

16 January 2023

LSE: PDL

Petra Diamonds Limited

H1 FY 2023 Operating Update

Petra reports its operating results for the first half of FY 2023

Richard Duffy, Chief Executive Officer of Petra, commented:

“Despite some challenges in the first half of FY 2023, Petra continues to benefit from the operational improvements we have made across the business which provide for greater stability and resilience. As a result, we are seeing improvements to equipment and tunnel availability at Finsch, resulting in an increase in ROM grades from December 2022. At the Cullinan Mine, we have continued to mine and recover targeted tonnes as we continue to seek to mitigate the impact of the recent grade challenges experienced.

Although lower grades at the Cullinan Mine are now expected to continue through FY 2024, mitigating factors around the re-opening of Tunnels 36 and 41 and the completion of development of two new tunnels, Tunnels 46 and 50, are expected to start contributing to production in FY 2025 and more than offset the impact of lower grades this financial year and next. The CC1E project currently under development is further expected to contribute higher grade tonnes from the end of FY 2024 and return average grades towards the 40cpht level. At Finsch, the acquisition of new drill rigs and LHD loaders supports improved production in the second half of FY 2023.

Strong relationships at both government and local level, as well as a robust governance framework, provided for a swift response to the regrettable tailings storage facility (TSF) breach that occurred at Williamson on 7 November 2022. With this continued cooperation and focused team on the ground, I am confident production will resume safely from the beginning of FY 2024 and that the actions taken to date by Williamson Diamonds Limited will enable the environmental and social impacts to be fully remediated.

After having commenced mining in the early 1880s and being a renowned source of gem-quality white and coloured diamonds, the Board, in ongoing consultation with its stakeholders, has taken the difficult decision to cease operations and place Koffiefontein on care and maintenance. Engagement with our key stakeholders remains constructive as we seek to ensure an inclusive and responsible process towards mine closure.

Following on from the above, we have reduced our diamond production guidance for this financial year to circa 2.8 Mcts and 3.0 to 3.3 Mcts for FY 2024, which includes the impact of lost production at Williamson and Koffiefontein. Guidance in FY 2025 remains unchanged.

With a stronger product mix offsetting the recent softness in rough diamond prices, we remain confident that we will continue to generate cash to fund capex, allow further deleveraging and pay dividends.”

Highlights vs H1 FY 2022

- LTIFR and LTIs marginally increased to 0.19 and 7 respectively
- Ore processed decreased 4% to 5.4Mt, largely due to the suspension of production at Williamson and lower tonnes mined at Finsch

- Total diamond production decreased 21% to 1.4 million carats due to lower grades at the Cullinan Mine, lower tonnes mined at Finsch and production suspensions at Williamson and Koffiefontein
- Support from a weaker Rand and more stable diamond pricing
- Revenue amounted to US\$212.1 million (H1 FY 2022: US\$264.7 million)
 - Post the Tender 3 sales results announcement released on 13 December 2022, additional off-tender sales of some US\$4.3 million (40,246 carats) to local South African cutting & polishing clients were effected, bringing total rough diamond sales for the period to US\$210.7 million
 - Revenue includes US\$1.4 million from Petra's 50% share in the profit from the sale of polished stones cut from the 342.92 carat rough white diamond sold into a partnership for US\$10 million in August 2021
- Gross debt decreased to US\$241.7 million (30 June 2022: US\$366.2 million) reflecting the successful tender offer to repurchase second lien notes

Safety, sales and production	Unit	H1 FY 2023			H1 FY 2022		
		Q2	Q1	Total	Q2	Q1	Total
Safety							
LTIFR	-	0.22	0.16	0.19	0.06	0.31	0.18
LTIs	Number	4	3	7	1	5	6
Sales							
Diamonds sold	Carats	792,889	520,011	1,312,900	1,017,665	578,186	1,595,851
Revenue ¹	US\$m	107.8	102.9	210.7	149.9	114.9	264.7
Contribution from Exceptional Stones	US\$m	0.0	0.0	0.0	27.7	50.2	77.9
Production							
ROM tonnes	Tonnes	2,198,975	3,042,017	5,240,992	2,935,488	2,466,044	5,401,532
Tailings and other tonnes	Tonnes	92,375	105,715	198,090	122,699	115,593	238,292
Total tonnes treated	Tonnes	2,291,350	3,147,732	5,439,082	3,058,187	2,581,637	5,639,824
ROM diamonds	Carats	604,917	733,014	1,337,931	839,643	810,346	1,649,989
Tailings and other diamonds	Carats	31,612	30,206	61,818	61,370	66,065	127,435
Total diamonds	Carats	636,529	763,220	1,399,749	901,013	876,411	1,777,424

¹ Revenue reflects proceeds from the sale of rough diamonds and excludes revenue from profit share arrangements (as noted in the text above)

² Petra classifies "Exceptional Stones" as rough diamonds which sell for US\$5 million or more each

- Production guidance for FY 2023 & FY 2024 revised downwards from 3.3 to 3.6 Mcts for each of these years to circa 2.8 Mcts for FY 2023, increasing to 3.0 to 3.3 Mcts for FY 2024. The adjustment incorporates the impact of production curtailment at Williamson on FY 2023 of c. 200 kcts, cessation of production at Koffiefontein during H1 FY 2023 of c. 40 kcts p.a. for both FY 2023 and FY 2024, lower H1 FY 2023 production at Finsch compared to earlier guidance of c. 85 kcts and a restated grade forecast for the Cullinan Mine for FY 2023 and FY 2024 given accelerated waste ingress of c. 200 kcts per year for each of the two years

Production and guidance

- LTI and LTIFR increased marginally in H1 FY 2023 due to an increase in the number of LTIs, with the LTIFR impacted by a smaller number of hours worked at Koffiefontein. Petra continues to strive for a zero harm environment and has increased its focus on identifying and mitigating safety risks through behaviour-based intervention programmes.

- Cullinan Mine ROM grade reduced to 31.2cpht and is expected to be between 30cpht and 32cpht for the full year. As announced previously, this is attributable to the C-Cut cave maturity as the cave progresses from SW to NE. From March 2022, the C-Cut experienced early ingress of waste from the overlying depleted mining blocks. The change in ore makeup (lower grade and higher density) as a result of the cave progression also resulted in processing challenges due to the high process yields, causing a reduction in plant capacity to process tailings treatment.

Ingress of overlying waste into the extraction draw points is a natural process in block cave mining. However, the onset and rate of the observed waste ingress occurred earlier and much more rapidly than predicted by the depletion model provided by an independent external expert. The C-Cut depletion model has been recalibrated by the independent external expert and model parameters adjusted to obtain alignment between the modelled and observed waste ingress. Once the ingress of waste commences, dilution of the ore is unavoidable and will increase as the cave maturity progresses. The impact of the change in the ore makeup on treatment capacity has, however, been largely negated with changes made in the dense media separation plant.

Several mitigating action plans to reduce the loss in carats are being considered and evaluated. Tailings treatment has been optimised but, in isolation, is not sufficient to address the extent of the carat loss associated with waste ingress in the C-Cut. Other mitigation action plans include the re-opening of Tunnels 36 and 41, which have already commenced, and the establishment of two new tunnels, Tunnels 46 and 50 (C-Cut extension), which are being evaluated. The re-opening of Tunnels 36 and 41 and the establishment of Tunnels 46 and 50 are expected to provide additional volume from FY 2025 onwards. Early development spend has been approved for Tunnels 46 and 50 and the additional production from these two tunnels is expected to more than offset the impact of lower grades in FY 2023 and FY 2024. Production from the CC1E capital expansion project will contribute meaningfully from FY 2025 onwards and is expected to see grades move back towards 40cpht.

As a consequence of the continued lower grades being experienced, production guidance for the full year and for FY 2024, which was expected to be towards the lower end of guidance, is now expected to fall below previously guided ranges with an annual negative impact of around 200 to 250 kcts for both FY 2023 and FY 2024, with FY 2025 guidance remaining unchanged at 1.7 to 1.9 Mct.

- Finsch mined and treated 1.1Mt in H1 FY 2023. Finsch experienced further production challenges in Q2 FY 2023, resulting in tonnes hoisted and treated being significantly below target in the first half. These challenges included low machine availability owing to an aging underground fleet, challenges with the centralised blasting system and emulsion quality and an extended rock-winder breakdown. In December 2022, production improved on the back of new underground equipment being delivered and commissioned following the previously announced increased lead-times, coupled with positive changes to the blasting process. These blasting process changes, together with the introduction of new long hole drill rigs and Load Haul Dump (LHDs) loaders as well as the appointment of individuals to a number of key positions, supports the expected improvement in production in the second half.

The lower production in the first half is expected to result in full year production falling short of earlier guidance by some 75kcts. Guidance for FY 2024 onwards remains unchanged.

- Production at Williamson was trending positively against guidance until the TSF breach in November 2022. Following the incident, all production activities were suspended, with no further production expected for FY 2023. On-mine activities are focused on remedial steps and critical maintenance to allow for a smooth start-up once the TSF has been recommissioned. A separate announcement will be released shortly by the Company to provide an update on activities at Williamson since the incident.

On 28 November 2022, the Independent Grievance Mechanism (IGM) at Williamson became operational with the commencement of the IGM's pilot phase. A detailed update, dated 30 November 2022, of the IGM work undertaken since July 2022, the Restorative Justice

Projects that are being put in place to provide sustainable benefits to the communities located close to the mine and illegal incursions onto the Williamson mine lease area during Q1 FY 2023 is set out here: [Williamson-IGM-and-RJPs-November-Update-for-website-29-November-22.pdf \(petradiamonds.com\)](https://www.petradiamonds.com/investors/analysts/analyst-guidance/Williamson-IGM-and-RJPs-November-Update-for-website-29-November-22.pdf)

- As previously announced, Petra has been exploring options for a responsible exit at Koffiefontein as the mine approaches the end of its mine plan and with the sales process announced in April 2022 having not resulted in a potential buyer for the mine. The asset has been loss-making for several years and low morale remains a risk to the mine's safety performance. A Section 189(3) notice was issued to all KDM employees during November 2022 informing them of the economic realities of the mine and inviting them to join a collaborative process to determine the optimal way forward towards achieving the mine being placed on care and maintenance. Operations were halted to ensure all assessed risks were adequately mitigated for. Our consultations with the mine's key stakeholders remain constructive and we are optimistic that an inclusive and responsible process towards mine closure will be achieved. As a result, further production from Koffiefontein has been removed from our updated guidance.
- Guidance – the following items are amended, with items not shown being unchanged with reference to earlier guidance. Updated cost and capital guidance, including actual results to December 2022, will be provided with the Company's interim results on 21 February 2023.

		Original Guidance	Restated Guidance
Group	Carats recovered - FY 2023 - FY 2024	3.3 – 3.6 Mcts 3.3 – 3.6 Mcts	~2.8 Mcts ~3.0 – 3.3 Mcts
Cullinan Mine	Carats recovered - FY 2023 - FY 2024 ROM grade - FY 2023 - FY 2024	1.61 – 1.79 Mcts 1.66 – 1.85 Mcts 36.5 – 38.5 cpht 36.7 – 38.8 cpht	1.4 – 1.5 Mcts 1.45 – 1.55 Mcts ~30.8 cpht ~30.7 cpht
Finsch	Carats recovered - FY 2023	1.28 – 1.39 Mcts	1.15 – 1.25 Mcts
Williamson	Carats recovered - FY 2023	319 – 358 kcts	141 kcts
Koffiefontein	Carats Recovered - FY 2023 - FY 2024 - FY 2024	47 – 52 kcts 45 – 49 kcts 29 – 32 kcts	6 kcts n/a n/a

More detailed guidance is available on Petra's website at <https://www.petradiamonds.com/investors/analysts/analyst-guidance/>

Balance sheet further strengthened through successful debt tender offer

- Balance Sheet as at 31 December 2022:
 - Gross debt decreased to US\$241.7 million (30 June 2022: US\$366.2 million) reflecting the successful tender offer in September/October 2022 to repurchase second lien notes.
 - Gross cash of US\$146.6 million (30 June 2022: US\$288.2 million) and unrestricted cash of US\$130.4 million (30 June 2022: US\$271.9 million) reflecting the repurchase of the Company's loan notes totalling US\$145.0 million during the period.
 - Consolidated net debt of US\$90.8 million (30 June 2022: US\$40.6 million) increased due partly to timing of the Company's tender cycles and resultant inventory build during the period together with the previously announced increase in capital expenditure for the expansion projects at the Cullinan Mine and Finsch.

Outlook

Although the recent grade and dilution issues at the Cullinan Mine are expected to impact production for the remainder of FY 2023 and FY 2024, the impact of this on the business is expected to be more than offset from FY 2025. Production from Tunnels 46 and 50 are not included in Cullinan Mine's

current LOM plan and therefore provide incremental tonnes and carats. At Finsch, the successful commissioning of a new underground fleet and appointment of individuals to a number of key positions are expected to lead to improved production in H2 FY 2023. At Williamson, remedial steps and critical maintenance are ongoing to allow for a smooth and safe start-up once the TSF has been recommissioned, which is expected from the beginning of FY 2024. Production at Koffiefontein will remain halted while we continue to engage with our key stakeholders to determine the optimal way forward in moving towards placing the mine on care and maintenance as part of finalising a responsible process towards mine closure.

The backdrop of structural changes to the supply and demand fundamentals in the diamond market remains unchanged and we anticipate it to remain supportive going forward. We are cautiously optimistic that the resilience seen in the luxury goods market, together with the easing of lockdown restrictions in China, will lead to a stabilisation of prices in the early part of CY 2023.

This announcement includes inside information as defined in Article 7 of the UK Market Abuse Regulation No. 596/2014 and is being released on behalf of Petra by the Company Secretary.

INVESTOR WEBCASTS

Webcast presentation for institutional investors and analysts

09:30am GMT tomorrow, 17 January 2023

Petra's CEO, Richard Duffy, and CFO, Jacques Breytenbach, will host a webcast for institutional investors and analysts tomorrow to discuss this trading update at 09:30 GMT.

Please register at:

<https://www.investis-live.com/petra-diamonds/63c12fedaba36a0c0021ee6a/hyaie>

Dial in details:

United Kingdom	0800 640 6441
South Africa	087 550 8441
United States (Local)	1 646 664 1960
All other locations	+44 20 3936 2999

09:30: Access code: 723364

*Press *1 to ask a question, *2 to withdraw your question, or *0 for operator assistance.*

Link for recording (available later in the day):

<https://www.petradiamonds.com/investors/results-reports/>

Investor Meet webcast at 14.30 GMT on 17 January 2023

Petra will also present the results on the Investor Meet Company platform, predominantly aimed at retail investors. To join: <https://www.investormeetcompany.com/petra-diamonds-limited/register-investor>

FURTHER INFORMATION

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Notes:

1. The following definitions have been used in this announcement:
 - a. *Exceptional Stones: diamonds with a valuation and selling price of US\$5m or more per stone*
 - b. *cph: carats per hundred tonnes*
 - c. *LTIs: lost time injuries*
 - d. *LTIFR: lost time injury frequency rate, calculated as the number of LTIs multiplied by 200,000 and divided by the number of hours worked*
 - e. *FY: financial year ending 30 June*
 - f. *CY: calendar year ending 31 December*
 - g. *H: half of the financial year*
 - h. *ROM: run-of-mine (i.e. production from the primary orebody)*
 - i. *m: million*
 - j. *Mt: million tonnes*
 - k. *LHD: Load Haul Dump loaders*

ABOUT PETRA DIAMONDS

Petra Diamonds is a leading independent diamond mining group and a supplier of gem quality rough diamonds to the international market. The Company's portfolio incorporates interests in three underground mines in South Africa (Finsch, the Cullinan Mine 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 which supports the potential for long-life operations.

Petra strives to conduct all operations according to the highest ethical standards and only operates 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'. The Company's loan notes due in 2026 are listed on the Irish Stock Exchange and admitted to trading on the Global Exchange Market. For more information, visit www.petradiamonds.com.

Corporate and financial summary 31 December 2022

	Unit	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022
Cash at bank – (including restricted amounts) ¹	US\$m	146.6	154.0	288.2
Diamond debtors	US\$m	4.3	4.2	37.4
Diamond inventories ^{2,3}	US\$m	59.9	76.3	52.7
	Carats	540,153	692,219	453,380
2026 US\$336.7m loan notes ⁴	US\$m	241.7	235.8	366.2
Bank loans and borrowings ⁵	US\$m	—	—	—
Consolidated Net Debt ⁶	US\$m	90.8	77.6	40.6
Bank facilities undrawn and available ⁵	US\$m	58.8	55.1	61.5

Note: The following exchange rates have been used for this announcement: average for H1 FY 2023 US\$1: ZAR17.32 (FY 2022: US\$1: ZAR15.22); closing rate as at 31 December 2022 US\$1: ZAR17.00 (30 June 2022: US\$1: ZAR16.27).

Notes:

1. The Group's cash balances comprise unrestricted balances of US\$130.4 million, and restricted balances of US\$16.2 million.
2. Recorded at the lower of cost and net realisable value.
3. Diamond inventories includes the Williamson 71,654.45 carat parcel of diamonds blocked for export during August 2017, with a carrying value of US\$12.5 million. Under the framework agreement reached with the Government of Tanzania, as announced on 13 December 2021, the proceeds from the sale of this parcel are required to be allocated to Williamson.
4. The 2026 US\$336.7 million loan notes, originally issued following the capital restructuring (the "Restructuring") completed during March 2021, have a carrying value of US\$241.7 million which represents the outstanding principal amount of US\$210.2 million (after the early participation phase of the debt tender offers as announced in September and October 2022) plus US\$45.5 million of accrued interest and net of unamortised transaction costs capitalised of US\$14.0 million.
5. Bank loans and borrowings represent the Group's ZAR1 billion revolving credit facility which remains undrawn and available.
6. Consolidated Net Debt is bank loans and borrowings plus loan notes, less cash and diamond debtors.

Mine-by-mine tables:

Cullinan Mine – South Africa

	Unit	H1 FY 2023			H1 FY 2022		
		Q2	Q1	Total	Q2	Q1	Total
Sales							
Revenue	US\$m	45.8	56.9	102.7	74.9	92.8	167.7
Diamonds sold	Carats	400,999	267,728	668,727	500,008	372,296	872,304
Average price per carat	US\$	114	212	154	150	249	192
ROM Production							
Tonnes treated	Tonnes	1,120,282	1,110,912	2,231,194	1,099,643	1,207,343	2,306,986
Diamonds produced	Carats	328,137	368,796	696,933	411,235	431,967	843,202
Grade ¹	Cpht	29.3	33.2	31.2	37.4	35.8	36.5
Tailings Production							
Tonnes treated	Tonnes	62,178	77,572	139,750	122,700	115,593	238,293
Diamonds produced	Carats	28,211	26,790	55,001	61,370	66,065	127,435
Grade ¹	Cpht	45.4	34.5	39.4	50.0	57.2	53.5
Total Production							
Tonnes treated	Tonnes	1,182,460	1,188,484	2,370,944	1 222,343	1,322,936	2,545,279
Diamonds produced	Carats	356,348	395,586	751,934	472,605	498,032	970,637

Note: 1. Petra 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.

Finsch – South Africa

	Unit	H1 FY 2023			H1 FY 2022		
		Q2	Q1	Total	Q2	Q1	Total
Sales							
Revenue	US\$m	32.0	23.4	55.4	46.4	19.3	65.7
Diamonds sold	Carats	283,833	177,285	461,118	474,643	201,652	676,295
Average price per carat	US\$	113	132	120	98	96	97
ROM Production							
Tonnes treated	Tonnes	522,578	572,976	1,095,554	721,741	701,378	1,423,119
Diamonds produced	Carats	234,150	260,217	494,367	351,175	350,368	701,543
Grade ¹	Cpht	44.8	45.4	45.1	48.7	50.0	49.3
Tailings Production							
Tonnes treated	Tonnes	30,197	17,305	47,502	-	-	-
Diamonds produced	Carats	3,402	3,160	6,562	-	-	-
Grade ¹	Cpht	11.3	18.3	13.8	-	-	-
Total Production							
Tonnes treated	Tonnes	552,775	590,281	1,143,056	721,741	701,378	1,423,119
Diamonds produced	Carats	237,552	263,377	500,929	351,175	350,368	701,543

Note: 1. Petra 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.

Williamson – Tanzania

	Unit	H1 FY 2023			H1 FY 2022		
		Q2	Q1	Total	Q2	Q1	Total
Sales							
Revenue	US\$m	27.9	21.2	49.1	20.2	-	20.2
Diamonds sold	Carats	103,829	71,295	175,124	26,611	-	26,611
Average price per carat	US\$	269	297	280	760	-	760
ROM Production							
Tonnes treated	Tonnes	520,017	1,309,359	1,829,376	988,978	365,138	1,354,116
Diamonds produced	Carats	39,766	100,750	140,516	68,453	14,420	82,873
Grade ¹	Cpht	7.6	7.7	7.7	6.9	3.9	6.1
Total Production							
Tonnes treated	Tonnes	520,017	1,309,359	1,829,376	988,978	365,138	1,354,116
Diamonds produced	Carats	39,766	100,750	140,516	68,453	14,420	82,873

Koffiefontein – South Africa

Romelonite™ – South Africa

	Unit	H1 FY 2023			H1 FY 2023		
		Q2	Q1	Total	Q2	Q1	Total
Sales							
Revenue	US\$m	2.2	1.4	3.6	8.3	2.8	11.1
Diamonds sold	Carats	4,228	3,703	7,931	16,400	4,238	20,638
Average price per carat	US\$	508	383	450	505	664	538
ROM Production							
Tonnes treated	Tonnes	36,099	48,770	84,869	125,126	192,184	317,310
Diamonds produced	Carats	2,862	3,253	6,115	8,779	13,592	22,371
Grade ¹	Cpht	7.9	6.7	7.2	7.0	7.1	7.1
Tailings Production							
Tonnes treated	Tonnes	-	10,837	10,837	-	-	-
Diamonds produced	Carats	-	255	255	-	-	-
Grade ¹	Cpht	-	2.4	2.4	-	-	-
Total Production							
Tonnes treated	Tonnes	36,099	59,607	95,706	125,126	192,184	317,310
Diamonds produced	Carats	2,862	3,508	6,370	8,779	13,592	22,371

Note: 1. Petra 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.