Previous awards will be aggregated with current awards, subject to an alternative measurement period of three years (FY 2020 to FY 2022) and a revised vesting period of FY 2022. The vesting of awards has been aligned to the performance criteria of the Executive Directors. The Senior Management LTIP awards will be cash settled. The fair value of the LTIP granted to Senior Management during the current Year and the assumptions used are as follows:

LTIP – market and non-market based subject to performance conditions	**2020**	2019
Number of awards	**10,479,660**	4,635,818
Fair value	**17.6p**	48.0p
Grant date	**24 October 2019**	22 November 2018
Share price at grant date	**7.0p**	48.0p
Life of award	**3 years**	3 years
Foreign exchange rate (ZAR/USD)	**ZAR15.00**	ZAR14.80

During the Year 10,479,660 LTIP shares were awarded for the FY 2020 – FY 2022 measurement period, 2,530,221 vested and 1,655,597 lapsed, both in respect of the FY 2017 – FY 2019 measurement period. These awards had no exercise price.

Employee and Director share options

The Company has a legacy share option plan, the 2005 Executive Share Option scheme. The last awards under this plan were granted in March 2010 and no further awards will be granted to Executive Directors or Senior Management under this plan. The share-based payment expense has been calculated using the Black-Scholes model. All share options are equity settled.

The terms and conditions of the options in issue, whereby options are equity settled by delivery of shares under the plan terms, are as follows:

Employees and Directors entitled	Grant date	Post Rights Issue Number	Vesting period	Remaining life of options (months)
Options granted to Senior Management	25 November 2010	200,417	1/3 per annum from grant date	5

	2020		2019	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the Year	**47.3**	**3,304,866**	43.4	5,044,179
Rights Issue adjustment	**—**	**—**	35.7	1,058,747
Lapsed	**44.4**	**(3,104,449)**	23.1	(2,798,060)
Cancelled	**—**	**—**	—	—
Exercised during the Year	**—**	**—**	—	—
Outstanding at the end of the Year	**76.4**	**200,417**	47.3	3,304,866
Exercisable at the end of the Year	**76.4**	**200,417**	47.3	3,304,866

The weighted average market price of the shares in respect of options exercised during the Year was nil pence (30 June 2019: nil pence). The options outstanding at 30 June 2020 have an exercise price of 76.4 pence (30 June 2019: 37.5 pence to 76.4 pence) and a weighted average remaining contractual life of five months (30 June 2019: one year).

The above mentioned options are fully vested and due to be equity settled under the plan terms. No legal or constructive obligation to cash settle the remaining options or share awards is considered to exist.

28. Related parties

Subsidiaries and jointly controlled operations

Details of subsidiaries are disclosed in note 30.

Directors

Details relating to Directors' emoluments are disclosed in note 11 and in the 2020 Annual Report in the Directors' Remuneration Report on pages 109 to 119. Details relating to Directors' shareholdings in the Company are disclosed in the 2020 Annual Report in the Corporate Governance Report on pages 115 and 116. Key management remuneration is disclosed in note 11.

BEE Partner and related party balances

Details relating to the Group's interests in its BEE Partners are disclosed in note 16.

The Group's related party BEE Partner, Kago Diamonds, and its gross interests in the mining operations of the Group are disclosed in the table below.

Mine	**Partner and respective interest as at 30 June 2020**	Partner and respective interest as at 30 June 2019
Cullinan	**Kago Diamonds (14%)**	Kago Diamonds (14%)
Finsch	**Kago Diamonds (14%)**	Kago Diamonds (14%)
Koffiefontein	**Kago Diamonds (14%)**	Kago Diamonds (14%)

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

US$ million	**2020**	2019
Non-current receivable		
Kago Diamonds[1]	**72.1**	54.6
	72.1	54.6
Non-current payable		
Kago Diamonds[1]	**58.5**	64.9
	58.5	64.9
Current trade and other receivables		
KEM JV[2]	**8.0**	8.6
Impairment provision[2]	**(6.9)**	(7.3)
	1.1	1.3

Finance income		
Kago Diamonds[1]	**5.1**	3.5
Ekapa Mining[2]	**—**	—
	5.1	3.5
Finance expense		
Kago Diamonds[1]	**6.4**	6.8
Ekapa Mining[2]	**—**	—
	6.4	6.8

1. The Kago Diamonds receivable increased by US$17.5 million mainly attributable to amounts advanced to Kago Diamonds during the Year totalling US$7.7 million (30 June 2019: US$26.8 million), amounts attributable to the Company recording the BEE Lender guarantee in the Statement of Financial Position at Year end (refer to note 16 for further detail) and the Group applying the expected credit loss impairment model to the Kago Diamonds receivable and recording a credit loss provision of US$5.4 million (30 June 2019: US$nil).
2. Included in current trade and other receivables are amounts advanced of US$nil (30 June 2019: US$9.4 million) to the KEM JV in the form of a working capital facility and equipment finance facility and the balance of the KEM JV purchase consideration of US$1.1 million (30 June 2019: US$3.1 million). 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$6.9 million (30 June 2019: US$7.3 million). During the Year, the Company received US$0.4 million from the KEM JV as part settlement of the outstanding purchase consideration.

Interest on the BEE loans and receivables is charged at the prevailing South African prime interest rate plus an interest margin ranging between 0% and 2%.

The BEE loans payable bear interest at the prevailing South African prime interest rate.

Kago Diamonds is one of the BEE Partners which obtained bank financing from 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. Further details on the BEE guarantees are in note 16.

Rental income receivable

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

Shareholders

The principal shareholders of the Company are detailed in the 2020 Annual Report in Supplementary Information on page 208.

30 June 2019

Helam disposal (refer to note 35)

Jim Davidson, former Technical Director of Petra who retired from the Company on 30 June 2018, was approached by the existing owners of Lindleys Mining to be a co-shareholder in this venture, given his extensive experience with the Helam mine. Mr Davidson agreed to subscribe for 49% of the shares in Lindleys Mining. As such, Mr Davidson is considered to be a related party of the Company under Listing Rule 11.1.4R. Lindleys Mining purchased the Helam mine on 6 December 2018.

As disclosed in the Company's FY 2012 Annual Report, Johan Dippenaar, former Group CEO, and Jim Davidson, former Technical Director, exercised an option to acquire the Helam game farm from the Company for ZAR2.5 million (ca. US$0.3 million at the prevailing exchange rate) granted in 2004. Although Mr Dippenaar and Mr Davidson duly paid the option price, the transfer of the properties has to date not been effected. In the interest of the Helam disposal (refer to note 35), and to ensure the surface rights (including the mining right area and the Helam game farm) are transferred without any encumbrance to the new owners, Helam entered into a cancellation agreement with Mr Dippenaar and Mr Davidson prior to the Helam disposal as disclosed above, to unwind the exercise of the original option through the repayment of the original option price of ZAR2.5 million (US$0.2 million at current exchange rates), the "Option Cancellation". The Option Cancellation is classified as a small transaction as defined in Listing Rule 11 Annex 1.

29. Notes to the cashflow statement

Significant non-cash transactions

(a) Operating and investing activities

US$ million	**2020**	2019
Operating activities		
Depreciation of property, plant and equipment	**78.6**	106.7
Amortisation of right-of-use asset	**4.9**	—
Unrealised gain on lease liability	**(0.8)**	—
Impairment charge	**92.3**	246.6
Impairment charge reversal for other receivables	**(0.4)**	—
Impairment of BEE loans receivable – expected credit loss provision	**10.9**	—
Loss and impairment charge on discontinued operations	**0.1**	49.9
Movement in provisions	**(0.1)**	0.7
Other finance expense – unwinding of present value adjustment for rehabilitation costs	**4.9**	4.0
Other finance expense – post-retirement medical fund	**0.9**	1.2
Net unrealised foreign exchange losses/(gains)	**81.5**	(4.0)

(Profit)/loss on sale of property, plant and equipment	**(0.1)**	1.3
Share-based payment provision	**0.7**	0.2
	273.4	406.6
Investing activities		
Non-cash capital expenditure (capitalisation of borrowing costs and employee costs)	**—**	1.0
Non-cash rehabilitation asset adjustment – change in estimate	**(0.1)**	—
Non-cash rehabilitation provision adjustment	**(0.8)**	0.4
Non-cash pension and post-retirement fund adjustment – change in estimate	**0.8**	(0.3)
Non-cash interest receivable from BEE loans on investing activity	**6.7**	4.9
	6.6	6.0
Investing activities		
Non-cash interest payable on BEE loans on investing activity	**11.9**	12.6
	11.9	12.6

(b) Financing activities – change in loans and borrowings (per note 22 and change in lease liability (per note 15)

US$ million	**Senior secured second lien notes 2020**	**Senior secured lender debt facilities 2020**	**BEE Lenders guarantee recognised**	**Lease liability**	**Total 2020**	Senior secured second lien notes 2019	Senior secured lender debt facilities 2019	Total 2019
Loans and borrowings								
At 1 July	**650.6**	**—**	**—**	**—**	**650.6**	648.1	106.7	754.8
Cash draw-downs	**—**	**100.9**	**—**	**—**	**100.9**	—	5.8	5.8
Cash repayments (capital and interest)	**(23.6)**	**(46.1)**	**—**	**—**	**(69.7)**	(47.1)	(108.5)	(155.6)
Lease payments	**—**	**—**	**—**	**(5.0)**	**(5.0)**	—	—	—
Non-cash								
– Initial recognition of lease liability	**—**	**—**	**—**	**10.0**	**10.0**	—	—	—
– Gain on lease liability	**—**	**—**	**—**	**(0.8)**	**(0.8)**	—	—	—
– Guarantee obligation recognised (refer to note 16)	**—**	**—**	**40.0**	**—**	**40.0**	—	—	—
– Interest accruing during the Year	**49.9**	**0.2**	**—**	**0.5**	**50.6**	49.6	—	49.6
– Effect of foreign exchange	**—**	**(2.9)**	**—**	**—**	**(2.9)**	—	(4.0)	(4.0)
At 30 June	**676.9**	**52.1**	**40.0**	**4.7**	**773.7**	650.6	—	650.6

30. Subsidiaries and jointly controlled interests

Significant accounting policies relevant to subsidiaries

At 30 June 2020 the Group held 20% or more of the allotted share capital of the following significant subsidiaries:

	Country of incorporation	Class of share capital held	**Direct percentage held 30 June 2020**	Direct percentage held 30 June 2019	Nature of business
Blue Diamond Mines (Pty) Ltd[1]	South Africa	Ordinary	**74%**	74%	Mining and exploration
Cullinan Diamond Mine (Pty) Ltd[1]	South Africa	Ordinary	**74%**	74%	Mining and exploration
Ealing Management Services (Pty) Ltd[1]	South Africa	Ordinary	**100%**	100%	Treasury
Finsch Diamond Mine (Pty) Ltd[1]	South Africa	Ordinary	**74%**	74%	Mining and exploration
Kalahari Diamonds Ltd	United Kingdom	Ordinary	**100%**	100%	Investment holding
Petra Diamonds Holdings SA (Pty) Ltd[1]	South Africa	Ordinary	**100%**	100%	Investment holding
Petra Diamonds Jersey Treasury Ltd[1]	Jersey	Ordinary	**100%**	100%	Treasury
Petra Diamonds Netherlands Treasury B.V.[1]	Netherlands	Ordinary	**100%**	100%	Treasury

Petra Diamonds Southern Africa (Pty) Ltd[1]	South Africa	Ordinary	**100%**	100%	Services provision
Petra Diamonds UK Treasury Ltd[1]	United Kingdom	Ordinary	**100%**	100%	Treasury
Petra Diamonds US$ Treasury Plc[1]	United Kingdom	Ordinary	**100%**	100%	Treasury
Premier Rose Management Services (Pty) Ltd[2]	South Africa	Ordinary	**—%**	100%	Treasury
Sekaka Diamonds Exploration (Pty) Lt[3]	Botswana	Ordinary	**100%**	100%	Exploration
Tarorite (Pty) Ltd[1]	South Africa	Ordinary	**74%**	74%	Beneficiation
Willcroft Company Ltd[1]	Bermuda	Ordinary	**100%**	100%	Investment holding
Williamson Diamonds Ltd	Tanzania	Ordinary	**75%**	75%	Mining and exploration

1. The companies are guarantors to the senior secured second lien notes.
2. During the Year, Premier Rose Management Services (Pty) Ltd was deregistered.
3. Post Year end, the Company disposed of its interest in Sekaka Diamonds Exploration (Pty) Ltd; for further detail refer to note 37.

31. Pension scheme

Significant accounting policies relevant to pensions

Defined contribution scheme

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the Consolidated Income Statement as incurred.

Defined benefit scheme

The defined benefit liability or asset recognised in the Consolidated Financial Statements represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any net asset recognised is limited to unrecognised actuarial losses, plus the present value of available refunds and any reduction in future contributions that the Company is entitled to in terms of Section 15E of the Pension Funds Act in South Africa. Changes in the defined benefit valuation are recorded in the Consolidated Income Statement when they refer to current service costs, past service costs or net interest calculated on the net deficit. All other changes in the defined benefit valuation are recorded within other comprehensive income. The actuarial calculation is performed by a qualified actuary using the projected unit credit method on an annual basis.

Significant judgements and estimates relevant to pensions

The pension charge or income for the defined benefit scheme is regularly assessed in accordance with the advice of a qualified actuary using the projected unit credit method and was updated for 30 June 2020. The most important assumptions made in connection with the scheme valuation and charge or income are the return on the funds, the average yield of South African Government long-dated bonds, salary increases, withdrawal rates, life expectancies and the current South African consumer price index. The details of these assumptions are set out below.

The Company operates a defined benefit scheme and defined contribution scheme. The defined benefit scheme was acquired as part of the acquisitions of Cullinan and Finsch and is closed to new members. All new employees are required to join the defined contribution scheme. The assets of the pension schemes are held separately from those of the Group's assets.

Defined benefit scheme

The defined benefit scheme, which is contributory for members, provides benefits based on final pensionable salary and contributions.

The pension charge or income for the defined benefit scheme is assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The most important assumptions made in connection with the charge or income are the average yield of South African Government long-dated bonds of 11.50% (30 June 2019: 9.99%), and that salaries will be increased at 7.54% (30 June 2019: 7.43%), based on the current South African consumer price index of 6.54% (30 June 2019: 6.43%). Estimated future benefit payments to members for the 12-month period ending 30 June 2021 are US$0.7 million.

US$ million	**2020**	2019
Defined benefit obligations		
Present value of funded obligations	**(7.6)**	(10.9)
Fair value of plan assets	**7.6**	10.9
Recognised deficit for defined benefit obligations	**—**	—
Expense recognised in the income statement		
Current service cost	**(0.1)**	(0.2)
Net interest on deficit	**—**	—
	(0.1)	(0.2)
Change in the fair value of the defined benefit assets		
At 1 July	**10.9**	11.0
Foreign exchange movement on opening balances	**(2.0)**	(0.3)
Return on plan assets – net of actuarial movements	**(1.0)**	0.4

Benefits paid to members	**(0.7)**	(0.8)
Contributions by Group – net	**0.4**	0.6
At 30 June	**7.6**	10.9
Change in the present value of the defined benefit obligations		
At 1 July	**(10.9)**	(11.3)
Foreign exchange movement on opening balance	**2.0**	0.4
Benefits paid to members	**0.7**	0.8
Current service cost	**(0.1)**	(0.2)
Finance expense	**(0.9)**	(1.1)
Contributions by members	**(0.1)**	(0.1)
Net transfers in	**1.7**	0.6
At 30 June	**(7.6)**	(10.9)
Analysis of plan assets		
Cash	**13.8%**	10.4%
Equity	**20.8%**	30.7%
Bonds	**24.5%**	24.6%
Property	**8.4%**	11.8%
Other – offshore	**32.5%**	22.5%
	100.0%	100.0%

US$ million	**2020**	2019	2018	2017
Plan assets	**7.6**	10.9	11.0	13.4
Plan liabilities	**(7.6)**	(10.9)	(11.3)	(14.1)
Deficit	**—**	—	(0.3)	(0.7)

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in the fund.

The average life expectancy in years of a pensioner retiring at the age of 65 on 30 June 2020 is as follows:

	2020	2019
Male	**15.92**	15.92
Female	**20.02**	20.02

Further to the assumption of assets and liabilities associated with the defined benefit fund when the Group acquired its interest in Cullinan and Finsch, the Group has no experience adjustments.

The valuation is subject to risks. The key sensitivities are changes in discount rates and mortality assumptions. A 0.5% change in the discount rate changes the pension obligation by approximately US$0.3 million (30 June 2019: US$0.6 million). A two-year change in mortality changes the pension obligation by approximately US$0.2 million (30 June 2019: US$0.4 million).

32. Post-retirement medical fund

Significant accounting policies relevant to medical funds

The Group's post-retirement medical fund is unfunded and therefore recognised as a liability on the Consolidated Statement of Financial Position within provisions. The actuarial calculation is performed by a qualified actuary using the projected unit credit method every second year unless the actuarial assumptions are considered to have materially changed since the previous external valuation, in which case the valuation is revisited earlier.

Significant judgements and estimates relevant to medical funds

The benefit liability for the post-employment healthcare liability scheme is regularly assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The most recent actuarial valuation was at 30 June 2020. The most important assumptions made in connection with the scheme valuation and charge or income are the healthcare cost of inflation, the average yield of South African Government long-dated bonds and salary increases, withdrawal rates and life expectancies. The details of these assumptions are set out in note 32.

The post-employment healthcare liability scheme was acquired as part of the acquisitions of Cullinan and Finsch and is closed to new members. All new employees will be responsible for funding their own post-employment healthcare liability costs.

The benefit liability for the post-employment healthcare liability scheme is regularly assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The Group's post-employment healthcare liability consists of a commitment to pay a portion of the members' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. The most important assumptions made in connection with the charge or income were that the healthcare cost of inflation will be 7.25% (30 June 2019: 7.25%), based on the average yield of relevant South African Government long-dated bonds of 11.25% (30 June 2019: 10.0%), and that salaries will be increased at 5.73% (30 June 2019: 5.75%).

US$ million	2020	2019
Post-retirement medical fund		
Present value of post-employment medical care obligations	**10.3**	11.7
Unfunded status at 30 June	**10.3**	11.7
Movements in present value of the post-retirement medical fund obligations recognised in the Consolidated Statement of Financial Position		
Net liability for the post-retirement medical fund obligation as at 1 July	**11.7**	11.8
Foreign exchange movement on opening balances	**(2.2)**	(0.6)
Net expense recognised in the income statement	**1.1**	1.5
Membership changes	**0.1**	(0.5)
Benefit payments	**(0.4)**	(0.5)
Net liability for post-employment medical care obligations at 30 June	**10.3**	11.7
Expense recognised in the income statement		
Current service cost	**0.2**	0.3
Finance expense	**0.9**	1.2
	1.1	1.5
The expense is recognised in the following line items in the income statement		
Mining and processing costs	**0.2**	0.3
Finance expense	**0.9**	1.2
	1.1	1.5
Reconciliation of fair value of scheme liabilities		
At 1 July	**11.7**	11.8
Foreign exchange movement on opening balances	**(2.2)**	(0.6)
Net expense recognised in the income statement	**1.1**	1.5
Membership changes	**0.1**	(0.5)
Benefit payments	**(0.4)**	(0.5)
Liabilities at fair market value at 30 June	**10.3**	11.7

	2020	2019
Principal actuarial assumptions		
Discount rate	**11.25%**	10.0%
Healthcare cost inflation	**7.25%**	7.75%
Future salary increases	**5.73%**	5.75%
Net replacement ratio	**75%**	75%
Net discount rate	**3.73%**	2.56%
Normal retirement age (years)	**60.0**	60.0
Fully accrued age (years)	**60.0**	60.0

US$ million	2020	2019
Determination of estimated post-retirement medical fund expense for the Year ended 30 June 2020		
Current service cost	**0.8**	0.8
Finance expense	**0.5**	0.5
Benefit payments	**(0.5)**	(0.5)

US$ million	**2020**	2019	2018	2017
Actuarial accrued liability				
Unfunded status	**10.3**	11.7	11.8	14.8

Sensitivity analysis

Healthcare inflation rate

The effect of a 1% increase or decrease in the healthcare inflation rate on the post-retirement medical fund accrued liability is as follows:

US$ million	**30 June 2020**	**1% increase**	**1% decrease**
Accrued liability	**10.3**	**11.7**	**9.2**
% difference	**—**	**11.9%**	**(10.7)%**

US$ million	30 June 2019	1% increase	1% decrease
Accrued liability	11.7	11.9	11.2
% difference	—	1.7%	(4.3%)

Average retirement age

The table below shows the impact of a one-year change in the expected average retirement age:

US$ million	**30 June 2020**	**Retirement one year earlier**	**Retirement one year later**
Accrued liability	**10.3**	**10.7**	**10.0**
% difference	**—**	**3.9%**	**(2.9)%**

US$ million	30 June 2019	Retirement one year earlier	Retirement one year later
Accrued liability	11.7	11.7	11.7
% difference	—	0.1%	(0.1%)

33. Financial instruments

Significant accounting policies relevant to financial instruments

The Group classifies its financial assets (excluding derivatives) into the following category and the Group's accounting policy for the category is as follows:

Financial assets

Amortised cost

These assets arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets where the objective is to hold these assets in order to collect contractual cashflows and the contractual cashflows are solely payments of principal and interest. They are initially recognised at the fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest method, less provision for impairment.

Impairment

Impairment provisions for current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties, BEE Partners, KEM JV and other third parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, 12-month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Impairment continued

The Group's financial assets measured at amortised cost comprise non-current receivables, trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position.

The financial assets classified at amortised cost included in receivables are as follows:

US$ million	**Total 2020**	Total 2019
Current trade receivables	**4.8**	23.8
Other receivables (excluding taxation, VAT and prepayments)	**3.8**	6.5
Non-current receivables (excluding VAT)	**137.0**	109.6
	145.6	139.9

The trade receivables are all due within normal trading terms. Trade receivables are due within two days of awarding the rough diamond sales tender to the successful bidder. Due to the impact of the COVID-19 pandemic, the Company cancelled its usual May and June tenders, only realising partial sales to the South African cutting and polishing industry resulting in significantly lower trade receivables at Year end. During the prior year, trade receivables were significant at the period end due to the tender's proximity to the year end. The trade receivables relating to the Year-end tender have all been received post Year end. No trade receivables are considered to be subject to credit loss or impaired.

The carrying values of financial assets held at amortised cost are denominated in the following currencies:

US$ million	**Total 2020**	Total 2019
Euro	**1.1**	4.3
Pound Sterling	**21.0**	16.7
South African Rand	**65.1**	56.0
US Dollar	**58.4**	62.9
	145.6	139.9

Financial liabilities

The Group classifies its financial liabilities (excluding derivatives) into one category: other financial liabilities. The Group's accounting policy is as follows:

Substantial modification of financial liabilities

When the Group's borrowings are refinanced, and the refinancing is considered to be a substantial modification, the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised as a charge in the income statement on an accelerated basis.

Other financial liabilities

Trade payables, other payables, leases and long-term BEE liabilities

Trade payables, other payables, leases and long-term BEE liabilities, which are initially recognised at fair value, are subsequently carried at amortised cost using the effective interest rate method.

The other financial liabilities included in trade and other payables (which exclude taxation) are as follows:

US$ million	**Total 2020**	Total 2019
Trade payables	**18.5**	20.9
Other payables (excluding taxation, VAT and derivatives)	**22.8**	34.5
Lease liability	**3.6**	—
Non-current lease liability	**1.1**	—
Non-current trade payables owing to BEE Partners	**108.6**	120.5
	154.6	175.9

Trade payables, other payables, leases and long-term BEE liabilities continued

The carrying values of other financial liabilities are denominated in the following currencies:

US$ million	**Total 2020**	Total 2019
Pound Sterling	**9.0**	4.9
South African Rand	**131.6**	156.8
US Dollar	**14.0**	14.2
	154.6	175.9

Interest-bearing borrowings

Refer to note 22 for the Group's policy on interest-bearing borrowings.

The details of the categories of financial instruments of the Group are as follows:

US$ million	**Total 2020**	Total 2019
Financial assets		
Held at amortised cost:		
– Non-current trade and other receivables (excluding VAT)	**137.0**	109.6
– Trade receivables	**4.8**	23.8
– Other receivables (excluding taxation, prepayments and VAT)	**3.8**	6.5
– Cash and cash equivalents – restricted	**14.0**	13.5
– Cash and cash equivalents – unrestricted	**53.6**	71.7
	213.2	225.1
Financial liabilities		
Held at amortised cost:		
– Non-current lease liability	**1.1**	—
– Non-current amounts owing to BEE Partners	**108.6**	120.5
– Non-current loans and borrowings	**—**	603.5
– Current loans and borrowings	**769.0**	47.1
– Trade and other payables (excluding taxation, VAT and derivatives)	**41.2**	55.4
– Lease liability	**3.6**	—
	923.5	826.5

There is no significant difference between the fair value of financial assets and other financial liabilities and the carrying values set out in the table above, noting that non-current loan receivables and payables bear interest.

The currency profile of the Group's financial assets and liabilities is as follows:

US$ million	**Total 2020**	Total 2019
Financial assets		
Botswana Pula	**—**	—
Euro	**1.1**	29.4
Pound Sterling	**21.2**	19.7
South African Rand	**108.4**	72.6
US Dollar	**82.5**	103.4
	213.2	225.1
Financial liabilities		
Botswana Pula	**—**	—
Euro	**0.3**	—
Pound Sterling	**8.7**	4.9
South African Rand	**220.9**	156.7
US Dollar	**693.6**	664.9
	923.5	826.5

Further quantitative information in respect of these risks is presented throughout these Financial Statements.

Exposures to currency, liquidity, market price, credit and interest rate risk arise in the normal course of the Group's business. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. The Group uses financial instruments, in particular forward currency option contracts, to help manage foreign exchange risk. The Directors review and agree policies for managing each of these risks.

Credit risk

The Group sells its rough diamond production through a tender process on a recognised bourse. This mitigates the need to undertake credit evaluations. Where production is not sold on a tender basis the Directors undertake suitable credit evaluations before passing ownership of the product.

At the reporting date there were significant concentrations of credit risk in respect of the BEE loans receivable. The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the Consolidated Statement of Financial Position. The material financial assets are carried at amortised cost, with no indication of impairment. The Group considers the credit quality of loans and receivables to be good with expected losses incurred as disclosed in notes 16 and 18.

Group cash balances are deposited with reputable banking institutions within the countries in which it operates. Excess cash is held in overnight call accounts and term deposits ranging from seven to 30 days. Refer to note 20 for restricted cash secured in respect of rehabilitation obligations. At Year end the Group had undrawn borrowing facilities of US$nil (30 June 2019: US$106.6 million).

Derivatives

The fair values of derivatives are recorded on the Consolidated Statement of Financial Position within 'Trade and other receivables' or 'Trade and other payables'. Derivatives are classified as current or non-current depending on the date of expected settlement of the derivative.

The Group utilises derivative instruments to manage certain market risk exposures. The Group does not use derivative financial instruments for speculative purposes; however, it may choose not to designate certain derivatives as hedges for accounting purposes. Such derivatives are classified as 'non-hedges' and fair value movements are recorded in the Consolidated Income Statement. At Year end the Group had a derivative liability of US$11.5 million (30 June 2019: US$8.3 million derivative liability) recorded in the Statement of Financial Position and a realised foreign exchange loss of US$8.3 million (30 June 2019: US$1.0 million gain) and an unrealised foreign exchange loss on hedges of US$12.8 million (30 June 2019: US$8.2 million gain) recorded in the Consolidated Income Statement.

Management considered the impact of a change in the US Dollar/ZAR exchanges rates to the Group's financial results. In the current Year the impact of a ten percentage point increase/decrease would result in a financial loss/gain of US$1.1 million (30 June 2019: US$nil).

The derivative financial liabilities were valued using Level 2 of the financial instrument valuation hierarchy. The valuation is provided by the Group's bankers, which act as the instrument's counterparty, and was prepared using a Black-Scholes model. The inputs include the strike price range, spot price at Year end, volatility and discount rate.

The use of derivative instruments is subject to limits and the positions are regularly monitored and reported to the Board.

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in parts of the world where the functional currency is not US Dollars. The Group's net assets arising from its foreign operations are exposed to currency risk resulting in gains and losses on translation into US Dollars.

Foreign exchange risk also arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. The policy of the Group is, where possible, to allow Group entities to settle liabilities denominated in their local currency with the cash generated from their own operations in that currency, having converted US Dollar diamond revenues to local currencies. In the case of the funding of non-current assets, such as projects to expand productive capacity entailing material levels of capital expenditure, the central Group treasury function will assist the foreign operation to obtain matching funding in the functional currency of that operation and shall provide additional funding where required. The currency in which the additional funding is provided is determined by taking into account the following factors:

- the currency in which the revenue expected to be generated from the commissioning of the capital expenditure will be denominated;
- the degree to which the currency in which the funding provided is a currency normally used to effect business transactions in the business environment in which the foreign operation conducts business; and
- the currency of any funding derived by the Company for onward funding to the foreign operation and the degree to which it is considered necessary to hedge the currency risk of the Company represented by such derived funding.

The sensitivity analysis to foreign currency rate changes is as follows:

	30 June 2020			
US$ million	Year-end US$ rate	Year-end amount	US$ strengthens 10%	US$ weakens 10%
Financial assets				
Botswana Pula	**0.0842**	**—**	**—**	**—**
Euro	**0.8903**	**1.1**	**1.0**	**1.2**
Pound Sterling	**0.8065**	**21.2**	**19.0**	**23.3**
South African Rand	**0.0577**	**108.4**	**97.6**	**119.2**
US Dollar	**1.000**	**82.5**	**82.5**	**82.5**
		213.2	**200.1**	**226.2**
Financial liabilities				
Botswana Pula	**0.0842**	**—**	**—**	**—**
Euro	**0.8903**	**0.3**	**0.3**	**0.3**
Pound Sterling	**0.8065**	**8.7**	**7.8**	**9.6**
South African Rand	**0.0577**	**220.9**	**198.8**	**243.0**
US Dollar	**1.000**	**693.6**	**693.6**	**693.6**
		923.5	**900.5**	**946.5**

US$ million	30 June 2019 Year-end US$ rate	Year-end amount	US$ strengthens 10%	US$ weakens 10%
Financial assets				
Botswana Pula	0.0936	—	—	—
Euro	0.8796	29.4	26.5	32.4
Pound Sterling	0.7878	19.7	17.8	21.8
South African Rand	0.0711	72.6	65.3	79.8
US Dollar	1.0000	103.4	103.4	103.4
		225.1	213.0	237.4
Financial liabilities				
Botswana Pula	0.0936	—	—	—
Euro	0.8796	—	—	—
Pound Sterling	0.7878	4.9	4.5	5.5
South African Rand	0.0711	156.7	141.1	172.4
US Dollar	1.0000	664.9	664.9	664.9
		826.5	810.5	842.8

The tables above reflect the impact of a 10% cumulative currency movement over the next 12 months and are shown for illustrative purposes.

Liquidity risk

Liquidity risk arises from the Group's management of working capital, capital expenditure, finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations and when necessary will seek to raise funds through the issue of shares and/or debt.

It is the policy of the Group to ensure that it will always have sufficient cash to allow it to meet its liabilities when they fall due. To achieve this aim, the Group maintains cash balances and funding facilities at levels considered appropriate to meet ongoing obligations.

Cashflow is monitored on a regular basis. The maturity analysis of the actual cash payments due in respect of loans and borrowings is set out in the table below. The maturity analysis of trade and other payables is in accordance with those terms and conditions agreed between the Group and its suppliers. For trade and other payables, payment terms are 30 days, provided all terms and conditions have been complied with. Exceptions to those terms are set out in notes 16 and 23, as reflected under non-current.

Maturity analysis

The below maturity analysis reflects cash and cash equivalents and loans and borrowings based on actual cashflows rather than carrying values.

US$ million	Notes	**30 June 2020** **Interest rate**	**Total**	**3 months or less**	**3–6 months**	**6–12 months**	**1–2 years**	**2–5 years**
Cash								
Cash and cash equivalents – unrestricted	20	**0.1–4.1%**	**53.6**	**53.6**	**—**	**—**	**—**	**—**
Cash – restricted	20	**0.1–4.1%**	**14.0**	**—**	**—**	**—**	**—**	**14.0**
Total cash			**67.6**	**53.6**	**—**	**—**	**—**	**14.0**
Loans and borrowings								
Bank loan – secured (BEE Partner debt facilities)	22	**12.83%**	**40.0**	**40.0**	**—**	**—**	**—**	**—**
Bank loan – secured	22	**12.83%**	**23.1**	**23.1**	**—**	**—**	**—**	**—**
Bank loan – secured	22	**7.5%**	**29.0**	**29.0**	**—**	**—**	**—**	**—**
Senior secured second lien notes	22	**7.25%**	**676.9**	**676.9**	**—**	**—**	**—**	**—**
Lease liabilities	15	**5.98%**	**5.0**	**1.4**	**1.4**	**1.5**	**0.4**	**0.3**
Cashflow of loans and borrowings			**774.0**	**770.4**	**1.4**	**1.5**	**0.4**	**0.3**

US$ million	Notes	Interest rate	30 June 2019 Total	3 months or less	3–6 months	6–12 months	1–2 years	2–5 years
Cash								
Cash and cash equivalents – unrestricted	20	0.1-6.5%	71.7	71.7	—	—	—	—
Cash – restricted	20	0.1-6.5%	13.5	—	—	—	—	13.5
Total cash			85.2	71.7	—	—	—	13.5
Loans and borrowings								
Bank loan – secured	22	12.7%	—	—	—	—	—	—
Bank loan – secured	22	9.25%	—	—	—	—	—	—
Senior secured second lien notes	22	7.25%	791.4	—	23.7	23.5	47.1	697.1
Cashflow of loans and borrowings			791.4	—	23.7	23.5	47.1	697.1

Interest rate risk

The Group has borrowings that incur interest at fixed and floating rates. The Group's fixed rate borrowings comprise the senior secured second lien notes which incur interest at a fixed interest rate of 7.25%. Management constantly monitors the floating interest rates so that action can be taken should it be considered necessary. Management considered the impact of a change in the floating interest rate to the Group's financial results as the quantum of borrowings at floating rates is US$92.1 million (30 June 2019: US$nil). In the current Year, the impact of a 100 basis point increase/decrease would result in a financial loss/gain of US$0.9 million (30 June 2019: US$nil).

Other market price risk

The Group predominantly generates revenue from the sale of rough and polished diamonds, as well as occasionally from polished stones. The significant number of variables involved in determining the selling prices of rough diamonds, such as the uniqueness of each individual rough stone, the content of the rough diamond parcel and the ruling USD/ZAR spot rate at the date of sale, makes it difficult to accurately extrapolate the impact the fluctuations in diamond prices would have on the Group's revenue.

Capital disclosures

Capital is defined by the Group to be the capital and reserves attributable to equity holders of the parent company. The Group's objectives when maintaining capital are:

to safeguard the ability of the entity to continue as a going concern; and

to provide an adequate return to shareholders.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt to equity. Net debt is calculated as US$ loan notes (less transaction costs), bank loans and borrowings and BEE guarantee less restricted and unrestricted cash and cash equivalents. Equity comprises all components of equity attributable to equity holders of the parent company.

The debt to equity ratios at 30 June 2020 and 30 June 2019 are as follows:

US$ million	**2020**	2019
Total debt	**769.0**	650.6
Cash and cash equivalents	**(67.6)**	(85.2)
Net debt	**701.4**	565.4
Total equity attributable to equity holders of the parent company	**30.5**	311.7
Net debt to equity ratio	**23.0:1**	1.81:1

The Group manages its capital structure by the issue of Ordinary Shares, raising debt finance where appropriate and managing Group cash and cash equivalents.

34. Segment information

Significant accounting policies relevant to segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing mining or exploration activities, or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. The basis of segment reporting is representative of the internal structure used for management reporting.

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 (which have been reclassified as assets held for sale in the current Year) and South Africa.

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 South Africa, 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 United Kingdom 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.

The Group's non-current assets are located in South Africa US$769.8 million (30 June 2019: US$989.2 million), Tanzania US$80.5 million (30 June 2019: US$98.7 million), and United Kingdom US$1.0 million (30 June 2019: US$0.2 million).

The Group's property, plant and equipment included in non-current assets are located in South Africa of US$608.9 million (30 June 2019: US$879.0 million), Tanzania of US$66.7 million (30 June 2019: US$88.6 million), and United Kingdom of US$0.2 million (30 June 2019: US$0.2 million).

	South Africa – mining activities			Tanzania – mining activities	Botswana	United Kingdom	South Africa		
Operating segments US$ million	Finsch 2020	Cullinan 2020	Koffiefontein 2020	Williamson 2020	Exploration[4] 2020	Corporate and treasury 2020	Beneficiation[5] 2020	Inter-segment 2020	Consolidated 2020
Revenue	**101.1**	**116.5**	**25.7**	**52.5**	**—**	**—**	**—**	**—**	**295.8**
Segment result[1]	**(5.1)**	**21.6**	**(6.2)**	**(19.3)**	**(0.6)**	**(8.7)**	**(0.7)**	**(2.4)**	**(21.4)**
Impairment charge	**(27.6)**	**(11.6)**	**(11.7)**	**(34.6)**	**—**	**—**	**—**	**—**	**(85.5)**
Impairment charge – other receivables	**—**	**—**	**—**	**(6.8)**	**—**	**0.4**	**—**	**—**	**(6.4)**
Impairment of BEE loans receivable – expected credit loss provision	**—**	**—**	**—**	**—**	**—**	**(10.9)**	**—**	**—**	**(10.9)**
Other direct income	**0.7**	**—**	**0.3**	**1.0**	**—**	**—**	**—**	**—**	**2.0**
Operating loss[2]	**(32.0)**	**10.0**	**(17.6)**	**(59.7)**	**(0.6)**	**(19.2)**	**(0.7)**	**(2.4)**	**(122.2)**
Financial income									**7.9**
Financial expense									**(161.0)**
Income tax credit									**52.3**
Non-controlling interest									**33.0**
Loss attributable to equity holders of the parent company									**(190.0)**
Segment assets[3]	**303.5**	**494.0**	**135.9**	**94.5**	**—**	**2,876.6**	**4.1**	**(2,865.9)**	**1,042.7**
Segment liabilities[3]	**176.6**	**566.7**	**266.2**	**297.8**	**—**	**2,018.9**	**4.8**	**(2,300.0)**	**1,031.0**
Capital expenditure	**8.4**	**16.4**	**3.8**	**8.0**	**—**	**1.0**	**—**	**(1.2)**	**36.4**

1. Total depreciation of US$78.3 million included in the segmental result comprises depreciation incurred at Finsch of US$25.8 million, Cullinan of US$40.4 million, Koffiefontein of US$2.5 million, Williamson of US$9.0 million, Exploration of US$0.1 million and Corporate administration of US$0.5 million.
2. Operating loss is equivalent to revenue of US$295.8 million less total costs of US$418.0 million as disclosed in the Consolidated Income Statement.

3. Segment assets and liabilities include inter-company receivables and payables which are eliminated on consolidation.

4. The exploration assets in Botswana of US$0.3 million and liabilities of US$0.1 million have been classified as non-current assets held for sale (refer to note 36).

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

	South Africa – mining activities			Tanzania – mining activities	Botswana	United Kingdom	South Africa		
Operating segments US$ million	Finsch 2019	Cullinan 2019	Koffiefontein 2019	Williamson 2019	Exploration[5] 2019	Corporate and treasury 2019	Beneficiation[6] 2019	Inter-segment 2019	Consolidated 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	(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)[3]									(49.9)
Non-controlling interest									31.3
Loss attributable to equity holders of the parent company									(226.8)
Segment assets[4]	611.2	396.6	168.7	182.5	—	3,146.8	13.0	(3,224.0)	1,294.8
Segment liabilities[4]	608.5	184.3	303.4	300.6	—	2,306.9	13.8	(2,748.8)	968.7
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 Finsch of US$32.7 million, Cullinan of US$56.1 million, Koffiefontein of US$6.9 million, Williamson of US$10.2 million, Exploration of US$0.1 million and Corporate administration of 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 operating results in respect of KEM JV and Helam have been reflected within loss on discontinued operation (refer to note 35).

4. Segment assets and liabilities include inter-company receivables and payables which are eliminated on consolidation.

5. The exploration assets in Botswana of US$0.6 million and liabilities of US$nil have been classified as non-current assets held for sale (refer to note 36).

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

35. Disposal of operations

Significant accounting policies relevant to non-current assets held for sale and discontinued operations

Where an operation within the Group is separately identified or forms part of a separate reporting structure, the Group will classify the asset as held for sale, in accordance with IFRS 5, if management has committed to a plan to sell, the operation is available for sale, an active search for a buyer is in place, the disposal is highly probable within 12 months of classifying as held for sale and completion of the disposal is unlikely to significantly change. The Botswana exploration operations met the criteria mentioned above and as such are classified as held for sale. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition. Non-current assets classified as held for sale and the assets of an operation classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of an identified operation classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Unrealised foreign exchange gains and losses on historical retranslation of the subsidiaries' results into US Dollars are recycled to the Consolidated Income Statement upon completion of the disposal. The non-controlling interest attributable to minority shareholders is recycled to the Consolidated Income Statement upon completion of the disposal. The Group designates the results of discontinued activities, including those of disposed subsidiaries, separately in accordance with IFRS and reclassifies the results of the operation in the comparative period from continuing to discontinued operations. The Group does not consider mines held on care and maintenance to be discontinued activities unless the mine is abandoned.

30 June 2019

KEM JV disposal

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 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 regard to the KEM JV operation. The rationale for the Disposal is to ensure a sustainable future for KEM JV by placing the operation under the sole stewardship of an operator best suited to maximise its value. Ekapa Mining's extensive experience of operating specifically within Kimberley and its ability to solely focus on these assets is expected to provide the right fit for the operation, thereby ensuring continuation of diamond mining employment and related economic activity in this renowned diamond centre.

The terms of repayment of the ZAR300 million purchase consideration, originally to be payable in 24 monthly instalments starting in January 2019, were amended prior to completion to allow Ekapa Mining to maximise the prospects of the financial viability of the operation. According to the terms, the purchase consideration will be settled as follows:

ZAR60 million payable in 24 monthly instalments starting on 1 April 2019;

the balance, ZAR240 million, of the purchase consideration will be repayable from a 50% share of future operating cashflows 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, which 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, the Group's knowledge of the mine and risks and uncertainties.

The financial results of the KEM JV for the periods have been disclosed in the Consolidated Income Statement in 'Loss on discontinued operations'. 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:

US$ million	30 June 2019[1]
Mining property, plant and equipment	19.8
Trade and other receivables	3.0
Inventory	10.0
Cash and cash equivalents	0.7
Total assets	**33.5**
Environmental liabilities and other non-current trade and other payables	(13.8)
Trade and other payables	(11.5)
Total liabilities	**(25.3)**
Net assets	8.2

(ii) Result of KEM JV:

US$ million	Period ended 30 June 2019[1]
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 Year	(1.5)
Attributable to:	
– Equity holders of the parent	(3.5)
– Non-controlling interest	2.0
	(1.5)
Basic loss per share (US cents)	(0.17)
Dilutive loss per share (US cents)	(0.17)

1. The sale of KEM JV was effective as at 30 November 2018 as reported in the FY 2019 Annual Report.

(iii) Post-tax loss on disposal of KEM JV:

US$ million	Period ended 30 June 2019[1]
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 (refer to (ii) above)	(1.5)
Loss on discontinued operation	(35.5)
Add: impairment of purchase consideration	(3.1)
Add: impairment of Group other receivables	(4.2)
	(42.8)

1. The sale of KEM JV was effective as at 30 November 2018 as reported in the FY 2019 Annual Report.

During the year ended 30 June 2019, the Company advanced US$9.4 million funding to the KEM JV; of this amount, US$3.9 million has been 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, the current economic climate, payment history and recent press coverage involving the KEM JV operation. The remaining balance has been included under current trade and other receivables.

During the Year, the Company received repayments of US$0.4 million from KEM JV and no further impairment charge was recognised in respect of KEM JV receivables due to the Group.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and other receivables. To measure expected credit losses on a collective basis, trade receivables and other receivables are grouped based on similar credit risk and ageing.

At 30 June 2019, as a result of the above assessment by management of the loan receivable, management has 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.

(iv) The Consolidated Cashflow Statement includes the following amounts relating to discontinued operations:

US$ million	Period ended 30 June 2019
Operating activities	3.4
Investing activities	(2.1)
Net cash utilised in discontinued operations	(16.1)

Helam Mining disposal

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. The Helam mine was put on care and maintenance by the Company during FY 2015, following previous attempts to source a suitable purchaser, and no mining activities have been conducted by Petra since. The rationale for the disposal is to support the South African Government's intention to prolong the lives of mines facing closure by facilitating opportunities for emerging miners to the benefit of entrepreneurs, host communities and local employment. The disposal is also in line with Petra's strategic priorities, which include that the Board continues on an ongoing basis to review the asset portfolio of the business with a view to maximising return on capital and to ensure that all assets are in a position to contribute positive cashflow to the business.

The disposal shall have the following benefits:

an owner-manager approach will ensure sole focus on the optimisation of the Helam assets;

it will reduce Group cash outflow with existing care and maintenance expenditure amounting to ca. US$2 million per annum; and

Lindleys Mining will take on all of the Company's environmental obligations with regard to Helam, currently estimated at ca. ZAR23 million excluding VAT (ca. US$1.7 million).

As part of the disposal, agreement has been reached for the joint use of the processing plant at Helam, which has historically been utilised to conduct resource and production sampling and analyses for the Petra Group. Lindleys Mining has agreed to continue with such sampling and analyses for a period of up to two years. Petra intends to establish appropriate sampling facilities elsewhere in the Group which, once commissioned, will replace the need to continue with this arrangement.

Helam generated a net loss of US$0.8 million for the year ended 30 November 2018, which is disclosed in the Consolidated Income Statement in 'Loss on discontinued operations' and the net assets disposed of amounted to US$0.6 million.

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

US$ million	Period ended 30 June 2019
Fair value consideration receivable on disposal	—
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)

36. Non-current assets held for sale

Botswana (exploration)

Significant judgements and estimates relevant to non-current assets held for sale

The carrying value of assets of Botswana, considered on the basis of classification as non-current assets held for sale, was carried at the lower of carrying value and fair value less costs to sell. The assessment of fair value less costs to sell was considered by the Board and represented a key judgement, based on internal valuation models, discounts for market pricing and progress of the current sale process. The book value of the assets was greater than fair value less costs to sell.

During the year ended 30 June 2018, the Company took the decision to dispose of its exploration assets held in Botswana and subsequently considered from potential purchasers offers to purchase its exploration assets held in Botswana. As such, the assets and liabilities of the Botswana exploration operation continue to be classified as held for sale in the statement of financial position in accordance with IFRS 5. The losses associated with the Botswana exploration programme are not considered a separate major line of business or geographical operations.

US$ million	**30 June 2020**	30 June 2019
Mining property, plant and equipment	**0.3**	0.6
Trade and other receivables	**—**	—
Non-current assets held for sale	**0.3**	0.6
Trade and other payables	**0.1**	—
Non-current liabilities associated with non-current assets held for sale	**0.1**	—
Net assets	**0.2**	0.6

Refer to note 37 for details relating to the disposal post Year end of the Company's exploration assets held in Botswana.

37. Events after the reporting period

Botswana (exploration)

On 20 July 2020, the Company announced that it had entered into an agreement to dispose of its exploration assets in Botswana via the sale of 100% of its holding in Sekaka Diamonds Exploration (Pty) Limited (previously known as Petra Diamonds Botswana (Pty) Limited) ("Sekaka Diamonds") to Botswana Diamonds PLC ("Botswana Diamonds") for a total consideration of US$300,000 and a 5% royalty on future diamond revenues should any of the prospects within the exploration licences be brought into production.

The assets of Sekaka Diamonds include the Company's three existing prospecting licences in Botswana, which include the KX36 project, a 3.5 hectare kimberlite that was a new discovery by Petra in 2010, as well as a bulk sampling plant.

The purchase price of US$300,000 will be payable in two equal instalments of US$150,000 each, on or before 31 August 2021 and 31 August 2022 respectively. Petra is also entitled to a 5% royalty on the sale of diamonds commercially produced from any kimberlite which falls within the licence areas covered in the sale. Botswana Diamonds has the option to buy out the royalty for a cash payment of US$2.0 million.

The sale is subject to a number of regulatory approvals, including Ministerial consent in Botswana, approval from Petra's lenders and Noteholders and, to the extent required, approval from the Botswana Competition Commission. The long-stop date for fulfilment of the conditions precedent is 30 November 2020, which may be extended by mutual agreement of the two parties.

Long-term restructuring solution for Petra: commercial terms agreed in principle with financial stakeholders

On 20 October 2020, the Company announced it had reached agreement in principle on a common set of commercial terms with respect to a long-term solution for the recapitalisation of the Group ("the Restructuring") with each of the AHG and the South African Lender Group. The key features of the proposed Restructuring are as follows:

partial reinstatement of the Notes debt and the contribution by holders of the existing Notes of US$30.0 million in new money, each to take the form of new senior secured second lien notes ("New Notes"). It is expected that the New Notes will amount to approximately US$337.0 million (including the new money and fees paid as part of the transaction in New Notes);

- conversion of the remainder of the Notes debt into equity, which will result in the Noteholder group holding 91% of the enlarged share capital of PDL;
- restructuring of the first lien facilities provided by the South African Lender Group; and
- new governance arrangements and cashflow controls.

Commercial terms of the Restructuring

1. Reinstatement of Notes debt and New Money

All Noteholders shall have a right to subscribe for a portion of US$30.0 million of new money to be provided by Noteholders to Petra Diamonds US$ Treasury plc ("the New Money"), pro rata to their holdings of the Notes. The New Money will be structured to incentivise participation by Noteholders, including through the treatment of their existing Notes debt (as further described below), and backstopped by certain of the Noteholders.

A portion of the existing Notes debt will be reinstated alongside the New Money notes, each to be reinstated in the form of New Notes. The New Notes will be allocated as follows:

(a) US$30.0 million (reflecting the New Money) allocated only to those Noteholders that contribute New Money, pro rata to their New Money contribution;

(b) US$150.0 million allocated only to those Noteholders that contribute New Money, pro rata to each holder's contribution to the New Money (reflecting a ratio of 5.0:1);

(c) US$145.0 million allocated to all Noteholders, pro rata to their holdings of existing Notes at the close of the Restructuring; and

(d) a further amount of New Notes as consideration to certain Noteholders, including the AHG, for their support and efforts expended in connection with the Restructuring. It is expected that the quantum of New Notes issued for this purpose will be approximately US$12.0 million including, without limitation:

  (i) New Notes to be issued to any Noteholder who executes the Lock-Up Agreement on or within 14 days of the date of the agreement ("the Early Bird Fee"), where the Early Bird Fee will be equal to 1.0% of the aggregate principal amount of such Noteholder's existing Notes as at the date 14 days after the date of the Lock-Up Agreement; and

  (ii) New Notes to be issued to certain Noteholders who agree to provide any portion of the New Money that is not otherwise provided by other Noteholders in the form of a pro rata allocation of US$1.5 million of New Notes.

Material terms of the New Notes:

(a) Interest rate (payable every six months) of 10.50%. Payment in kind for the first 24 months and 9.75% cash pay thereafter.

(b) Maturity date: five years from date of completion.

(c) Non-call protection: two-year non-call protection (customary make-whole), and coupon step-down profile thereafter at 104.88, 102.44, then par.

(d) Covenants: customary for financing of this type, including: (i) a change of control provision requiring a change of control offer at 101%; and (ii) a minimum liquidity covenant.

(e) Guarantors, security and ranking: second-ranking guarantees and security to be provided on substantially the same terms as under the existing Notes, with certain amendments to be agreed in line with corporate restructuring steps. Enhancements to security package to be agreed, including, but not limited to, security over intra-group offtake receivables and inventory at all relevant points in supply chain until inventory is sold to third parties (but only to extent of not constraining operations or incurring material additional duties or fees). Any enhancements shall also be included in the first lien security package.

(f) Inter-creditor arrangements: to reflect second-ranking guarantees and security and certain additional inter-creditor arrangements including payment stops (including limitations on paying cash interest) and enforcement limitations, subject to the requirements and covenants of the first lien debt (including compliance with a first lien debt service cover ratio (see Section 3 below for further details), amount drawn under the new Revolving Credit Facility ("RCF") of no more than ZAR400.0 million at the time of and for two weeks following the interest payment and a minimum unrestricted cash covenant of US$20.0 million).

It is contemplated that the above arrangements with respect to the Notes shall be effected through an English law scheme of arrangement under part 26 of the Companies Act 2006.

2. Equity

The remainder of the existing Notes debt will be exchanged for equity in the Company ("the Debt for Equity"), pursuant to which new Ordinary Shares in Petra Diamonds Limited ("PDL") will be issued to the Noteholders in consideration for the assignment of existing Notes debt. The Debt for Equity will result in the Noteholder group holding 91% of the enlarged share capital of PDL in the following proportions:

(a) 56.0% of the enlarged share capital to be issued to all Noteholders, pro rata to their holdings of existing Notes at the close of the Restructuring (and to the extent any Noteholder does not take up their entitlement, such entitlement will be allocated to the remaining Noteholders who have not opted out of their equity entitlement, on a pro rata basis); and

(b) 35.0% of the enlarged share capital to be issued to those Noteholders that elect to contribute towards the New Money only, pro rata to their contribution of New Money (and to the extent any such Noteholders do not take up their entitlement, such entitlement will be allocated to the remaining Noteholders (that are participating in the New Money and who have not opted-out of their equity entitlement) on a pro rata basis).

As a consequence of the Debt for Equity, at least 9% of the enlarged PDL share capital will remain with the existing PDL shareholders (subject to dilution as a result of standard management equity incentive arrangements). The Debt for Equity as currently constituted is subject to the approval of existing shareholders of the Company at an EGM of the Company. However, the Company is also preparing to implement the agreement in principle reached with its creditors through alternative structures should shareholder approval not be obtained at the relevant time. It is not anticipated that such alternative structures would result in any retention of equity or other interests in the Group by the existing shareholders of the Company.

3. Arrangements with the South African Lender Group

The various existing arrangements with the South African Lender Group, including the ZAR500.0 million WCF, the ZAR400.0 million RCF, the financing arrangements in respect of the Group's BEE Partners ("the BEE Facilities") and the Group's general banking facilities will (subject to credit committee approval) be restructured as part of the Restructuring.

The new bank facilities will comprise the following, on a first lien basis and on substantially the same terms (or better for the Group) as under the existing documentation:

(a) Term loan

(i) Available in a principal amount of ZAR1.2 billion (ca. US$69 million), borrowed by existing obligors in the Group (to be agreed) in order to refinance the existing drawn ZAR500 million (ca. US$29 million) WCF and the BEE Facilities (approximately ZAR683 million (ca. US$39 million)).

(ii) Final maturity date: three years from date of completion.

(iii) Scheduled amortisation of 9% of principal per quarter (starting in June 2021) with a final 10% of principal repayment at maturity.

(iv) 1.3x debt service cover ratio tested semi-annually on a rolling 12-month basis, which if breached will give rise to an event of default under the new bank facilities.

(v) Interest rate of JIBAR + 5.25% per annum (with an upfront fee of 1% of the term loan amount to be capitalised).

(a) RCF

(i) Available in a principal amount of ZAR560.0 million (ca. US$32 million) constituted by a rollover of the existing RCF but upsized by ZAR160 million (ca. US$9 million).

(ii) Final maturity date: three years from completion.

(iii) Scheduled reduction in the committed amount under the RCF of 9% of the total initial commitments per quarter (starting in June 2021) with a final 10% reduction at maturity.

(iv) 1.3x debt service cover ratio tested semi-annually on a rolling 12-month basis, which if breached will give rise to an event of default under the new bank facilities.

(v) Interest rate of JIBAR + 5.25% per annum (with an upfront fee of 1% of the RCF amount to be capitalised and a commitment fee based on undrawn balances).

Derivative, guarantee, foreign exchange and intra-day exposure lines up to an agreed amount consistent with current requirements and on substantially the same terms as the Group's existing arrangements. The existing arrangements will be rolled over to provide hedging against foreign exchange risk on the same terms as the Group's existing arrangements.

4. Additional rights for holders of the New Notes

The holders of the New Notes will be granted certain rights, and some ongoing financial oversight, over the business of the Group, including with respect to governance and cashflow controls.

Directors and corporate governance

Up to four Noteholders (in their capacity as shareholders of PDL following the Restructuring) that individually hold at least 10% of the shares in PDL (taking into account the shares issued pursuant to the Debt for Equity) at the closing of the Restructuring shall have a "Nomination Right" to:

(i) nominate a person for appointment to the Board as a non-independent Non-Executive Director; and

(ii) appoint an observer to the Board (such person shall not have voting rights at Board meetings), it being acknowledged that the Company shall comply with the UK Listing Rules and the UK Corporate Governance Code on the appointment of additional independent Non-Executive directors as applicable. If at any time the Noteholder (shareholder) ceases to hold at least 7% of the shares in PDL (taking into account shares issued under the Debt for Equity), the rights will fall away. These arrangements will be governed by agreements between the relevant Noteholder (in its capacity as shareholder) and the Company.

The Nomination Rights will be allocated to the Noteholders who execute the Lock-Up Agreement on, or within 14 days of, the date of the Lock-Up Agreement ("the Deadline"), provided they satisfy the minimum shareholding requirements mentioned above in (ii). For the avoidance of doubt, only four Noteholders will be entitled to Nomination Rights (and if more than four Noteholders would be so entitled, the top four Noteholders (in terms of projected holdings of PDL shares, based on the Noteholders' holdings of existing Notes as at the Deadline) will have the Nomination Rights).

It is expected that details of these Nomination Rights will be included in the PDL shareholder circular and prospectus to be published in connection with the Debt for Equity. The PDL shareholder circular and prospectus will also disclose the intention that the existing Directors of PDL remain in office following closing of the Restructuring.

The Board will, following closing of the Restructuring, form an advisory investment committee, which will include Directors nominated by the Noteholders (shareholders) in order to monitor significant capital and other investments and recommend their adoption to the full Board.

A cash bonus and/or equity-based management incentive plan will be implemented by the Remuneration Committee post-closing of the Restructuring which shall be designed to incentivise and reward business performance and to achieve or exceed targets set by the Board, which will include targets relating to cash generation and leverage and performance against the PDL business plan. Any such arrangements will be put forward in the normal course for approval by shareholders at the AGM.

Cashflow control enhancement covenants

In addition to various restrictions and the tightening of existing covenants and baskets in relation to the Notes, certain cashflow control protocols will be introduced and debt service waterfalls will be included to reflect the priority and application of payments to the banks as first lien debt providers and to the Noteholders as second lien debt providers.

Cashflow protocols

All cashflows, whether from operations or otherwise, will be applied in accordance with a cashflow protocol. The protocol will include a transparent and orderly cashflow management in the ordinary course and recording and implementation of the agreed priority of ordinary course payments as between the operating companies, the rest of the Group, the BEE Partners, the South African Lender Group and the Noteholders and restricted payments.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) the preliminary financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit of the Group for the Year; and

b) the preliminary management report for the Year includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (DTR 4.1.8 R and 4.1.9 R).

By order of the Board

Richard Duffy
Chief Executive Officer
17 November 2020