

18 July 2023

LSE: PDL

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

Q4 and FY 2023 Operating Update and Guidance for FY 2024 to FY 2026

Petra remains on track to deliver strong production growth supported by the restart of Williamson ahead of plan

Richard Duffy, Chief Executive Officer of Petra, commented:

"With an operational turnaround underway at Finsch, the restart of Williamson ahead of schedule and our capital projects on-track to deliver incremental growth, we are reiterating guidance for annual group production to increase by up to one million carats in FY 2025 and issuing further guidance of up to an additional 300kct increase for FY 2026. Operations at both Cullinan Mine and Finsch are now largely stabilised, enabling us to focus on reducing waste dilution and improving grades. These advancements have been supported by a much improved safety performance in Q4 FY 2023.

Mitigating steps have been successfully implemented to address grade issues experienced at Cullinan Mine and Finsch in the final quarter that resulted in FY 2023 production coming in marginally below guidance. Grades at both operations have now reverted to planned levels.

As previously announced, our strong balance sheet and flexible sales process enabled us to postpone the majority of our Tender 6 rough diamond sales into FY 2024 on the back of what we believe to be a temporary slowdown in demand for rough diamonds. We continue to expect a supportive diamond market in the medium to longer term as a result of the structural supply deficit, which will benefit our strong growth profile"

Highlights

- LTIs and the LTIFR in Q4 FY 2023 reduced to 2 and 0.12, respectively, following our renewed safety focus directed at addressing the regression seen in previous quarters
- Total diamond production decreased 5% to 620,018 carats from the previous quarter due to lower grades at Cullinan Mine and Finsch, with remediation steps now implemented at both mines. As a result, FY 2023 production of 2.67 Mcts (FY 2022: 3.35 Mcts) was marginally below previous guidance of 2.75 - 2.85 Mcts
- In June, US\$7.8 million of sales were concluded to meet regulatory requirements to sell to South African cutters & polishers, bringing total rough diamond sales for Q4 FY 2023 to US\$49.9 million (Q4 FY 2022: US\$179.8 million) and FY 2023 sales to US\$328.4 million (FY 2022: US\$584.1 million). Like-for-like prices¹ increased by around 2% year-on-year and revenue from profit share agreements increased to US\$1.4 million (FY 2022: US\$1.1 million). The year-on-year reduction in revenues mainly relates to:
 - a lower contribution from Exceptional Stones² with US\$12.6 million in FY 2023 (FY 2022: US\$89.1 million); and

¹Like-for-like refers to the change in realised prices between tenders and excludes revenue from all single stones and Exceptional Stones, while normalising for the product mix impact

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

- a 34% reduction in rough diamonds sold due to a 20% reduction in diamonds recovered plus the deferral of Tender 6 sales and 75.9 kcts of predominantly higher value stones from Tender 5 from FY 2023 to FY 2024
- Due to the deferred sales, diamond inventory increased to 715.2 kcts (valued at US\$65.9 million) at period end, compared to 381.7 kcts (US\$40.2 million) at 30 June 2022 (both exclude the 71.6 kcts from Williamson's blocked parcel)
- Post period-end, Williamson received final regulatory approvals and consents to commission the newly constructed Tailings Storage Facility (TSF). Commissioning of the TSF and treatment plant commenced in July with the resumption of production occurring ahead of schedule
- At Koffiefontein, care and maintenance activities are ongoing as we prepare for a responsible closure
- Support from a weaker Rand continued throughout the quarter, with the USD:ZAR closing at 18.83 on 30 June 2023 (30 June 2022: 16.27) and averaging 17.77 for FY 2023 (FY 2022: 15.22)
- Gross debt decreased to US\$247.3 million (30 June 2022: US\$366.2 million), reflecting the repurchase of a portion of the 2026 Loan Notes. Consolidated net debt increased to US\$176.7 million (30 June 2022: US\$40.6 million) due to the deferral of diamond sales to FY 2024 coupled with planned higher capital expenditure associated with the mine plan extension projects

		Three months				12 months		
		Q4 FY 2023	Q3 FY 2023	Var.	Q4 FY 2022	FY 2023	FY 2022	Var.
Safety								
LTIFR	-	0.12	0.47	+74%	0.34	0.24	0.22	-9%
LTIs	Number	2	8	+75%	6	17	15	-13%
Sales								
Diamonds sold	Carats	561,624	465,138	+21%	1,205,240	2,339,662	3,536,316	-34%
Revenue ¹	US\$m	49.9	67.8	-26%	179.8	328.4	584.1	-44%
Contribution from Exceptional Stones	US\$m	5.6	7.0	-20%	5.7	12.6	89.1	-86%
Production								
ROM tonnes	Tonnes	1,826,843	1,654,267	10%	3,045,843	8,722,101	11,239,768	-22%
Tailings and other tonnes	Tonnes	102,193	110,431	-7%	65,628	410,714	416,335	-1%
Total tonnes treated	Tonnes	1,929,036	1,764,698	9%	3,111,471	9,132,816	11,656,103	-22%
ROM diamonds	Carats	592,374	593,691	0%	717,373	2,523,996	3,148,258	-20%
Tailings and other diamonds	Carats	27,644	60,009	-54%	28,417	149,471	205,412	-27%
Total diamonds	Carats	620,018	653,700	-5%	745,790	2,673,467	3,353,670	-20%

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

Outlook and guidance

Actions taken in recent years to strengthen the business and improve cash flow generation alongside capital discipline initiatives have left Petra well positioned to take advantage of the supportive diamond market fundamentals expected in the medium to longer term. Petra's current capital projects remain on track to deliver a substantial production increase over the next three years as work continues on the CC1-E and C-Cut extension projects at Cullinan Mine as well as the Lower Block 5 3-level 90L sub level cave extension project at Finsch. A slower ramp-up than originally anticipated resulted in a modest downward adjustment to carats recovered in FY 2024 and FY 2025 compared to previous guidance, largely attributable to project re-scheduling which has deferred some production from FY 2025 to FY 2026.

- Projects at both Cullinan Mine and Finsch remain on-track to deliver incremental production growth over the next three years, with a portion of unspent FY 2023 capex deferred to FY 2024
- These projects will support delivery of the approved mine plans to 2032 at Cullinan Mine, 2031 at Finsch and 2030 at Williamson, with significant further extension opportunities thereafter which Petra continues to explore as part of its value-led growth strategy
- Grades at Cullinan Mine and Finsch have largely stabilised, with an increase expected at both operations, and particularly at Cullinan Mine, once the mine plan extension projects commence production in FY 2025
- Williamson's start-up commenced in July 2023 ahead of schedule, with a steady ramp-up anticipated to achieve FY 2024 production guidance
- Recent inflationary pressures are being mitigated through robust cost control and the benefit of a weaker Rand
- Detailed closure planning for Koffiefontein is currently underway. Future costs will be provisioned in the FY 2023 accounts and, as a result, cost guidance excludes costs associated with Koffiefontein. Further detail will be shared in Petra's preliminary results in September 2023
- Discussions with organised labour concerning a new wage agreement for the South African operations are planned to commence in the coming months given the current agreement ends in June 2024
- Petra plans to host a capital markets day early in CY 2024 to provide further information on the potential of Petra's assets beyond the currently approved mine plans

FY 2024 - 2026 Group guidance summary¹

	FY 2024E	FY 2025E	FY 2026E
Total carats recovered (Mcts)	2.9 – 3.2	3.4 – 3.7	3.7 – 4.0
Cash on-mine costs and G&A (US\$m) ²	270 – 290	270 – 290	280 – 300
Extension capex (US\$m) ²	124 - 135	109 – 125	85 – 92
Sustaining capex (US\$m) ²	31 – 36	24 – 28	24 – 28

Note 1: More detailed guidance may be found on Petra's website at:

<https://www.petradiamonds.com/investors/analysts/analyst-guidance/>

Note 2: Real amounts stated in FY 2024 money terms using 6% SA CPI & 2.5% US CPI. US\$ equivalent for SA operations converted at USD:ZAR exchange rate of 18.36

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 for institutional investors and analysts today at 09:30 BST to discuss this operating update.

Webcast link for live presentation: https://brrmedia.news/PDL_Q423

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 Operating 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 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. *cpht: 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. *kcts: thousand carats*
 - k. *Mcts: million carats*

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 of 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

	Unit	As at 30 June 2023	As at 31 March 2023	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022
Cash at bank – (including restricted amounts) ¹	US\$m	61.8	96.8	146.6	154.0	288.2
Diamond debtors	US\$m	8.9	27.0	4.3	4.2	37.4
Diamond inventories ^{2,3}	US\$m	65.9	73.9	59.9	76.3	52.7
	Carats	715,222	728,765	540,153	692,219	453,380
2026 US\$336.7m loan notes ⁴	US\$m	247.3	248.5	241.7	235.8	366.2
Bank loans and borrowings ⁵	US\$m	—	—	—	—	—
Consolidated Net Debt ⁶	US\$m	176.7	124.7	90.8	77.6	40.6
Bank facilities undrawn and available ⁵	US\$m	53.1	56.2	58.8	55.1	61.5

Note: The following USD:ZAR exchange rates have been used for this announcement: average for FY 2023 of 17.77 (FY 2022: 15.22); closing rate on 30 June 2023: 18.83 (31 March 2023: 17.78, 31 December 2022: 17.00, 30 September 2022: 18.15 and 30 June 2022: 16.27).

Notes:

1. The Group's cash balances comprise unrestricted balances of US\$44.1 million, and restricted balances of US\$17.7 million.
2. Recorded at the lower of cost and net realisable value. As at 30 June 2023, inventories comprised c.400kcts of Cullinan Mine goods with the balance from Finsch
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 recent discussions, the GoT confirmed that the blocked parcel was partially sold during the period and so this parcel has been excluded from diamond inventories as at 30 June 2023. During these recent discussions, the parties also confirmed their intent to resolve how to treat the blocked parcel sale proceeds and the related US\$20 million settlement liability. The final position reached will determine the accounting treatment of the blocked parcel and related US\$20 million settlement liability and may impact the final FY 2023 disclosure.
4. The 2026 US\$336.7 million loan notes, originally issued following the capital restructuring (the "Restructuring") that completed during March 2021, have a carrying value of US\$247.3 million which represents the outstanding principal amount of US\$209.7 million (after completion of the debt tender offers as announced in September and October 2022) plus US\$48.1 million of accrued interest, and is stated net of unamortised transaction costs capitalised of US\$10.5 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	Three months				Twelve months		
		Q4 FY 2023	Q3 FY 2023	Var.	Q4 FY 2022	FY 2023	FY 2022	Var.
Sales								
Revenue	US\$m	30.9	47.9	-35%	81.0	181.5	322,4	-44%
Diamonds sold	Carats	327,429	310,300	+6%	617,677	1,306,457	1,899,011	-31%
Average price per carat	US\$	94	154	-39%	131	139	170	-18%
ROM Production								
Tonnes treated	Tonnes	1,120,346	1,025,056	+9%	1,090,897	4,376,595	4,451,515	-2%
Diamonds produced	Carats	323,535	322,724	0%	362,249	1,343,191	1,609,925	-17%
Grade ¹	Cpht	28.9	31.5	-8%	33.2	30.7	36.2	-15%
Tailings Production								
Tonnes treated	Tonnes	102,193	110,431	-7%	62,844	352,375	413,550	-15%
Diamonds produced	Carats	27,644	60,009	-54%	28,056	142,654	205,050	-30%
Grade ¹	Cpht	27.1	54.3	-50%	44.6	40.5	49.6	-18%
Total Production								
Tonnes treated	Tonnes	1,222,539	1,135,487	+8%	1,153,741	4,728,970	4,865,065	-3%
Diamonds produced	Carats	351,179	382,732	-8%	390,305	1,485,846	1,814,975	-18%

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	Three months				Twelve months		
		Q4 FY 2023	Q3 FY 2023	Var.	Q4 FY 2022	FY 2023	FY 2022	Var.
Sales								
Revenue	US\$m	19.0	19.0	0%	60.9	93.4	165.7	-44%
Diamonds sold	Carats	234,195	152,924	+53%	467,195	848,236	1,402,654	-40%
Average price per carat	US\$	81	124	-35%	130	110	118	-7%
ROM Production								
Tonnes treated	Tonnes	706,497	629,211	+12%	650,670	2,431,262	2,730,197	-11%
Diamonds produced	Carats	268,839	270,396	-1%	269,828	1,033,602	1,274,961	-19%
Grade ¹	Cpht	38.1	43.0	-11%	41.5	42.5	46.7	-9%
Tailings Production								
Tonnes treated	Tonnes	-	-	-	2,784	47,502	2,785	+1606%
Diamonds produced	Carats	-	-	-	362	6,562	362	+1711%
Grade ¹	Cpht	-	-	-	13.0	13.8	13.0	+6%
Total Production								
Tonnes treated	Tonnes	706,497	629,211	+12%	653,454	2,478,764	2,732,982	-9%
Diamonds produced	Carats	268,839	270,396	-1%	270,190	1,040,164	1,275,323	-18%

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	Three months				Twelve months		
		Q4 FY 2023	Q3 FY 2023	Var.	Q4 FY 2022	FY 2023	FY 2022	Var.
Sales								
Revenue	US\$m	-	-	-	33.3	49.1	75.9	-35%
Diamonds sold	Carats	-	-	-	110,386	175,124	197,756	-11%
Average price per carat	US\$	-	-	-	301	280	384	-27%
ROM Production								
Tonnes treated	Tonnes	-	-	-	1,231,082	1,829,376	3,591,099	-49%
Diamonds produced	Carats	-	-	-	80,194	140,516	228,070	-38%
Grade ¹	Cpht	-	-	-	6.5	7.7	6.4	+21+
Total Production								
Tonnes treated	Tonnes	-	-	-	1,231,082	1,829,376	3,591,099	-49%
Diamonds produced	Carats	-	-	-	80,194	140,516	228,070	-38%

Koffiefontein – South Africa

	Unit	Three months				Twelve months		
		Q4 FY 2023	Q3 FY 2023	Var.	Q4 FY 2022	FY 2023	FY 2022	Var.
Sales								
Revenue	US\$m	-	0.8	-100%	5.0	4.5	21.5	-79%
Diamonds sold	Carats	-	1,927	-100%	10,043	9 859	36 950	-73%
Average price per carat	US\$	-	461	-100%	500	452	581	-22%
ROM Production								
Tonnes treated	Tonnes	-	-	-	73,194	84,869	466,957	-82%
Diamonds produced	Carats	-	-	-	5,102	6,687	35,302	-81%
Grade ¹	Cpht	-	-	-	7.0	7.9	7.6	+4%
Tailings Production								
Tonnes treated	Tonnes	-	-	-	-	10,837	-	+100%
Diamonds produced	Carats	-	-	-	-	255	-	+100%
Grade ¹	Cpht	-	-	-	-	2.4	-	+100%
Total Production								
Tonnes treated	Tonnes	-	-	-	73,194	95,706	466,957	-80%
Diamonds produced	Carats	-	-	-	5,102	6,942	35,302	-80%

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.