

24 October 2023

LSE: PDL

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

Q1 FY 2024 Operating Update

Petra reports improved diamond production in the first quarter of FY 2024

Richard Duffy, Chief Executive Officer of Petra, commented:

"With stabilising operations at Cullinan Mine and Finsch, and Williamson resuming production ahead of schedule, production increased 12% from the previous quarter. This was accompanied by a continuation of our strong safety performance from Q4 FY 2023 following our renewed safety focus.

We believe the actions taken by the major producers to curb supply and the two-month Indian diamond import moratorium will assist in stabilising the market and supporting prices as inventory levels reduce. Whilst we continue to see support for the market in the medium to longer term as a result of the structural supply deficit, we are taking prudent steps to enhance our business resilience in light of these market challenges and uncertainties that are expected to continue over the coming months. By bringing forward our second tender of FY 2024 we were able to sell 75% of our goods ahead of the moratorium, with the balance sold shortly after. We are in discussions with our first lien lender to upsize our existing Revolving Credit Facility and are evaluating options to provide further financial flexibility, such as optimising our operational expenditure and deferring capital spend.

We are confident these actions will enable us to navigate this period of market weakness whilst limiting the impact on our value-led growth strategy."

Highlights vs Q4 FY 2023

- We maintained our improved safety performance with LTIs and LTIFR remaining at 2 and 0.12, respectively.
- Total diamond production increased 12% to 696,639 carats mainly due to Williamson successfully resuming operations ahead of schedule. Production at Cullinan Mine was largely in line with expectations, with a small increase in tonnes treated offset by grade trending towards the lower end of expectations. At Finsch, tonnes treated decreased 23% from the preceding quarter, largely offset by a 26% increase in ROM grade, reflecting increased quarter-on-quarter volatility associated with the sub-level cave maturity. Production guidance for FY 2024 remains unchanged.
- Revenue totalled US\$97.6 million, which included Tender 1 sales of US\$79.3 million and a portion of Tender 2 sales concluded prior to 30 September, with the balance of Tender 2 adding a further US\$22.2 million post period end.
- Unrestricted cash balances amounted to US\$56.5 million (30 June 2023: US\$44.1 million), with a further US\$33.0 million (30 June 2023: US\$8.9 million) cash received from diamond debtors shortly after period end. Cash balances include a ZAR850 million (US\$45.0 million) drawdown from the Company's ZAR1 billion (US\$53.0 million) Revolving Credit Facility.

- Consolidated net debt increased to US\$192.4 million (30 June 2023: US\$176.8 million) due to the timing of closing the Company's sales tenders, the continued lower diamond pricing environment, working capital funding for the resumption of mining at Williamson and the increasing capex spend profile, as previously announced, to extend the life of our operations at Cullinan Mine and Finsch.

Operating Summary

	Unit	FY 2024 Q1	FY 2023				
			Q4	Var.	Q1	Var.	12 months
Safety							
LTIFR	Rate	0.12	0.12	-	0.16	-25%	0.24
LTIs	Number	2	2	-	3	-33%	17
Sales							
Diamonds sold	Carats	932,431	561,624	+66%	516,308	+81%	2,329,799
Revenue ¹	US\$m	97.6	49.9	+96%	101.4	-4%	323.9
Contribution from Exceptional Stones ²	US\$m	0.0	0.0	-	0.0	-	0.0
Production							
ROM tonnes	Mt	2.7	1.8	+49%	3.0	-9%	8.6
Tailings and other tonnes	Mt	0.1	0.1	-	0.1	-	0.4
Total tonnes treated	Mt	2.8	1.9	+46%	3.1	-9%	9.0
ROM diamonds	Carats	652,021	592,374	+10%	729,761	-11%	2,517,309
Tailings and other diamonds	Carats	44,618	27,644	+61%	29,951	+49%	149,216
Total diamonds	Carats	696,639	620,018	+12%	759,712	-8%	2,666,525

¹ Revenue reflects proceeds from the sale of rough diamonds and excludes revenue from profit share arrangements

² Petra classifies "Exceptional Stones" as rough diamonds which sell for US\$15 million or more each

INVESTOR WEBCASTS

Webcast presentation for institutional investors and analysts at 09:30am BST today

Petra's CEO, Richard Duffy, and CFO, Jacques Breytenbach, will host a live webcast including Q&A for institutional investors and analysts today at 09:30 BST to discuss this operating update.

Webcast link for live presentation: https://brrmedia.news/PDL_Q1FY24

Dial in details:

United Kingdom	033 0551 0200
South Africa	0800 980 512
United States (Local)	+1 786 697 3501

Password (if prompted): Quote "Petra Diamonds Q1 Operations Update"

Link for recording (available later in the day):

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

Investor Meet Company webcast at 14.30pm BST today

Petra's CEO, Richard Duffy, and CFO, Jacques Breytenbach, will also present these results live 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. *cph*: carats per hundred tonnes
 - b. *LTIs*: lost time injuries
 - c. *LTIFR*: lost time injury frequency rate, calculated as the number of *LTIs* multiplied by 200,000 and divided by the number of hours worked
 - d. *FY*: financial year ending 30 June
 - e. *CY*: calendar year ending 31 December
 - f. *Q*: quarter of the financial year
 - g. *ROM*: run-of-mine (i.e. production from the primary orebody)
 - h. *m*: million
 - i. *Mt*: million tonnes
 - j. *period*: the first quarter of FY 2024

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 (Cullinan Mine, Finsch and Koffiefontein) and one open pit mine in Tanzania (Williamson). The Koffiefontein mine is currently on care and maintenance in preparation for closure.

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 30 September 2023

	Unit	As at 30 September 2023	As at 30 June 2023	As at 31 December 2022	As at 30 September 2022
Cash at bank – (including restricted amounts) ¹	US\$m	74.3	61.8	146.6	154.0

Diamond debtors	US\$m	33.0	8.9	4.3	4.2
Diamond inventories ^{2,3,4}	US\$m	51.8	65.9	59.9	76.3
	Carats	479,430	715,222	540,153	692,219
2026 US\$336.7m loan notes ⁴	US\$m	254.6	247.5	241.7	235.8
Bank loans and borrowings ⁵	US\$m	45.0	—	—	—
Consolidated Net Debt ⁶	US\$m	192.4	176.8	90.8	77.6
Bank facilities undrawn and available ⁵	US\$m	7.9	53.1	58.8	55.1

Note: The following exchange rates have been used for this announcement: average for 3M FY 2024 US\$1: ZAR18.65 (FY 2023: US\$1: ZAR17.77); closing rate as at 30 September 2023 US\$1: ZAR18.92 (30 June 2023: ZAR18.83, 31 December 2022: US\$1: ZAR17.00, and September 2022: ZAR18.15).

Notes:

1. The Group's cash balances comprise unrestricted balances of US\$56.5 million (30 June 2023: US\$44.1 million), and restricted balances of US\$17.8 million (30 June 2023: US\$17.0 million).
2. Recorded at the lower of cost and net realisable value.
3. Diamond inventories for periods prior to 30 June 2023 include the 71,654.45 carat Williamson parcel of diamonds blocked for export during August 2017, with a carrying value of US\$12.5 million. Under the Framework Agreement entered into with the Government of Tanzania (GoT) in December 2021, it is stated that the proceeds from the sale of this parcel are to be applied to the Williamson mine to assist with the restart of operations and that in the event such proceeds are not received by Williamson, Williamson is not required to pay a US\$20 million liability relating to the settlement of past tax disputes. During earlier discussions, the GoT confirmed that the blocked parcel was partially sold during FY 2023 and so this parcel was excluded from diamond inventories in the Group's FY 2023 accounts and expensed to other direct mining expense with the calculated fair value proceeds of US\$12.4 million for the blocked parcel recognised as other direct mining income and trade and other receivables as at 30 June 2023. During these discussions, the parties also confirmed their intent to resolve the treatment of the blocked parcel sale proceeds and the related US\$20 million settlement liability.
4. Post period-end, the Company completed Tender 2 with the sale of 207,792 carats from Cullinan Mine and Finsch, yielding US\$22.2 million.
5. 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\$254.6 million which represents the outstanding principal amount of US\$209.7 million (after the debt tender offers as announced in September and October 2022) plus US\$54.4 million of accrued interest and is stated net of unamortised transaction costs capitalised of US\$9.5 million.
6. Bank loans and borrowings represent the Group's ZAR1 billion revolving credit facility (RCF). During Q1 FY 2024, as a result of the deferment of the June 2023 diamond tender, the Group drew down ZAR850 million (US\$44.9 million) on the RCF.
7. 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	FY 2024	FY 2023				
		Q1	Q4	Var.	Q1	Var.	12 months
Sales							
Revenue	US\$m	51.1	30.9	+65%	56.9	-10%	181,5
Diamonds sold	Carats	519,362	327,429	+59%	267,728	+94%	1,306,457
Average price per carat	US\$	98	94	+4%	212	-54%	139
ROM Production							
Tonnes treated	Tonnes	1,137,436	1,120,346	+2%	1,110,912	+2%	4,376,595
Diamonds produced	Carats	318,261	323,535	-2%	368,796	-14%	1,343,191
Grade ¹	Cpht	28.0	28.9	-3%	33.2	-16%	30.7
Tailings Production							
Tonnes treated	Tonnes	91,008	102,193	-11%	77,572	+17%	352,375
Diamonds produced	Carats	44,618	27,644	+61%	26,790	+67%	142,654
Grade ¹	Cpht	49.0	27.1	+81%	34.5	+42%	40.5
Total Production							
Tonnes treated	Tonnes	1,228,443	1,222,539	+0	1,188,484	+3%	4,728,970
Diamonds produced	Carats	362,879	351,179	+3%	395,586	-8%	1,485,846

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	FY 2024	FY 2023				
		Q1	Q4	Var.	Q1	Var.	12 months
Sales							
Revenue	US\$m	38.9	19.0	+105%	23.4	+66%	93.4
Diamonds sold	Carats	375,214	234,195	+60%	177,285	+112%	848,236
Average price per carat	US\$	104	81	+28%	132	-22%	110
ROM Production							
Tonnes treated	Tonnes	544,140	706,497	-23%	572,976	-5%	2,431,261
Diamonds produced	Carats	259,864	268,839	-3%	260,217	-0%	1,033,602
Grade ¹	Cpht	47.8	38.1	+26%	45.4	+5%	42.5
Tailings Production							
Tonnes treated	Tonnes	-	-	-	17,305	-100%	47,502
Diamonds produced	Carats	-	-	-	3,160	-100%	6,562
Grade ¹	Cpht	-	-	-	18.3	-100%	13.8
Total Production							
Tonnes treated	Tonnes	544,140	706,497	-23%	590,281	-8%	2,478,764
Diamonds produced	Carats	259,864	268,839	-3%	263,377	-1%	1,040,164

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

Williamson – Tanzania							
	Unit	FY 2024	FY 2023				
		Q1	Q4	Var.	Q1	Var.	12 months
Sales							
Revenue	US\$m	7.7	-	+100%	21.1	-64%	49.1
Diamonds sold	Carats	37,856	-	+100%	71,295	-47%	175,124
Average price per carat	US\$	203	-	+100%	297	-32%	280
ROM Production							
Tonnes treated	Tonnes	1,035,911	-	+100%	1,309,359	-21%	1,829,376
Diamonds produced	Carats	73,896	-	+100%	100,750	-27%	140,516
Grade ¹	Cpht	7.1	-	+100%	7.7	-7%	7.7
Total Production							
Tonnes treated	Tonnes	1,035,911	-	+100%	1,309,359	-21%	1,829,376
Diamonds produced	Carats	73,896	-	+100%	100,750	-27%	140,516

Capital expenditure breakdown

US\$m	Q1 FY 2024			FY 2023
	Extension	Stay-in-Business	Total	Total
Cullinan Mine	13.1	2.4	15.5	52.8
Finsch	7.1	2.7	9.8	43.2
Williamson	—	4.7	4.7	19.3
Total	20.2	9.8	30.0	115.3