



**Petra**Diamonds

# Company and market update

2pm GMT

Monday 18 December 2023



# Your hosts today



Richard Duffy, CEO



Gregory Stephenson, Sales and  
Marketing Executive

# Summary



1. ➤ Our latest tender shows pricing is bottoming out, which is supported anecdotally in the wider market
2. ➤ Indian moratorium has been effective, but ongoing discipline by the key players is important to provide some price stability
3. ➤ Petra has taken prudent steps to improve resilience through reducing costs and increasing headroom of the RC
4. ➤ FY2024 will likely see an acceleration in traceability as G7 ban on Russian rough comes into effect in staggered process
5. ➤ Traceability and provenance already being trialed and opens up new mine-to-market opportunities for natural diamonds
6. ➤ Laboratory-grown gem diamonds continue to diverge as a separate product category at a lower price point
7. ➤ Looking forward, Petra continues to focus on the ongoing stabilisation and optimisation of operations while building resilience into the business and looking for opportunities to enhance the value of our diamonds through traceability



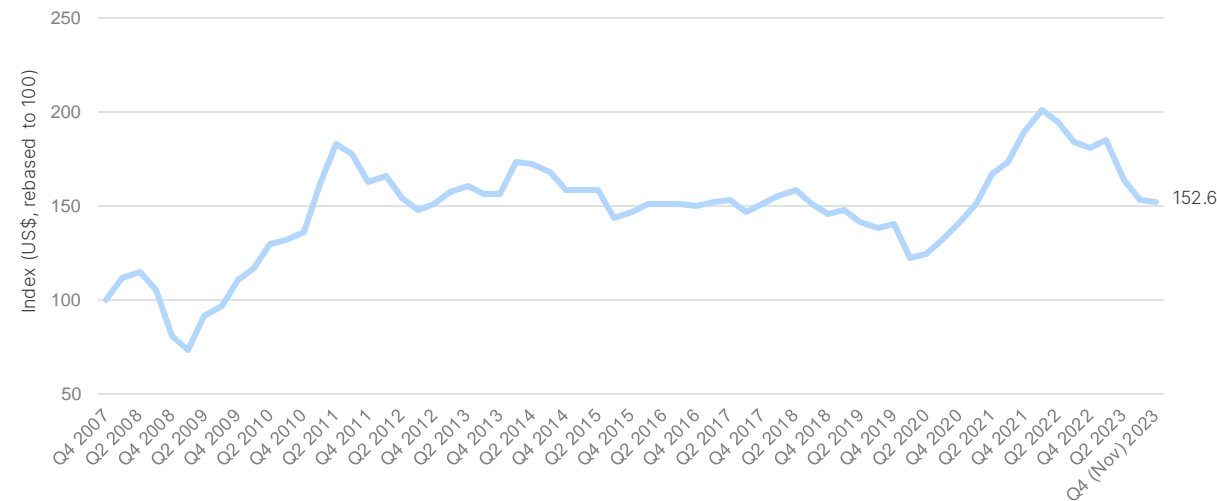
What is the  
current state of  
the diamond  
market?



# Petra's recent sales tender results

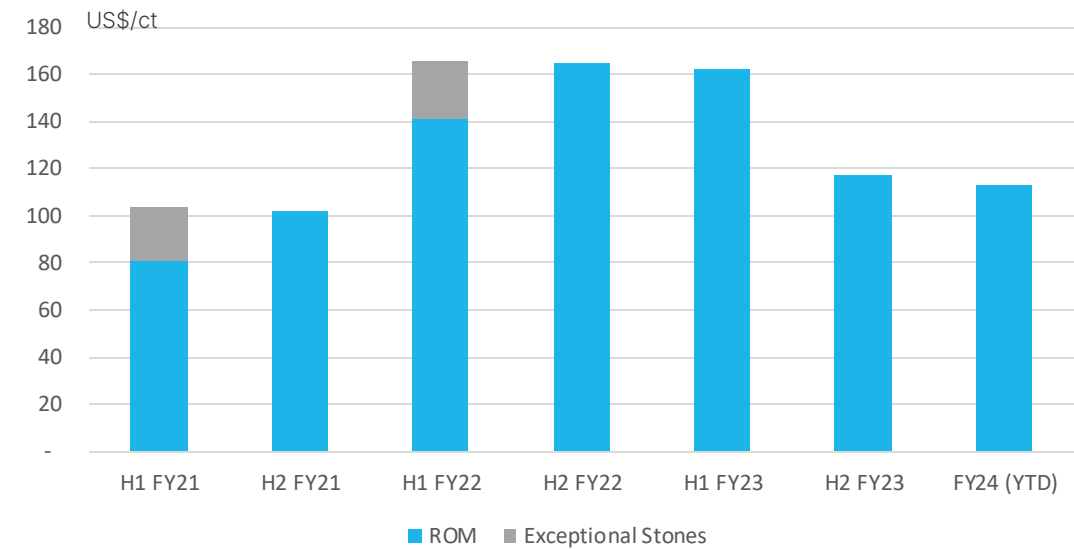


## Rough diamond prices appear to be bottoming out<sup>1</sup>



Note 1: The Zimnisky Global Rough Diamond Price Index. Starting Index value 100 as of end-2007. More information can be found at [www.paulzimnisky.com/roughdiamondindex](http://www.paulzimnisky.com/roughdiamondindex)

## Petra's av. price split by run-of-mine (ROM) and Exceptional Stones (US\$15 million or higher)<sup>1</sup>



Note 1: ROM prices are US\$/ct achieved without the contribution from Exceptional Stones

## Tender 3 FY24 pricing trends

- Tender 3 FY 2024 saw like-for-like prices improving 19.3% compared to Tender 2 FY 2024
  - Over 20% increases in prices achieved for goods smaller than 2cts
  - 2 to 10.8 ct parcels saw increases in the mid-teens
- YTD price decline of 13.3% for like-for-like prices compared to the equivalent three tenders of FY 2023



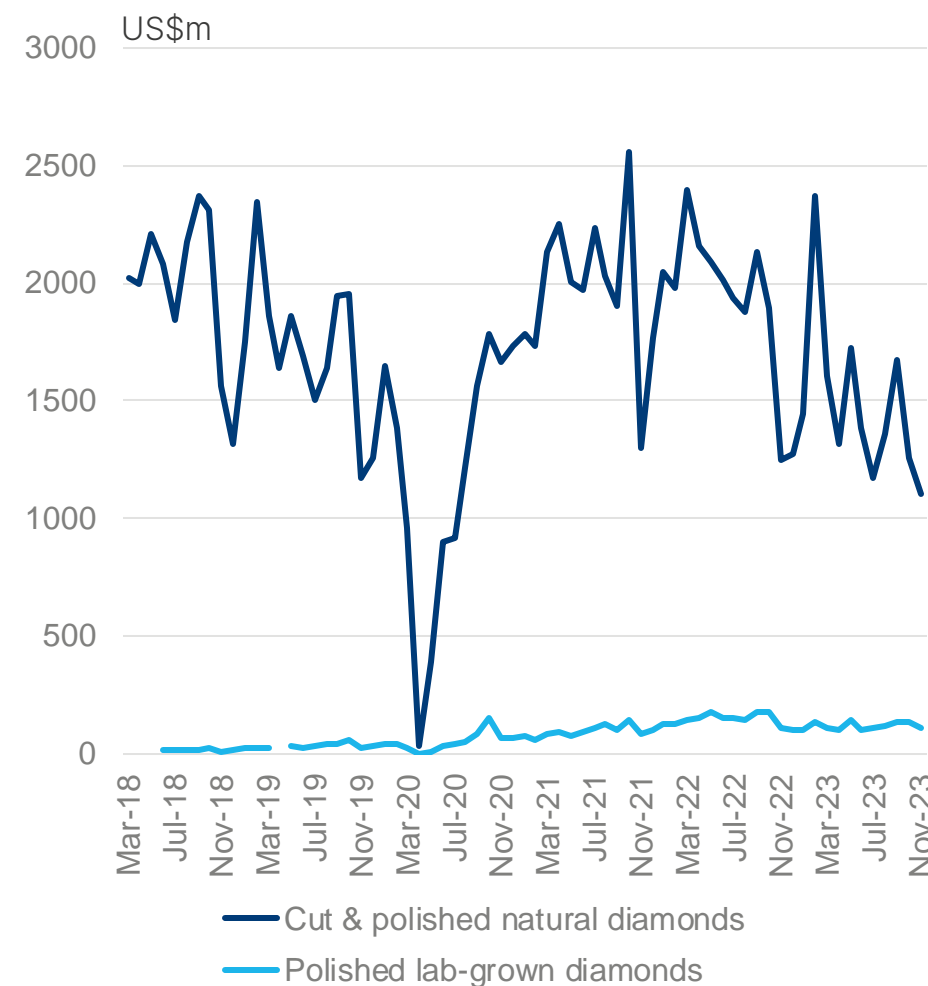
# Market overview



- **Producers working to manage supply and stimulate demand**
  - De Beers will continue to offer sightholders flexibility into 2024; Alrosa withheld sales in Sept & Oct
  - New partners joining NDC from the midstream, including 8 of the world's leading diamantaires – increasing budgets; De Beers announces US\$20 million investment in marketing efforts of natural diamonds
- **Midstream acting to reduce excess polished inventories**
  - Voluntary 2-month Indian diamond import moratorium has resulted in demand for fresh rough and reduced inventory in the midstream
- **Downstream remaining resilient, albeit subdued due to ongoing macro uncertainty:**
  - Cautious optimism for holidays following steady Thanksgiving weekend and gradual improvement in mid-market demand in the US
  - China's Chow Tai Fook reported a sales increase of 6% in calendar-Q3 despite weaker same-store-sales in the Mainland
  - Richemont's interim earnings restored some confidence in the luxury sector. The group reported revenue rose 6% in the six months ending September 30, with jewellery sales up 12%
  - Following a jewellery auction in Geneva on 7 November 2023, Christie's said that "It's clear that the market is still very strong in certain areas....Coloured stones performed extremely well...there's a great market out there for rare things"

Ongoing discipline by key players is essential to provide pricing stability and normalisation in the new year

## Indian exports monthly from Mar 2018 to Nov 2023<sup>1</sup>



Note 1: Graph Petra, data GJEPC India

Company and market update - Dec 2023



How are you  
building  
resilience into  
the business?



# Recent actions taken to build resilience



## Targeted reduction to capex programme

- Aiming for up to **US\$65 million** in development capital savings through slowing or pausing 3 expansion projects until June 2024
- Ability to restart projects earlier if pricing improves
- Further deferral of **US\$3-5 million** of sustaining capex against FY 2024 guidance

## Increasing headroom and financial flexibility

- Approval of c. **US\$43 million** increase in Petra's First Lien Revolving Credit Facility to c. **US\$93 million**
- Provides additional operational and sales flexibility in the event of protracted market weakness

## Reduction in operating and group expenditure

- Operating and group cost savings of **US\$7-10 million** expected in FY 2024 vs. guidance
- A non-binding agreement has been entered into regarding the possible sale of Koffiefontein Diamond Mine, with potential future cost savings

## While minimising the impact of project deferrals

- Production guidance maintained for FY 2024, although now expected to be at the lower guidance range of 2.9 to 3.2 Mcts
- Undertaking value-engineering and re-planning work to improve costs and/or efficiencies and minimise impact of deferral





What industry  
trends should  
we expect in  
CY 2024?



# Provenance, traceability and future branding opportunities



G7 sanctions has accelerated the move towards provenance and traceability

- 1 September 2024 has been set as a deadline for G7 countries to have robust traceability-based verification and certification<sup>1</sup>

In response Tracr and Sarine have joined forces:

- Tracr provides ability to register rough diamonds
- Sarine provides diamond processing technology
- The combination enables Sarine's diamond processing technology to be uploaded to De Beers' Tracr platform

Provides a scalable, cost-effective solution for use in tracking diamonds from their source to the point of entry into G7 countries



Maximising provenance opportunities at Petra:

Currently in discussion with Tracr-Sarine Solution to improve the traceability on Petra diamonds

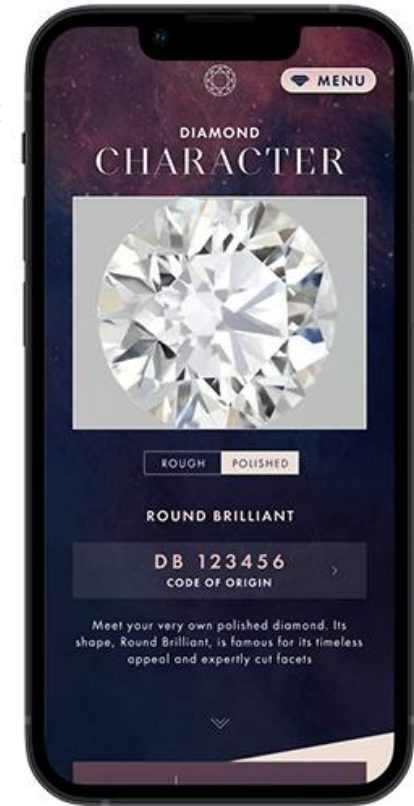
Petra's mines are world-renowned, providing future mine-to-market branding opportunities as well as showcasing the positive social impact of Petra's mines

Note 1: G7 Leaders' Statement  
Note 2: JCK Article dated 20 November 2023

Traceability enables the unique 'story' of each natural diamond to be told<sup>2</sup>:

De Beers "origin story" pilot and other initiatives provide QR coded diamonds (over 0.8ct) that provide information on:

- size and quality
- origin
- character
- impact



*De Beers wants to tell about each diamond's "character."*

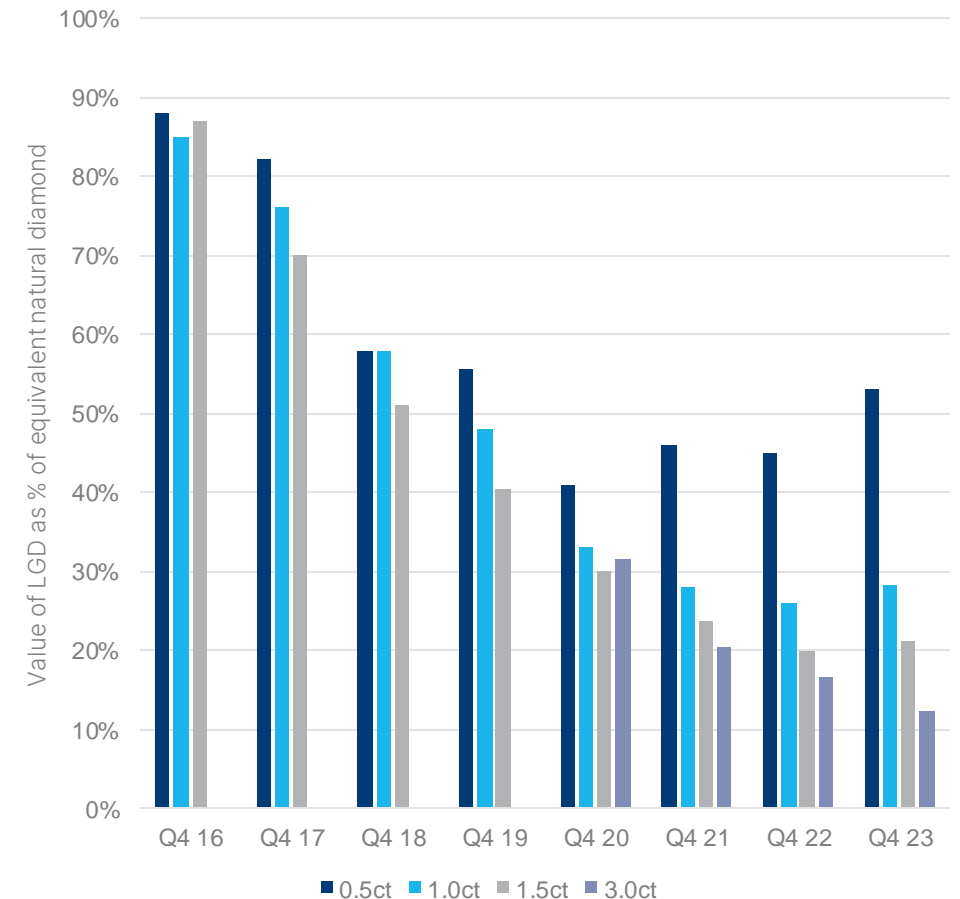


# Laboratory-grown gem diamonds continue to diverge as a separate product category at a lower price point

## LGDs and natural diamonds can together grow the overall diamond market, but they are two distinct product categories

- Production capacity of LGD has increased significantly in recent years and will likely continue for at least the next few years
- As a result, **prices have decoupled** from natural diamonds and declined in-line with scaled up production and lower production costs
  - The U.S's second largest man-made diamonds producer, WD Lab Grown Diamonds, filed for chapter 7 bankruptcy on 11 October 2023 and now will focus on industrial use of lab grown diamonds as WD Advanced Materials
  - Charles and Colvard, the US based lab diamond jewelry company, generated sales of \$5 million in Q3, down 33% year on year
- In a consumer trends report by Chow Tai Fook published in November, it was found 74% see natural diamonds as more premium, more luxurious and more valuable than LGDs
- Especially at lower price points - **lab-grown diamonds are creating incremental demand** that would not otherwise exist

## Pricing divergence continues for larger categories<sup>1</sup>





# Considerations beyond pricing and value



## Laboratory-grown diamonds are manufactured within weeks

- Two manufacturing processes exist ('Chemical Vapour Deposition' and 'High pressure High Temperature')
- Both manufacturing processes are energy-intensive<sup>1</sup>. In areas reliant on fossil fuels, the CO<sub>2</sub>e footprint is significant
- Over 60% of laboratory-grown diamonds are produced in China and India<sup>1</sup>
- As a manufacturing process, the opportunities for job creation and supporting local communities are different to natural diamonds
- Precedent with other gemstones where man-made or other 'treated' versions exist, but sell at a considerable discount to the natural stones

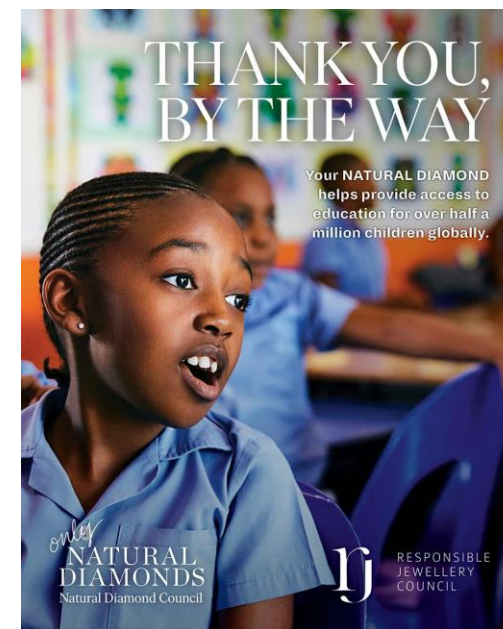
The Natural Diamond Council uses brand ambassadors and influencers to reach the modern consumer with campaigns showing positive social and environmental impact of natural diamonds

*Note 1: Natural Diamond Council*

*Note 2: Natural Diamond Council (De Beers data)*

## Natural diamonds were formed billions of years ago and each one is unique and rare

- Diamond-bearing kimberlites are rare; of 6,800 sampled kimberlites, only sixty are economic and seven, including Cullinan Mine, are Tier-1 (>US\$20bn reserves)<sup>2</sup>
- The annual recovery of 1 carat diamonds would fill an exercise ball, while that of 5 carats would fill a basketball<sup>1</sup>
- Their, rarity, natural beauty and strength has made them the ultimate gift of love and commitment



*Thank you, by the way campaign  
by the NDC highlighting the  
natural diamond industry's  
positive impact*





# Company outlook

Employee looking out over Cullinan Mine's plant



# FY 2024 Company outlook



## Ongoing stabilisation and optimisation of operations

**Cullinan Mine:** stabilised; continue to develop 813 and 833 Levels to ensure higher grade ore is brought to production from end June FY24

**Finsch:** manage near term volatility; continue development of 78-Level Phase II project to bring production online during FY24

**Williamson:** ramping up to steady state

## Building resilience to withstand weaker-for-longer market conditions

Reduction in operating and Group expenditure

Targeted deferral of capital projects

Maintaining tender flexibility

Increasing headroom and financial flexibility through increased RCF

## Minimising impact on value-growth led strategy

Production guidance maintained for FY24

Optimisation of capital projects through value engineering assessments

Flexible approach to restarting deferred extension projects

## Focus on improving traceability

Exploring options for implementing provenance technology to Petra sales to meet G7 sanctions deadline

Brand partnership considerations underway





# Q&A

One of our community education projects, My Maths Buddy – a dictionary of mathematical terms for teachers and pupils

