



PetraDiamonds



# Adapt to thrive

Petra Diamonds Limited  
Annual Report and Accounts 2020

# Adapt to thrive

Petra Diamonds Limited (“Petra” or the “Company” or the “Group”) is a leading independent diamond mining group and a consistent supplier of gem-quality rough diamonds to the international market from its diversified portfolio of mines in South Africa and Tanzania.

Petra is quoted with a premium listing on the Main Market of the London Stock Exchange under the ticker ‘PDL’, with US\$650 million loan notes due in 2022 listed on the Global Exchange Market of the Irish Stock Exchange, which are currently subject to restructuring.

The Company is a constituent of the FTSE4Good Index and 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’s operations have again delivered strongly in an extremely challenging environment that continues to be severely impacted by the COVID-19 pandemic. Despite the robust underlying business, significantly reduced revenues as a result of the disrupted diamond market required the Company to re-evaluate its capital structure. The Company therefore announced in October 2020 that it had reached agreement in principle with its financial stakeholders on a common set of commercial terms with respect to a long-term solution for the recapitalisation of the Group, as set out on page 35.

## FY 2020<sup>1</sup> operational and financial highlights<sup>2</sup>

KPI	Unit	FY 2020	FY 2019	Variance
ROM ore processed	Mt	<b>11.5</b>	13.3	-13%
Total ore processed	Mt	<b>12.3</b>	14.9	-17%
ROM carats produced	Mcts	<b>3.4</b>	3.8	-9%
Total carats produced	Mcts	<b>3.6</b>	3.9	-7%
Revenue	US\$m	<b>295.8</b>	463.6	-36%
Operational capital expenditure	US\$m	<b>36.6</b>	81.4	-55%
Adjusted EBITDA	US\$m	<b>64.8</b>	153.0	-58%
Operational free cashflow	US\$m	<b>(12.3)</b>	70.5	-117%
Net loss after tax <sup>3</sup>	US\$m	<b>223.0</b>	258.1	-14%
Adjusted loss per share	US\$ cents	<b>4.94</b>	2.63	+88%
Consolidated net debt	US\$m	<b>696.6</b>	595.2	+17%

1. FY 2020 represents the financial year to 30 June 2020.

2. Certain alternative performance measures (“APMs”) have been used in this report. See page 197 for an explanation of relevance as well as their definition.

3. Including non-cash impairment charge of US\$91.9 million (FY 2019: US\$246.6 million) and expected credit loss provision of US\$10.9 million (FY 2019: US\$nil).

## Cover photo

The 2020 Annual Report cover features the Letlapa Tala Collection of five blue diamonds of significant colour, clarity and size (ranging from 9 to 25 carats) which were recovered at the Cullinan mine in September 2020. Further information is set out on page 22.

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## At a Glance

Our purpose is to unearth the world's most beautiful product as responsibly and efficiently as possible, to generate long-term value for each of our stakeholders

One of the world's largest diamond resources

GROUP RESOURCES (MCTS)

**243.5 (-2%)**

GROUP RESERVES (MCTS)

**38.9 (-9%)**

The careful management of these resources will ensure sustainable, long-life mining operations for the Group for many years to come.

**FY 2020 Resource Statement – pages 203 to 206**

Establishing a new capital structure

CONSOLIDATED NET DEBT (US\$ MILLION)

**696.6 (+17%)**

ADJUSTED MINING AND PROCESSING COSTS (US\$ MILLION)

**225.3 (-25%)**

225.3 (-25%) ADJUSTED EBITDA (US\$ MILLION)

**64.8 (-58%)**

OPERATIONAL FREE CASHFLOW (US\$ MILLION)

**-12.3 (-117%)**

In October 2020, the Company announced that it had reached agreement in principle with its financial stakeholders on a common set of commercial terms with respect to a long-term solution for the recapitalisation of the Group. A more stable financial platform will be enhanced by the Group's focus on identifying and delivering operational efficiencies across all aspects of the business and the effective management of capital expenditure, with the aim to generate free cashflow. While Project 2022 initiatives resulted in the highest ROM production recorded in the Group's history in the nine months to 31 March 2020, overall production and financial results for the Year were significantly impacted post March 2020 by the COVID-19 pandemic.

**Our Strategy – pages 24 to 26**

Prioritising safe and sustainable business practices

LTIFR

**0.29 (+38%)**

TOTAL INJURIES

**45 (-26%)**

MAJOR ENVIRONMENTAL INCIDENTS

**0 (0%)**

SOCIAL SPEND (US\$ MILLION)

**1.4 (+40%)**

Our people are integral to our business and ensuring a safe workplace is our number one priority. Our goal is to put in place the right actions today, which will benefit current operations and future projects to ensure long-term sustainability for the benefit of all our stakeholders.

**Sustainability – pages 45 to 57**

The right team, skills, experience and culture

EMPLOYEES WORLDWIDE

**3,696 (-3%)**

CONTRACTORS WORLDWIDE

**1,323 (-55%)**

BOARD FEMALE DIVERSITY (%)

**22 (0%)<sup>1</sup>**

TRAINING AND DEVELOPMENT SPEND (US\$ MILLION)

**5.8 (-12%)**

1. As at the date of this report, this has increased to 29%.

The Group has built a team with great depth of experience in the management of diamond mining operations, particularly underground operations, as well as expertise operating in Sub-Saharan Africa. Petra fosters a culture where management is empowered to make decisions and where innovation and creativity in the workplace are encouraged and rewarded. In FY 2020 the Company made further changes to its Board, including the appointment of a new Non-Executive Chairman with significant mining, finance and corporate experience.

**Our People – pages 50 to 52**

## Delivering from a diversified portfolio

GROUP PRODUCTION (MCTS)

**3.6 (-7%)**

DIAMOND SALES (MCTS)

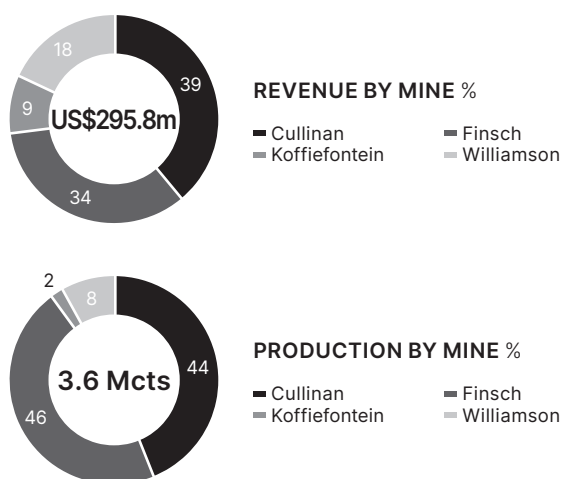
**2.9 (-23%)**

GROUP REVENUE (US\$ MILLION)

**295.8 (-36%)**

Petra has a diversified portfolio incorporating interests in three underground producing mines in South Africa (Cullinan, Finsch and Koffiefontein) and one open pit mine in Tanzania (Williamson). These operations are some of the most culturally significant diamond mines in the world and are renowned as reliable sources for rare and highly prized coloured diamonds.

With increasing access across the full footprint of the sub-level and block caves, consistent production is now targeted as Petra completes its transition from a period of high capital investment to a steady operational phase.



**Our Market – pages 18 to 23**

## Iconic diamond mines

### Cullinan

One of the world's most celebrated diamond mines.

REVENUE (US\$ MILLION)

**116.5 (-32%)**

PRODUCTION (MCTS)

**1.58 (-5%)**

PRODUCTION PROFILE

Renowned for producing large, high quality white and very rare blue diamonds.

### Finsch

A consistent producer with top-quality infrastructure.

REVENUE (US\$ MILLION)

**101.1 (-41%)**

PRODUCTION (MCTS)

**1.64 (-6%)**

PRODUCTION PROFILE

Regularly produces highly commercial goods of over 5 carats and occasionally produces diamonds of over 50 carats and smaller gem-quality diamonds.

### Koffiefontein

One of the world's top kimberlite mines by average value per carat.

REVENUE (US\$ MILLION)

**25.7 (-11%)**

PRODUCTION (MCTS)

**0.07 (+9%)**

PRODUCTION PROFILE

Regularly produces high quality white diamonds of between 5 and 30 carats.

### Williamson

Having been in continuous operation since 1940, the mine was placed on care and maintenance in April 2020 in response to market conditions.

REVENUE (US\$ MILLION)

**52.5 (-44%)**

PRODUCTION (MCTS)

**0.30 (-25%)**

PRODUCTION PROFILE

Renowned for beautifully rounded white stones and 'bubblegum' pink diamonds.

**Operational Review – pages 37 to 42**

## Chairman's Statement

# Adapt to thrive

"I knew when I joined the Company that we had world-class assets, capable of producing some of the world's most historically significant diamonds, and I have also come to appreciate the high quality of the teams at all levels of the organisation, which live and breathe the 'can-do' culture and which have the adaptability to endure unpredictable and fast-changing operating conditions."

**Peter Hill**  
Non-Executive Chairman

### Adapt to thrive

I am honoured to introduce Petra's 2020 Annual Report, my first as Chairman. I joined the Company's Board on 1 January 2020 and could not have foreseen the year ahead. The first two months were almost business as usual, albeit with a difficult diamond market and the emergence of the debt issues, and I was able to have a full induction including site visits to the Company's South African operations and offices, as well as meetings with some of the Company's shareholders and other stakeholders.

From the time I assumed the role of Chairman on 31 March 2020, the world changed markedly with the onset of the COVID-19 pandemic. Lockdowns and other social and travel restrictions have meant that I have mostly been working remotely, just one of the many challenges associated with overseeing a business in what may become the 'new normal'.

The theme of this year's report is 'adapt to thrive' and how Petra has implemented this approach in order to withstand the most testing business environment. I knew when I joined the Company that we had world-class assets, capable of producing some of the world's most historically significant diamonds, and I have also come to appreciate the high quality of the teams at all levels of the organisation, which live and breathe the 'can-do' culture and which have the adaptability to endure unpredictable and fast-changing operating conditions.

The COVID-19 pandemic has rightly placed the emphasis on the 'social' aspects of 'ESG – environmental, social and governance' matters. I believe Petra's performance during this period has demonstrated that the Company has strong management in this area, as it had the right systems and practices in place to be able to respond quickly. As at the date of this report, all of the South African operations are now back at normal operating levels, despite the stringent processes that have been put in place to mitigate the spread of the virus.

In terms of the actual levels of COVID-19 at our operations, I believe these have been as well contained so far as we could have done. 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.

While there have fortunately been no cases of COVID-19 at the Williamson mine in Tanzania to date, this operation has been impacted by the poor market conditions, with diamond pricing not currently at a level to support the mine's cost base. Williamson was therefore placed on care and maintenance in April 2020, until such time as market conditions improve sufficiently to ensure economic operations.

### The impact of COVID-19

The COVID-19 pandemic has of course placed additional emphasis on optimisation of the business, though this was something that was already well underway via Project 2022. This project was launched in July 2019 with the aim of identifying opportunities to increase throughput across the business, drive efficiencies and facilitate continuous improvement. In so doing, a key objective of the project was to target delivery of significant free cashflow over three years in order to reduce the Company's high debt level and strengthen its balance sheet. However, despite the project 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 has eroded the benefits generated. This, in combination with the resultant weakness in the diamond market, has 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 ad-hoc group of holders ("AHG") of the Company's US\$650 million 7.25% senior secured second lien notes due in May 2022 (the "Notes"), as well as with the group of lenders in South Africa which provides the Group's first lien bank facilities (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 its financial stakeholders on a common set of commercial terms with respect to a long-term solution for the recapitalisation of the Group (the "Restructuring"). This agreement serves to nearly halve the Group's level of the Notes debt and requires that the outstanding debt owed to the Noteholders will be converted into equity, with the Noteholder group set to hold 91% of the enlarged share capital of the Company and existing shareholders set to hold the remaining 9%. At the same time, the South African Lender Group, subject to the approval of the Restructuring, agreed to a restructuring of the first lien facilities provided to the Company. 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.

While unfortunately a consequence of a debt for equity swap is that existing shareholders are diluted, we have fought hard to ensure that our existing shareholders retain a share of the equity if they support the deal, which will give them the opportunity to benefit from an overall improved equity story, with a robust underlying operating business, the potential recovery in the diamond market and prices, supported by a significantly deleveraged group. In order to become effective, the Restructuring is dependent on execution of the Lock-Up Agreement and approval by shareholders at a special general meeting ("SGM") in early calendar year ("CY") 2021; Petra will publish a related circular and prospectus to shareholders by information by the end of CY 2020.

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.

### **Diamonds resonate in uncertain times**

Despite the many challenges, the pandemic has reinforced certain values which we believe make natural diamonds the perfect choice for consumers. Having been subject to lockdowns and self-isolation, often kept apart from family and loved ones, we believe that there is pent-up demand for meaningful personal connections. Diamonds therefore have a potentially significant role to play in people's lives as they emerge from this difficult period, given that they are used to celebrate our most profound moments and relationships. The Natural Diamond Council ("NDC"), of which Petra is a founder member, will certainly be playing its part to reinforce the emotional relevance of diamonds, and we remain confident in the long-term fundamentals for the industry.

**Read more: Our Market on pages 18 to 23**

### **Board development**

The Petra business has evolved significantly over recent years, as the Company has transitioned from its phase of heavy capital investment to that of steady-state operations, and the Company's Board of Directors and its Board Committees have continued to develop to reflect this. During the Year, I was appointed as Chairman after a formal executive search, carried out by an independent agency. I would like to thank outgoing Chairman Mr Adonis Pouroulis for the time he dedicated to my handover period, as well as his exceptional contribution to the business that he originally founded in 1997. We wish him well with all his future endeavours.

Dr Pat Bartlett retired from the Board at the end of the Year. Pat's knowledge of kimberlite geology and the block cave mining technique has made him highly prized in our industry and he is continuing to offer technical consultancy services to the Company for the duration of FY 2021.

We have also seen a change in our Senior Independent Director, with Mr Tony Lowrie retiring from the Board on 17 November 2020. Tony has brought all his experience in the equities, mining and African markets to bear in his roles on the Board over the last eight years and has demonstrated his profound support for the Company via the accumulation of a significant shareholding. Tony oversaw the recent Chairman succession, and I have enjoyed working with him; he will be much missed.

The Nomination Committee has therefore recommended to the Board that Ms Varda Shine would assume the role from this date. Varda was considered 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. I welcome Varda to her new role and look forward to working with her as we take Petra forward.

In terms of our Board Committees, Varda succeeded the role of Chair of the Remuneration Committee from Mr Gordon Hamilton on 31 March 2020. We also made further changes to Committee memberships, with the effect that as at the start of FY 2021 all Non-Executive Directors (all of whom are independent) are now serving on the Nomination, Audit and Risk, and Remuneration Committees, with the exception of myself as Non-Executive Chairman; I am solely a member of the Nomination Committee (as Chair). This is expected to bring greater cohesion and transparency to these key Board Committees.

**Read more: Report of the Nomination Committee on pages 100 and 101**

### **Evolution of our purpose and culture**

In addition to Project 2022, we have a number of other cultural change initiatives in progress, as set out on page 7. Given the evolution of the business, it has also been deemed appropriate that the Company purpose, culture and values are being re-evaluated so that they accurately reflect and support the realisation of our vision and strategy.

One integral aspect of Company culture which will not change is our commitment to protecting our people and environment from harm, and to ethical behaviour in all areas of the business, as expressed by our leading value, 'Let's do no harm'. Leading from the top, Petra's Board and management team work to ensure that we are living these values and embedding them throughout the organisation. They are also further disseminated through continuous engagement around Petra's Code of Ethical Conduct, which includes a strong emphasis on compliance with our ethical value system.

**Read more about our values: <https://www.petradiamonds.com/about-us/who-we-are/our-vision-values/>**

## Chairman's Statement continued

### Responsible business practices

Responsible business practices are essential to the long-term success of the Company and Petra is committed to continuous improvement in this area.

This is especially important with regards to climate change management, which remains an existential threat that is of growing importance to our stakeholders. I was therefore pleased to see the progress that has been made in this area during the Year, with the continued development of the Company's Climate Change Adaptation Strategy and the ongoing submission of the Climate Disclosure Project's ("CDP") climate change questionnaire, both of which are helping to shape how we structure our approach to climate change management and will ensure that we can meet the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") by 2022.

The Company has worked hard to improve both gender and ethnic diversity, particularly at management level and above, and has continued to invest in the training and development of its workforce, recognising that a skilled and motivated team is essential to the delivery of our strategy.

The impact of COVID-19 has been far reaching, touching both our work and personal lives, as well as markets and industries. While the overall economic effect still remains unknown, the social toll is already heavy, particularly in South Africa where unemployment rose to a record 34.9% in the second quarter of calendar 2020, being the highest of all 83 countries tracked by Bloomberg. We understand the hardships facing our communities and have been working in conjunction with local authorities to help address some of the most pressing needs, as funded by the Petra Hardship Fund, which was financed by Director and Senior Management salary and fee sacrifices during April to June 2020 – read more on page 12.

Petra has also continued with an active programme of community development work throughout the Year, focused on contributing meaningful and long-term development of our host communities via sustainable job creation, skills transfer, enterprise development and infrastructure development.

**Read more: Sustainability on pages 45 to 57**

### The Tunajali Committee to strengthen Petra's human rights management

Despite the emphasis that I have found Petra to place on responsible business, it was very concerning for both myself and the Board to learn of the allegations of human rights abuses in Tanzania received from both law firm Leigh Day and non-governmental organisation ("NGO") RAID. These allegations are related to the security operations of the Williamson mine, where illegal mining is an ongoing issue managed by the mine's in-house team, its third party security contractor and the local police force.

It was important to the Board that the process to evaluate these matters was carried out according to governance best practice. To this end, a sub-committee of the Board, comprised entirely of independent Non-Executive Directors, was formed and named 'Tunajali', meaning 'we care' in Swahili.

Petra has initiated an investigation into the human rights allegations, which is being carried out by a specialist external adviser in conjunction with the Company's lawyers. The investigation is scheduled to be completed during Q2 FY 2021 and the Committee will consider the outcome of the investigation and the recommendations to address any findings. This may include any required remedy or corrective action to be taken as a result of the investigation's conclusions.

At mine level, Williamson Diamonds Limited ("WDL"), the operator of the Williamson mine, has also appointed an independent consultancy to conduct an assessment of WDL's management of its security in line with the Voluntary Principles on Security and Human Rights. A number of enhancement measures have been taken already in response to these findings, as set out on page 48.

The Tunajali Committee will continue to monitor this situation and will report back regularly to the full Board.

### Outlook

We are already well into FY 2021 and the diamond market has improved considerably and should benefit from the retail festive season, though risks remain related to the further duration and severity of the COVID-19 pandemic and its economic impact, especially in the major diamond buying centres of the US, China and India.

Operationally, our team has been performing well in South Africa, despite the COVID-19 mitigation measures that now form part of our standard working conditions, and we will continue to evaluate the optimal timing at which to bring the Williamson mine in Tanzania back into production, based on prevailing market conditions.

With the finalisation of our agreement to improve our capital structure, we will have a solid foundation in place from which to move forward. This will allow management the opportunity to focus on the continued optimisation of our world-class asset base, with the intention of generating value for all of our stakeholders.



**Peter Hill**

Non-Executive Chairman

17 November 2020



## Case study: Reassessing our culture

Petra has undergone significant change over the last number of years. Firstly, the Company has mostly completed a major capital investment cycle to open up new mining areas at its operations and upgrade the infrastructure required to support these projects. This expansion required large numbers of contract workers, in addition to our permanent employee base, and these numbers are now reducing as the operations transition to steady-state production. Secondly, the Company has had a change of leadership, with a new Chief Executive appointed in April 2019 and a new Non-Executive Chairman appointed in March 2020, as well as other ongoing Board changes.

Given the evolution of the business, it is therefore appropriate that the Company purpose, culture and values are in the process of being re-evaluated so that they accurately reflect and support the realisation of our vision and strategy.

As part of this process, Petra has instigated a number of change initiatives intended to provide the building blocks for establishing a culture within Petra that is aligned to our values. These are as follows:

- Health, safety and environment: 'Let's do no harm' remains our foremost value and embedding a safety and compliance culture within Petra is led from the top by our Chief Executive, and also involves a participative approach where all stakeholders are involved and can provide input.
- Leadership alignment and development: Recognising that effective leadership is at the heart of any business transformation, our Executive Committee ("Exco") and other levels of management have been engaged in discussions around change leadership and organisational culture, taking stock of where we are today and where we need to go to embrace Petra's full potential.
- Project 2022: Project 2022 is integral to the Company's new operating model, with continuous improvement, efficiencies and accountability at its core. Honest, open and transparent communication and interaction is central to achieving this.
- Organisational Design Review: This project closely supports Project 2022 but is broader in scope and seeks to eliminate inefficiencies, speed up decision making, clarify accountability and ensure the integration of work. As a result of this process, revised role profiles for all employees will be prepared in FY 2021, aimed at delivering and supporting a culture of accountability and performance.

**Values in action: Let's take control/Let's do it better**

## Chief Executive's Statement

# Rising to the challenge

"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."

**Richard Duffy**  
Chief Executive

### 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 lost time injury frequency rate ("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).

#### **Read more: Workplace Safety on pages 49 and 50**

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. 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 commence 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.

#### **Read more: Operational Review on pages 37 to 42**

## 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 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 sales 2020 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.

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 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 Armas, 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.

**Read more: Our Market on pages 18 to 23**

## 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 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).

## Chief Executive's Statement continued

### Addressing our balance sheet continued

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 page 35.

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 cash flow 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 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.

**Read more: Financial Review on pages 29 to 36**

### 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, 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 detail 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 this report. 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.

**Read more: Sustainability on pages 45 to 57**

## **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

## Chief Executive's Statement continued

### Case study: Petra's response to COVID-19

The outbreak of the COVID-19 pandemic presented unprecedented challenges to our operations and the safety and wellbeing of our people. We acted quickly to put in place comprehensive systems and strategies to address COVID-19 in order to limit the threat to our employees, contractors and other local stakeholders.

#### **Comprehensive measures put in place at our operations**

Firstly, a COVID-19 Committee was established, comprising multi-disciplinary specialists within the Group, whose role was to regularly review and update our advice to employees, establish business continuity planning, and ensure effective, properly coordinated managerial oversight. Following this the Company implemented a comprehensive Awareness and Response Plan for each operation.

In South Africa, there were more regulatory requirements around the permissible continuation of operations and the plan for these operations therefore included:

- a Mandatory Code of Practice ("MCOP") that was submitted to the Department of Mineral Resources and Energy ("DMRE");
- a Standard Operating Procedure ("SOP") that complied with the Minerals Council of South Africa's ("Minerals Council SA") COVID-19 guidelines;
- an issue-based risk assessment which looked at the Company's approach relating to health screening and testing
- the provision of quarantine facilities for employees who have tested positive for COVID-19, as well as arrangements for transporting employees from their homes to their respective areas of operations; and
- COVID-19 contingency plans for the operations were also implemented, should an entire section be placed under quarantine/isolation, to ensure business continuity.

While Williamson in Tanzania is not subject to the same regulations, similar measures have been put in place to protect our people while the mine is carrying out the essential services still required under care and maintenance.

Other measures introduced by the Company included a 24/7 COVID-19 call centre for employees and Company-wide awareness training, including formal training, awareness posters (surface and underground) and COVID-19 handout guides in line with World Health Organization guidance (and South Africa's National Institute of Communicable Diseases' guidelines), as well as frequent communications via text message and the Company's social media channels.

The Company also introduced enforced social distancing at all operations and increased sanitisation measures (including regular, deep cleaning of employee congestion points such as entry and exit turnstiles, underground conveyances, change houses and lamp rooms). In addition, personal protective equipment ("PPE") was provided to all employees, with specific focus on security and health workers, and COVID-19 evaluation rooms were set up at all operations.

An important part of our COVID-19 strategy was to identify all 'at-risk' employees with disclosed pre-existing health conditions that make them more vulnerable to the disease, including hypertension, diabetes, asthma, tuberculosis ("TB") and HIV. These employees were requested to work from home and those that were not able were placed on special paid leave to reduce their chances of being exposed. While most at-risk employees were eventually able to return to work safely, there is a small selection deemed to have more severe conditions who have not returned.

#### **Caring for our communities**

Our care for our local stakeholders also extended to our host communities. In April 2020 we established the Petra Hardship Fund ("PHF") to provide targeted assistance to distressed communities and qualifying employees to mitigate the impact of COVID-19. A committee was established to oversee the management and disbursement of these funds which were financed by Director and Senior Management salary and fee sacrifices during April to June 2020.

Contributions made by the PHF were distributed in partnership with the lead Government relief agencies for each of the affected communities and supported a variety of initiatives. These included the supply of PPE and other COVID-19 prevention equipment such as thermal scanners and sanitisers to local clinics and schools, as well as the provision of protective masks to community members, healthcare workers and members of the police force. Additional support was also offered to local healthcare workers and clinics by donating gazebos and chairs as well as screening facilities to assist with the testing and screening of community members.

To address the critical issue of food security, over 5,000 food parcels were distributed to vulnerable community members through recognised community structures, and blankets were also distributed to some communities to combat the cold winter conditions.

Finally, where Petra had provided loans to local small to medium sized enterprises ("SMEs") as part of its Enterprise and Supplier Development Programme, the Company allowed for a two-month payment and interest holiday. Once this payment holiday ended, the Company provided relief to the local businesses by further reducing the interest on their low interest loans by an additional 2%.

#### **Values in action: Let's take control/Let's make a difference**

## Our Business Model

# Delivering long-term value to our stakeholders

By unearthing the world's most beautiful product as responsibly and efficiently as possible, we will contribute to the sustainability of our industry and deliver long-term value to each of our stakeholders.

### WHAT WE DO

#### Project appraisal

Central to our approach is the identification of the right assets, where we can add value.

#### How we differentiate

- Petra's technical team has decades of specialist experience in the appraisal and valuation of diamond orebodies.
- The Company is able to produce the full range of diamonds from its diversified portfolio.
- Petra focuses on long-life assets with the potential to generate significant cashflow and structures its operations with the long-term viability of the project in mind.

#### Mining and development

Petra's operations are focused on 'hard rock' kimberlite pipe orebodies.

#### How we differentiate

- Safety is our number one priority and ingrained in everything we do.
- Hard rock orebodies can generally provide for much better predictability and long-term planning than alluvial deposits.
- Strong operations team, with significant experience in the management, mining and development of diamond orebodies.
- Adaptable culture with team able to meet and overcome challenges as they arise, as evidenced by the fast response to operating under COVID-19 restrictions.

#### Processing

Ore is passed through the processing plant to extract the diamonds from the rock.

#### How we differentiate

- Petra is focused on value production, rather than volume.
- Plant processes are set to optimise revenue generation from each individual mine's orebody, by focusing on where the value lies within its diamond population.
- We embrace innovation and continually stay abreast of the latest diamond mining and processing technologies.
- Security is enhanced through maintaining automated, 'hands-off' processes.

#### Sorting and sales

Rough diamonds are sorted into parcels and then sold through a competitive tender process.

#### How we differentiate

- Petra has always run its own diamond sales in a cost effective manner, having developed marketing and sales expertise in house, and therefore does not pay any sales commission to a third party.
- Petra utilises the competitive tender process for its sales, thereby providing a competitive pricing environment.
- Petra's South African production is normally sold in Johannesburg, thereby encouraging local participation and beneficiation, and its Tanzanian production is sold in Antwerp; however, the Company had to maintain a flexible approach to sales in FY 2020, and in FY 2021 thus far, as a result of COVID-19, with more sales than usual taking place in Antwerp due to travel restrictions limiting access to South Africa.

## Our Business Model continued

### Inputs and their benefits to Petra

#### Responsible leadership

- Sustainable operations
- Uphold the high value placed on diamonds

#### People and skills

- Company culture
- Project 2022
- Productive workforce
- Specialist skills

#### High quality assets

- Significant resources
- Diverse product range

#### Financial capital

- Responsible capital allocation
- Access to diversified sources of capital

#### Relationships

- Mutually beneficial partnerships
- Effective internal and external stakeholder engagement
- Licence to operate

#### Energy and water

- Sustainable access to energy and water

#### Technology and equipment

- Extension of mine lives
- Optimisation of operations

### Stakeholder value creation

#### Employees

- Focus on safety
- Sustainable employment
- Culture of empowerment
- Skills development
- Itumeleng Petra Diamonds Employee Trust
- Employee wellbeing initiatives

**Pages 49 – 52**

#### Customers

- Quality and consistent product offering
- Confirmed provenance and heritage

**Page 48**

#### Host Governments/regulators

- Taxes and royalty payments
- Positive impacts on our countries of operation

**Page 55 – 56**

#### Shareholders/noteholders/lenders

- Free cashflow generation
- Future returns to investors

**Page 16**

#### Local communities

- Job opportunities and socio-economic upliftment
- Efficient and responsible use of natural resources
- Promoting environmental awareness
- Community health initiatives

**Pages 52 – 57**

#### Suppliers

- Benefits to local businesses and suppliers
- Policy of sustainable local procurement and supplier development

**Pages 55 – 56**



## Stakeholder Engagement

We aim to communicate effectively with all our stakeholders, thereby building strong relationships which assist us in maintaining trust in our business, upholding our social licence to operate and creating shared value.

We have identified our most important stakeholder groups and we use a variety of methods of engagement in order to maintain consistent two-way communication throughout the Year. Feedback from these stakeholder groups on key issues or impacts as a result of our operations is relayed to management and the Board and is taken into account in strategic discussions and decisions.

During FY 2020, the Company carried out a formal internal and external stakeholder engagement process to establish our material sustainability topics – more information is disclosed on page 45.

While Petra is incorporated in Bermuda and therefore does not have to comply with the UK Companies Act, the Company considers the disclosures in this section, and elsewhere in the Strategic Report and Governance Statement, to be consistent with the requirement for a UK incorporated company to include a Section 172 Statement in its Annual Report.

Why they are important	How we engage	How we deliver value	How we have considered our impact on stakeholders and the resultant actions taken	Read more
<b>Employees, contractors and unions</b>				
<ul style="list-style-type: none"> <li>Our people are integral to the success of our business.</li> <li>Without a skilled, productive, healthy and safe workforce, Petra would be unable to implement its strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Workplace meetings and internal committees.</li> <li>Employee briefs, publications, notice boards and electronic channels.</li> <li>Whistleblowing hotline.</li> <li>Engagement with union mine forums and trade union representation.</li> <li>Employee engagement with the Board, including annual CEO operations tour and Director sessions with employees.</li> <li>Social media.</li> <li>SMS communications.</li> </ul>	<ul style="list-style-type: none"> <li>Salaries and other benefits: US\$117.8 million.</li> <li>Employee training and development: US\$5.8 million.</li> <li>Graduates of Leadership Development Programme since inception in 2008: 140.</li> </ul>	<ul style="list-style-type: none"> <li>COVID-19 mitigation strategy put in place, including comprehensive Awareness and Response Plan.</li> </ul>	12
			<ul style="list-style-type: none"> <li>Formulation of the Group's Diversity and Inclusion Policy to further drive diversity improvements throughout the business.</li> </ul>	104
			<ul style="list-style-type: none"> <li>Leadership and management coaching was increased to include more middle and senior managers.</li> </ul>	51
			<ul style="list-style-type: none"> <li>Several change initiatives are underway that intend to provide the building blocks for establishing a culture at Petra that is aligned to our values, including the roll-out of an employee satisfaction survey.</li> </ul>	7
			<ul style="list-style-type: none"> <li>Appointment of Independent Non-Executive Director Ms Matloa as Workforce Engagement Director post Year end to improve Board engagement with the workforce.</li> </ul>	74
<b>Customers</b>				
<ul style="list-style-type: none"> <li>Our customers buy the diamonds mined at our operations and are therefore the primary source of revenue for the Group.</li> <li>Long-standing relationships with customers based on mutual trust and respect.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous communication with our client base.</li> <li>Open door policy and high level of business transparency.</li> <li>Full certification of our products.</li> <li>Industry advocacy via the NDC.</li> </ul>	<ul style="list-style-type: none"> <li>Conflict-free production: 100%.</li> <li>Diamonds sold: 2.9 Mcts.</li> <li>NDC marketing investment: ca. US\$70 million.</li> </ul>	<ul style="list-style-type: none"> <li>Flexible sales approach adopted in FY 2020 and FY 2021 in order to access the widest number of customers, subject to prevailing challenging market conditions and the COVID-19-related regulations and restrictions, specifically on travel.</li> </ul>	21
			<ul style="list-style-type: none"> <li>The NDC invested ca. US\$70 million in consumer marketing in 2019 and allocated a similar budget for 2020, subject to market conditions and the impact of COVID-19. NDC member contributions are made in line with the size of the member company and the majority of this spend is therefore covered by the major diamond producers, De Beers and ALROSA.</li> </ul>	23
			<ul style="list-style-type: none"> <li>Collaboration with luxury jeweller Boodles to celebrate the heritage of the Cullinan mine and the provenance of our diamonds.</li> </ul>	n/a

## Stakeholder Engagement continued

Why they are important	How we engage	How we deliver value	How we have considered our impact on stakeholders and the resultant actions taken	Read more
<b>Financial stakeholders (includes shareholders, noteholders, South African Lender Group, analysts and BEE shareholders)</b>				
<ul style="list-style-type: none"> <li>Petra has raised financing over a number of years to enable its development, thanks to support from the equity, fixed income and bank finance markets.</li> <li>Clear, transparent and balanced communications are important to enable a good understanding of our strategy, business model and performance, as well as our industry.</li> </ul>	<ul style="list-style-type: none"> <li>Regular briefings via public announcements, webcasts, presentations and social media.</li> <li>Regular direct engagement via meetings, conferences and site visits.</li> <li>Annual and sustainability reporting.</li> <li>Dedicated investor relations department.</li> </ul>	<p>From FY 2006 to FY 2020, the Company has achieved:</p> <ul style="list-style-type: none"> <li>Total production of 31.4 Mcts.</li> <li>Total revenue of US\$4.0 billion.</li> <li>Operating cashflow (before capex) of US\$1.4 billion.</li> <li>Capital investment of US\$1.6 billion.</li> </ul>	<ul style="list-style-type: none"> <li>Steps taken to preserve liquidity, including non-payment of Notes coupon in May 2020.</li> <li>Multi-stakeholder process to evaluate an optimised capital structure for the Group, with the need to reach alignment between the Company and its financial stakeholders, resulted in a capital Restructuring agreement reached in principle with Noteholders and South African Lender Group.</li> <li>The Williamson mine was placed on care and maintenance in April 2020 to preserve mine liquidity while diamond prices were not at a level to cover the operating costs of the mine.</li> <li>Continued evolution of the Board with the appointment of new Non-Executive Chairman.</li> <li>New Remuneration Policy consulted on and received broad support from major shareholders.</li> </ul>	<p>32 – 33</p> <p>35</p> <p>42</p> <p>100 – 101</p> <p>120 – 126</p>
<b>Local communities</b>				
<ul style="list-style-type: none"> <li>The support of our local communities is an important component of our licence to operate.</li> <li>A positive role in the community will ensure a sustainable future for Petra and contribute to a favourable Company culture.</li> </ul>	<ul style="list-style-type: none"> <li>Public participation processes and meetings.</li> <li>Community newsletters and local media partnerships on socio-economic projects.</li> <li>Establishing positive relationships through ongoing engagement with community structures.</li> <li>Social media.</li> <li>SMS communications.</li> <li>Mandated public participation processes.</li> </ul>	<ul style="list-style-type: none"> <li>Social spend: US\$1.4 million.</li> <li>Community training spend: US\$0.5 million.</li> <li>Internal and external stakeholder meetings held: 69.</li> <li>Petra Hardship Fund established: April 2020.</li> </ul>	<ul style="list-style-type: none"> <li>The Petra Hardship Fund was established to assist distressed host communities during the COVID-19 pandemic.</li> <li>Launch of artisanal mining initiative at Koffiefontein, allowing for properly regulated artisanal mining to take place on certain tailings mineral resources.</li> <li>An ongoing review of security practices and stakeholder engagement at Williamson in response to the human rights allegations announced post Year end, plus launch of an investigation into the allegations.</li> </ul>	<p>12</p> <p>47</p> <p>48</p>

Why they are important	How we engage	How we deliver value	How we have considered our impact on stakeholders and the resultant actions taken	Read more
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### Host Governments, regulators and NGOs

<ul style="list-style-type: none"> <li>Support from Governments and regulators is required for our social licence to operate.</li> <li>Petra ensures it complies in all material respects with all relevant legislation in each of the countries in which it operates. Where new legislation is enacted or regulations are passed, Petra engages with Government when required.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous consultation.</li> <li>Scheduled meetings.</li> <li>Membership of Minerals Council SA.</li> <li>Regulatory site visits and audits.</li> <li>Active involvement as members of Government-initiated forums and other consultative structures.</li> </ul>	<ul style="list-style-type: none"> <li>Taxes and royalties: US\$19.7 million.</li> <li>Estimated number of dependents on our direct employees: ca. 37,000 (using the accepted x10 multiplier effect for South Africa and Tanzania).</li> </ul>	<ul style="list-style-type: none"> <li>Partnerships with local authorities to provide assistance with COVID-19 relief programmes to local communities.</li> </ul>	12
			<ul style="list-style-type: none"> <li>The Company closely monitors developments around the Broad-Based Socio-Economic Empowerment Charter for the Mining Industry.</li> </ul>	n/a
			<ul style="list-style-type: none"> <li>Continued discussions in relation to overdue VAT receivables and the blocked diamond parcel in Tanzania.</li> </ul>	131
			<ul style="list-style-type: none"> <li>Post Year end, engagement with NGO RAID with regards to human rights allegations in Tanzania.</li> </ul>	48

### Suppliers

<ul style="list-style-type: none"> <li>Suppliers provide the goods and services necessary to keep our operations running.</li> <li>Dealing with suppliers which share our values is important to Petra in order to ensure the ethical provenance of our diamonds.</li> </ul>	<ul style="list-style-type: none"> <li>Supplier induction process.</li> <li>Supplier days and events.</li> <li>Local Enterprise Development centres.</li> <li>Continuous liaison.</li> <li>Open door policy.</li> <li>Engagement on Company policy and required standards of practice.</li> </ul>	<ul style="list-style-type: none"> <li>South Africa procurement expenditure: US\$134.7 million.</li> <li>Tanzania procurement expenditure: US\$50.6 million.</li> <li>Suppliers registered with our eProcure Portal: ca. 2,000.</li> </ul>	<ul style="list-style-type: none"> <li>Continued prioritisation of local procurement to encourage economic development and community empowerment.</li> </ul>	56
			<ul style="list-style-type: none"> <li>Enterprise and Supplier Development Programme in place to facilitate the inclusion of local SMMEs into the Company's supply chain.</li> </ul>	56
			<ul style="list-style-type: none"> <li>As part of their procurement processes, our Group companies obtain contractual obligations from their suppliers that they are not involved in unethical business practices, and that they have internal measures in place to avoid bribery, modern slavery, tax evasion, money laundering and human rights abuses.</li> </ul>	55

## Our Market

### Uncertain global economic backdrop

- The world economy was already on an uncertain footing before the severe impact of the COVID-19 pandemic hit in 2020, with global real GDP slowing throughout the Year to 2.9% in 2019 from 3.6% in 2018, due to the combined impact of increasing trade tensions between the US and China, uncertainty regarding Brexit and heightened geopolitical tensions. However, there was a positive rebound in the financial markets, with global stock markets advancing 28% in 2019 after a decline of 9% in 2018, according to the MSCI World Index.
- The picture for 2020 is very different, with global growth, according to International Monetary Fund (“IMF”) forecasts, expected to contract at 4.4% in 2020 with the brunt being felt in the first half and more in the advanced economies due to the impact of the COVID-19 pandemic.
- Latest IMF projections suggest 2021 global growth could rebound to ca. 5.2%, but “the uncertainty surrounding the baseline projection is unusually large” and rests on “public health and economic factors that are inherently difficult to predict”.
- The IMF notes that “the risk of worse growth outcomes than projected remains sizeable”. Much will depend on the success of the containment measures to control the virus in the world’s major economies, as well as the ability to develop an effective vaccine to enable the resumption of free-flowing economic activity.
- The OECD Consumer Confidence Index saw a sharp fall in early 2020 due to the coronavirus but rebounded in Q3, though it remains below levels of the past five years.

### The major diamond consumer markets

- Real GDP growth of 2.2% was recorded in the US in 2019 with the IMF projecting a sharp downturn of -4.3% in 2020 before a rebound to 3.1% in 2021. The US has recorded the largest outbreak of COVID-19 worldwide, with a resultant far-reaching impact on the local economy, and a knock-on impact to the global economy given the US remains the world’s largest economy.
- Growth in China slowed to 6.1% in 2019 from 6.6% in 2018. Despite the impact of the COVID-19 outbreak, the IMF is still forecasting positive growth in 2020 but at a much lower rate of 1.9%, reflecting China’s position further along the path to recovery following a better containment of COVID-19 in-country. After seven months of decline, China saw positive retail sales growth of 0.5% in August and 3.3% in September 2020, and China is expected to grow by 8.2% in 2021.
- The IMF records Indian GDP growth in 2019 at 4.2%, below initial projections of ca. 7%. For 2020 the Indian economy is projected to contract -10.3% in 2020, with a rebound post the COVID-19 impact to growth of 8.8% in 2021.

### The luxury market

- The luxury market grew 4% to EUR1.3 trillion in constant exchange rates in 2019 after 5% growth in 2018 to ca. EUR1.2 trillion, according to Bain & Co.
- Chinese demand for luxury goods is projected to grow as much as 30% this year, according to Boston Consulting Group, but the wider luxury industry is otherwise expected to contract between 25% and 45% in 2020, as Europe and the US continue to battle second wave infections of COVID-19.

### Why is this relevant?

Global diamond demand growth is highly correlated to global GDP growth and consumer confidence. While there has been some rebound in consumer confidence and the global economy is starting to recover, uncertainty is likely to continue to impact diamond markets. However, a certain element of diamond purchasing is underpinned by the engagement and wedding sectors, which provides some level of immunity to economic cycles.

Sources of information used for the data provided in this section:

- ALROSA
- Bain & Co
- Bloomberg
- Boston Consulting Group
- De Beers Diamond Insight Report
- Financial Times
- International Monetary Fund
- Kimberley Process Statistics
- Organisation for Economic Co-operation and Development

# The long-term fundamentals of the market remain intact

## Supply

Supply is forecast to decline in the coming years as a result of the depletion of resources

### Supply in 2019<sup>1</sup>

- 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).
- Supply remains significantly below the highest year of diamond production in 2005, where 177 Mcts was considered to have represented 'peak supply'.
- Reductions in rough diamond supply came in Australia, Canada, South Africa, Namibia, Zimbabwe and the DRC, due to a combination of pending exhaustion of resources, mine closures, operations transitioning from open pit to underground and falling alluvial output.

1. Source: Kimberley Process Statistics.

### Impact of COVID-19 in 2020

- COVID-19 had an immediate impact on the upstream end of the diamond pipeline, with some diamond mining operations needing to scale back significantly to comply with local lockdowns or restrictions, and all needing to put in place strict protocols to mitigate the spread of COVID-19.
- In some instances, mines were placed on care and maintenance, including Petra's Williamson mine in Tanzania. Other mines which were temporarily halted in 2020 included operations in Russia, Canada, South Africa and Lesotho. Some of these mines returned to production in Q3 2020.
- The major producers, De Beers and ALROSA, both cut production guidance significantly in 2020 in response to the disruptions, as well as in response to market conditions.
- Due to the impact of COVID-19 and the closure of the Argyle mine in Australia in 2020 (which accounted for ca. 13 Mcts in 2019), rough diamond production is forecast to contract significantly in 2020, with market analyst Paul Ziminsky projecting that 2020 production will be at the lowest levels since the late 1990s.

### Outlook

- In 2021, various sources project rough supply to increase as mines temporarily shut due to COVID-19 are returned to production.
- Longer term, there are forecast to be few material additions to production over the next decade, with rough diamond supply forecast to decrease 8%–15% by 2021 (Bain & Co) with the range of output by 2030 ranging between an optimistic ca. 140 Mcts and a conservative total of under 120 Mcts (Bain & Co).

### Petra's strategy

Petra aims to deliver sustainable, long-term production from its diversified portfolio and is focused on optimising its business and operations to maximise its profitability. The Group's orebodies are of significant size and collectively contain the third largest resource in the world, suggesting the potential to extend the lives of our mining operations, at a time when the overall outlook for world diamond supply is expected to be constrained. As a result of poor success rates in global diamond exploration, the Company has chosen to divest of its exploration assets in Botswana.

## Our Market continued

### Demand

Global demographic shifts increasing purchasing power are expected to support diamond demand over the long term

#### Demand in 2019

- According to the De Beers Diamond Insight Report 2020, the global consumer market for diamond jewellery grew slightly in 2019, up by 0.5% to US\$79 billion, with sales of polished diamonds up 0.5% at \$26.7 billion measured in wholesale prices. Although growth was strong in the US and Japan, demand in the other main markets was impacted by currency exchange rate effects and trade tensions between the US and China, which affected consumer confidence and Chinese tourism.
- In terms of performance in some of the key diamond markets: the major US market, which accounts for ca 48% of demand, grew ca. 4%; the Chinese market fell ca. 3%; the Indian market grew ca. 1%; the Gulf market fell ca. 5% and the Japanese market grew ca. 3%.

#### Impact of COVID-19 in 2020

- The COVID-19 pandemic has had a pervasive negative impact on both the high street and shopping malls, with physical shopping for goods often restricted or deemed unsafe by consumers.
- Sales have therefore had to move online, driving brands to either initiate or significantly expand their digital presence, both via their websites and social media.
- The inability to spend on competing luxury goods categories, such as holidays, may lead higher income shoppers to treat themselves with jewellery instead, as evidenced by positive results of online sales by the major auction houses.
- The lack of tourist travel has severely impacted purchases by wealthy travellers abroad. Prior to the COVID-19 pandemic, two-thirds of Chinese luxury purchases were made abroad; this could shift to see more than half made domestically by 2025, according to Bain & Co.

#### Outlook

- The continued impact of COVID-19 on retailers and consumers will depend on the length and severity of the pandemic in the world's major economies, and the ability to regain economic activity, particularly in the US.
- Longer term, increasing levels of global wealth are expected to underpin demand for later-cycle products such as diamonds.
- Continuing strong underlying fundamentals in the major US market and growth in middle classes in China and India, albeit with some downside risk on account of GDP growth rates.
- Continued generic marketing to stimulate consumer demand.
- Sustained upsurge in 'self-purchasing', especially by women who choose to gift themselves with diamond jewellery as a way of marking important personal milestones.
- Growing demand from online channels.
- Spending power increases amongst Millennials and Gen Z supporting diamond demand, albeit with different consumer preferences to previous generations.
- Demand is expected to continue to rise, with Bain & Co forecasting an average annual growth rate between 0% and 2% in real value terms through to 2030.

#### Petra's strategy

As a founder member of the NDC, Petra commits annual funding towards generic diamond marketing to support demand. Given the highly diversified nature of Petra's portfolio, it is capable of producing the full spectrum of diamond sizes and categories, from mass market goods to highly sought after special stones in a range of fancy colours.

## Our place in the market

Petra accounts for ca. 2% of supply by value and ca. 3% by volume<sup>1</sup>

### Global diamond production by volume<sup>2</sup>

Producer	% by volume
ALROSA	28
De Beers	22
Democratic Republic of Congo (predominantly informal sector)	10
Rio Tinto	14
Catoca (Angola)	7
Petra	3
Others	16

1. Based on FY 2020 production set against Kimberley Process 2019 world production figures.

2. Based on 2019 production results set against Kimberley Process 2019 world production figures.

### One of the world's largest diamond resources

Petra has the third largest resources of global, listed diamond producers which, combined with the significant size of our orebodies, suggests the potential to extend the lives of our mining operations, with organic growth opportunities well beyond 2030.

#### Reserves and resources (Mcts)

	Resources (inclusive of reserves) (Mcts)	Reserves (Mcts)
ALROSA	1,064.0	628.0
De Beers	1,353.7	448.2
Petra Diamonds	243.5	38.9
Rio Tinto	28.5	24.4

### Market performance in FY 2020

The 2019 calendar year was very challenging for the rough diamond market, driven by the wider economic backdrop, higher than normal polished inventories and the sustained tightening of liquidity in the midstream, as well as unrest in Hong Kong and its impact on the retail sector. Q2 FY 2020 saw growing stability in pricing as the Year closed and in early Q3 FY 2020 demand and pricing continued to improve as the midstream looked to replenish inventory after robust holiday season retail sales.

The market optimism came to an abrupt end with the outbreak of the COVID-19 pandemic, which served to significantly reduce activity throughout the pipeline, from production, rough sales, trading, cutting and polishing right through to consumer sales. Towards the end of FY 2020, limited sales of rough diamonds took place due to restrictions on clients travelling to view goods and a voluntary ban on importing rough diamonds into the cutting and polishing factories of India during June and most of July 2020. In addition, many factories remained closed or operated at a much reduced capacity.

Conditions started improving in September 2020 as inventory started clearing in the midstream and diamantaires began buying rough ahead of the seasonally busier year-end holiday period. Prices were impacted positively by the continued restriction of supply of rough diamonds by the major producers.

#### Petra's strategy

Petra adopted a flexible approach to diamond sales in order to achieve the best possible route to market, subject to prevailing market conditions and any COVID-19-related regulations or restrictions. Measures included the export of rough from South Africa to Antwerp, where the lockdown and travel restrictions were less onerous, as well as limiting sales in Q4 FY 2020, with the majority taking place through agreements with some of its long-standing customers. With the stabilisation of market conditions towards the end of Q1 FY 2021, Petra restarted larger tender sales in Antwerp.

## Our Market continued

### Market performance in FY 2020 continued

#### 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. Pricing was severely impacted by the COVID-19 pandemic and was down ca. 27% in the Company's combined March/April tenders in comparison to prices achieved in February 2020. Overall for the full financial Year, Petra's realised diamond prices reduced by ca. 18%.
- 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 <sup>1</sup> US\$/ct	FY 2020 <sup>2</sup> US\$/ct	FY 2019 US\$/ct
Cullinan	72	98 <sup>3</sup>	110
Finsch	81	75	99
Koffiefontein	790	387	480
Williamson	150 <sup>4</sup>	177	231

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

In September 2020, Petra recovered five blue diamonds of significant colour, clarity, size and heritage, all sourced from the famed Cullinan mine in South Africa. Letlapa Tala means 'blue rock' in Northern Sotho (commonly known as Pedi), the predominant language spoken in the Cullinan area.

The Cullinan mine is known as the world's most important source of blue diamonds, as well as being the source of many other historic and magnificent stones, including the 3,106 carat Cullinan diamond which was cut to form the 530 carat Great Star of Africa and the 317 carat Second Star of Africa, being the two largest diamonds in the British Crown Jewels.

The Letlapa Tala Collection consists of five Type IIb blue diamonds of 25.75, 21.25, 17.57, 11.42 and 9.61 carats in size. Type II diamonds contain no detectable nitrogen in their chemical structure and tend to display exceptional transparency. Type IIb stones contain a small amount of boron which is what determines their blue colour.

Petra will be offering the collection for sale at a special sales tender, with the diamonds being available for viewings in the key diamond centres of Antwerp, Hong Kong and New York before eventual sale 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 at <https://www.petradiamonds.com/media/image-library/diamonds/>.

#### Outlook

Conditions in the diamond industry began improving as lockdown measures around the world were eased and retail outlets reopened. Since the outbreak of COVID-19, a period of sustained low supply, particularly from the majors, De Beers and ALROSA, has allowed for a better equilibrium in the market and there is now improved demand from the downstream as retailers look to put orders in place in time for the festive retail season. The cutting and polishing factories of India have ramped up to ca. 60% capacity under COVID-19 guidelines, but are looking at how to maximise working hours in order to meet demand, including observing a much shorter holiday period for Diwali than usual. Many producers have reinstated their usual sales tender pattern in order to match demand. 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.



### Case study: The NDC launches its first major advertising campaign

In September 2020 the Natural Diamonds Council announced Hollywood actor Ana de Armas as its Global Ambassador and successfully launched their its global advertising campaign, 'For Moments Like No Other'.

Ana de Armas is a rising Hollywood star, having been nominated for a Golden Globe for her performance in Knives Out, and has a leading role in the latest James Bond film, No Time to Die. She leads the multipart campaign that celebrates beautiful natural diamond jewellery and its significance across different relationships: love, freedom, friendship and family, for meaningful moments like no other, whether big or small. The campaign ushers in the next chapter for natural diamonds, one that is exciting, energetic, and driven by connection and experience.

The campaign film was debuted at the Emmy Awards and was complemented by a robust media plan, launched with a feature article in Vogue US. The campaign has also been featured at other prime broadcast events including Good Morning America, the American Music Awards and more.

The campaign materials were also distributed through the NDC's own channels, including its campaign website, which features behind-the-scenes footage and an interview element with Ana, as well as comprehensive information about the brands and designers featured in the campaign.

The campaign was timed to support the industry at the start of the retail buying season and marked a number of firsts for the NDC. Not only was it the first celebrity-fronted campaign for the diamond category, but it was also the first dedicated to its 'Only Natural Diamonds' platform. The campaign is also the first marketing initiative by the NDC to showcase a diverse roster of jewellery designers that work with natural diamonds in innovative and modern ways.

**Visit the campaign website: [www.moments.naturaldiamonds.com](http://www.moments.naturaldiamonds.com)**

## Our Strategy

# Stabilising and optimising our portfolio

We are driving the optimisation of our diversified asset base with the aim of delivering consistent production, revenue and free cashflow in order to maximise value for all of our stakeholders.

Our strategy is firmly underpinned by our focus on safety and sustainability, and decisions are taken with the long-term success of the business in mind.

### Our strategy

#### Work responsibly

**Committed to responsible development to create value for all stakeholders**

#### Strategy in action

Continued emphasis on further embedding safe working practices, facilitating effective stakeholder engagement, minimising our environmental impact and maximising our societal benefits in order to ensure sustainable operations.

#### SAFETY LTIFR

**0.29**

(FY 2019: 0.21)

#### STAFF TURNOVER

**8%**

(FY 2019: 8%)

#### Performance against FY 2020 objectives

- Safety remained our top priority but we did not meet our reduction in LTI target, mainly due to an increase in behavioural incidents at Finsch which are being addressed (below expectations)
- The Company's Sustainability Framework was significantly progressed but finalisation was impacted by the COVID-19 pandemic and is now scheduled for FY 2021 (below expectations)
- A formal internal and external stakeholder engagement process took place to establish the Company's key sustainability material topics (met expectations)

#### Commitments and objectives for FY 2021

- Continued priority placed on the health and safety of our workforce, including the ongoing mitigation of COVID-19 at all our operations
- Finalisation of the Group's Sustainability Framework, to be reviewed by the SED Committee and approved by the Board
- Progression of change initiatives to drive the development of a culture at Petra that is aligned to our values
- Continued development of the Petra Climate Change Adaptation Strategy
- Strengthening of our stakeholder feedback and engagement systems to ensure compliance with international industry standards

#### How we achieve this

- Strive for a zero harm workplace
- Foster a dynamic Company culture, underpinned by our purpose and values, in which employees are encouraged to fulfil their true potential
- Leverage strong relationships with our stakeholders to support our licence to operate
- Protect and enhance our environment
- Uphold the high value placed on diamonds
- Strive to go beyond compliance

#### KPIs

- Safety
- Staff turnover
- Social and training spend
- Water usage
- Carbon emissions

#### Risks

- COVID-19
- Country and political
- Licence to operate
- Labour relations

#### Remuneration

- HSE performance measures
- SED performance measures

## Consistent delivery

### Focus on delivering steady-state operations that generate sustainable free cashflow

#### Strategy in action

Stabilising production across our portfolio and ongoing review of the asset portfolio with a view to maximising return on capital.

TOTAL PRODUCTION (MCTS)	OPERATIONAL FREE CASHFLOW (US\$ MILLION)
<b>3.6</b>	<b>-12.3</b>
(FY 2019: 3.9)	(FY 2019: 70.5)

#### Performance against FY 2020 objectives

- Production guidance of ca. 3.8 Mcts was on track to being achieved prior to the outbreak of COVID-19 and the subsequent suspension of guidance (below expectations)
- Cashflow generation was severely impacted by the COVID-19 pandemic and the resultant effect on production, sales and rough diamond pricing (below expectations)
- Continued evolution of the Board with the appointment of Peter Hill as Non-Executive Chairman (met expectations)
- The Company continued to focus on training and development, with expenditure of US\$5.8 million during the Year (met expectations)

#### Commitments and objectives for FY 2021

- Continued maintenance of Contops at Cullinan and Finsch to optimise production, particularly in light of the disruptions caused by COVID-19
- Reinstate production guidance when appropriate
- Ongoing review of the asset portfolio to ensure all assets are in a position to contribute positive cashflow to the business
- Maintain flexible sales approach to ensure optimal route to market

#### How we achieve this

- Effective implementation of Project 2022 to optimise free cashflow
- Prioritise 'value' over 'volume' production and achieve annual production targets
- Ensure we have the right people and skills in place, including appropriate Board and management structures
- Optimise diamonds sales
- Training, development and empowerment of management and employees
- Commit the necessary long-term investment in order to sustain and extend the lives of our assets
- Use new technology where appropriate to drive improvements

#### KPIs

- Free cashflow generation
- Production
- Revenue
- Staff turnover
- Training spend
- TSR

#### Risks

- Diamond price
- Currency
- COVID-19
- Country and political
- Mining and production
- ROM grade and product mix volatility
- Labour relations
- Financing
- Licence to operate

#### Remuneration

- Safety
- Free cashflow generation
- Production performance measures
- TSR performance measures

# Our Strategy continued

## Our strategy continued

### Drive optimisation

**Driving efficiencies and improvements across the business to optimise operations and enhance cashflow generation, supported by an appropriate organisational and capital structure**

#### Strategy in action

Project 2022 helped to drive throughput improvements and other business efficiencies; change initiatives are in place to ensure the Group has the optimal management and organisational structures to drive the next phase of its development.

OPERATIONAL CAPEX  
(US\$ MILLION)

**36.6**

(FY 2019: 85.1)

WATER EFFICIENCY  
(M<sup>3</sup>/T)

**0.97**

(FY 2019: 1.03)

#### Performance against FY 2020 objectives

- Operational Capex of US\$36.6 million was below guidance of ca. US\$43.0 million reflecting management's response to the COVID-19 impact on the business (exceeded expectations)
- The implementation of Project 2022 initiatives to reduce production bottlenecks resulted in increased throughput, prior to the outbreak of COVID-19; free cashflow generation was impeded by the weakness in diamond prices leading to a rise in the Group's consolidated net debt level (below expectations)
- Energy and water usage were both lower due to constrained production, as well as efficiency initiatives implemented during the Year (exceeded expectations)

#### Commitments and objectives for FY 2021

- Finalise the Restructuring in order to provide a stable deleveraged capital structure to ensure the short and long-term viability of the Company
- Deliver operational efficiencies and improvements across the business according to the Project 2022 objectives to deliver cost and throughput optimisation, thereby improving free cashflow generation and strengthening the Group's balance sheet
- Target Group Capex of ca. US\$28 million
- Ongoing Organisational Design Review to ensure a consistent and simplified operating model for the Group, providing the basis for a more sustainable business
- Continued focus on electricity and water efficiency as well as carbon intensity

#### How we achieve this

- Effective implementation of Project 2022
- Focus on capital efficiency
- Maintain disciplined cost control on mine and efficient overhead structure
- Drive efficiencies, particularly in terms of the usage of energy, water and labour
- Continued optimisation of portfolio, operating systems and performance

#### KPIs

- Safety
- Free cashflow generation
- Profitability
- Capital efficiency
- TSR
- Carbon emissions
- Water usage

#### Risks

- Mining and production
- COVID-19
- ROM grade and product mix volatility
- Labour relations
- Financing
- Licence to operate

#### Remuneration

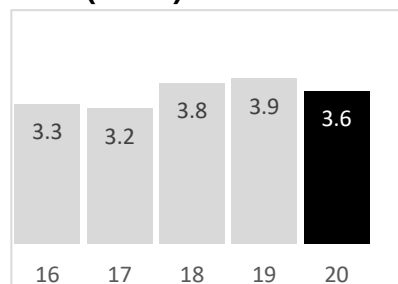
- Safety
- Free cashflow generation
- Profit and cost performance measures
- Capital efficiency
- TSR performance measures

## Key Performance Indicators

Petra uses various performance measures of both a financial and a non-financial nature, which are linked to our strategic objectives, to help evaluate the ongoing performance of the business. The following performance measures are considered by management to be some of the most important in terms of evaluating the overall performance of the Group year on year.

### ROUGH DIAMOND PRODUCTION<sup>1</sup> (MCTS)

**3.6 (-7%)**



#### Performance and targets

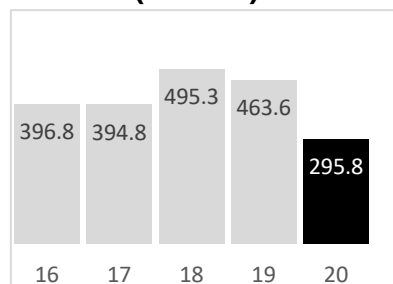
While the Company was on track to meet or exceed its original guidance of ca. 3.8 Mcts (guidance was suspended on 27 March 2020), production was severely disrupted by the COVID-19 lockdown implemented in South Africa from 26 March 2020 and the Williamson mine in Tanzania being placed on care and maintenance in April 2020. Due to ongoing uncertainty around the impact of COVID-19, production guidance for FY 2021 will be provided once a sustainable level of operational stability has been reached.

#### Risk management

Realistic operational targets, based on detailed mine production planning, with production performance monitored closely; contingency plans put in place to mitigate impact of COVID-19.

### REVENUE<sup>1</sup> (US\$ MILLION)

**295.8 (-36%)**



#### Performance and targets

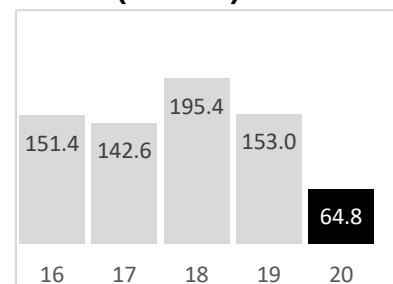
Revenue decreased 36% to US\$295.8 million, reflecting a weaker market in H1 FY 2020, exacerbated by significant price reductions and major disruptions to the planned sales cycles following the outbreak of the COVID-19 pandemic, with the number of diamonds sold for the Year down 23% to 2.9 Mcts.

#### Risk management

The key factors affecting revenue growth are delivery on production targets, managing grade volatility and product mix, and diamond prices (which are outside of the Group's control); alternative sales mechanisms were implemented to counter inability to hold tenders during hard lockdown in South Africa.

### ADJUSTED EBITDA<sup>1,2</sup> (US\$ MILLION)

**64.8 (-58%)**



#### Performance and targets

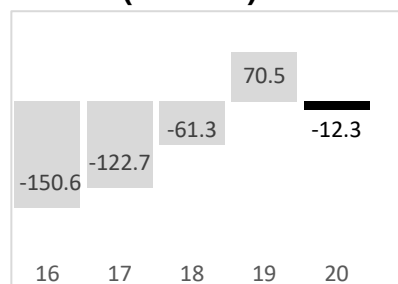
Adjusted EBITDA, being profit from mining activities less exploration and corporate overhead, decreased by 58% to US\$64.8 million, representing an adjusted EBITDA margin of 22% (FY 2019: 33%), driven by lower revenue and partially offset by a decrease in mining and processing costs.

#### Risk management

Rigorous operational and financial discipline involving a comprehensive, Board-approved annual budgeting process and monthly monitoring.

### OPERATIONAL FREE CASHFLOW<sup>2,4</sup> (US\$ MILLION)

**-12.3 (-117%)**



#### Performance and targets

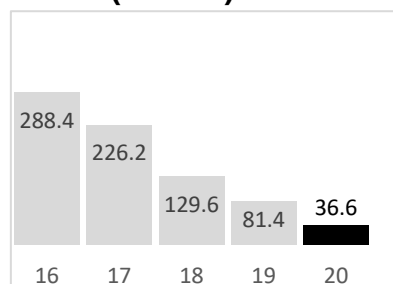
Having generated significant operational free cashflow in FY 2019, the situation was reversed in FY 2020, reflecting the impact of a weaker diamond market in H1, further compounded by the severe effect of the COVID-19 pandemic on production, sales and pricing across the operations.

#### Risk management

Strong financial and operational management, disciplined cashflow forecasting and strong customer, banking and equity relationships assist in managing liquidity.

### OPERATIONAL CAPEX<sup>1,3</sup> (US\$ MILLION)

**36.6 (-55%)**



#### Performance and targets

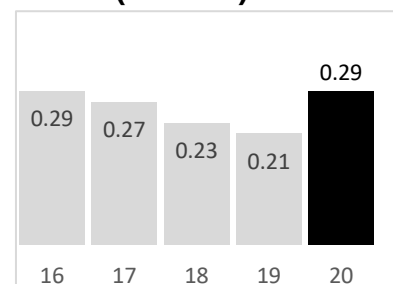
Operational Capex (excluding capitalised borrowing costs) reduced 55% to US\$36.6 million, lower than original guidance of ca. US\$43.0 million, reflecting management's response to capital allocation in light of the COVID-19 impact on the business. A significantly reduced level of Capex is planned for FY 2021 of ca. US\$28 million to assist with managing Company liquidity while the business environment remains very challenging.

#### Risk management

The Group's annual budgeting process includes detailed Capex requirements per operation and is Board approved. Capex is monitored and cashflow continually reviewed. Capex deferrals were implemented to partially offset revenue shortfall following the COVID-19 outbreak.

### SAFETY<sup>4</sup> (GROUP LTIFR)

**0.29 (+38%)**



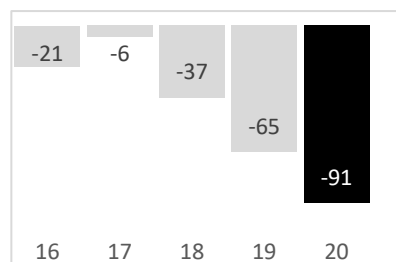
#### Performance and targets

Group LTIFR for the Year increased to 0.29, which was not in line with our target to achieve a minimum 10% improvement in LTIFR annually. 19 LTIs were recorded in FY 2020 as opposed to 16 in FY 2019, with the majority of accidents found to be behavioural in nature and of low severity. Considerable focus has been placed on changing these behaviours, as set out on page 49. The LTIFR calculation was also impacted by a reduction of 2.1 million risk work hours during the Year (0.04 or 12% impact). Total injuries, including those that did not result in a lost shift, reduced by 26%. We continue to target a zero harm working environment.

#### Risk management

In addition to appropriate risk management processes, Petra has strategies, systems, effective risk-based mitigating controls and training in place to promote a safe working environment.

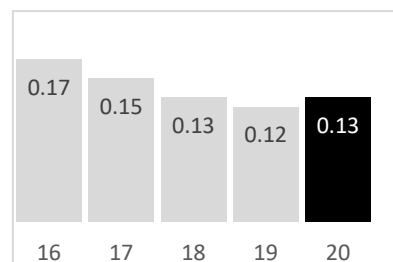
## Key Performance Indicators continued

TOTAL SHAREHOLDER RETURN  
(PERCENTAGE CHANGE)**-91%****Performance and targets**

Total shareholder return decreased by 91%, due to the depreciation of the share price during the Year. Despite the positive operational performance in FY 2020, the main issues affecting the Company's share price were concerns around the weak diamond price environment in H1 FY 2020 and the impact on the Group's level of leverage. This was further exacerbated by the outbreak of the COVID-19 pandemic in Q3 FY 2020, which brought the diamond industry to a near standstill in Q4 FY 2020.

**Risk management**

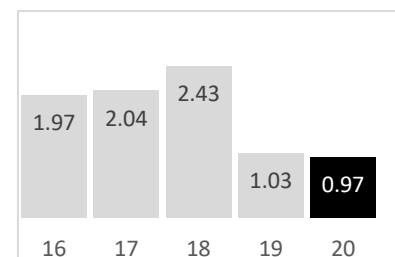
Petra has taken action to address market concerns. The Company commenced a strategic review in March 2020 in order to assess an optimal longer-term capital structure for the Group and an agreement was reached with the Company's lenders in October 2020 with respect to a long-term solution for the recapitalisation of the Group, subject to shareholder approval.

CARBON EMISSIONS<sup>4, 5</sup>  
(tCO<sub>2</sub>-e/ct)**0.13 (+8%)****Performance and targets**

The carbon emitted per carat by the Group increased by 9% due to the combined effect of an overall decrease in carats produced, further to the impact of the COVID-19 pandemic, and an increase in Scope 2 emissions at the Williamson mine due to the use of a higher, but more accurate, emission factor for electricity purchased from Tanesco, the national utility, despite a decrease in electricity actually used during the Year. The total carbon emitted by the Company increased by 1% to 484,182 tCO<sub>2</sub>-e, mainly due to the aforementioned increase in Scope 2 emissions. The Company target of a 1% reduction in the carbon emitted per carat was not achieved in FY 2020, but over a five-year period the saving of 12% has surpassed the target of 5%.

**Risk management**

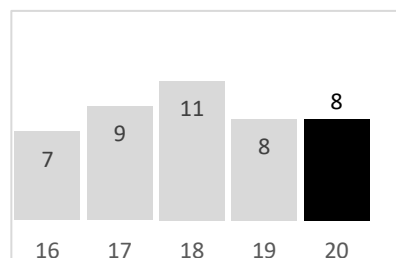
The Group endeavours to continually reduce its reliance on fossil fuel energy sources and to minimise its overall energy usage wherever possible.

WATER USAGE<sup>4, 6</sup>  
(m<sup>3</sup>/t)**0.97 (-6%)****Performance and targets**

Petra's total water usage per production tonne decreased by 6% to 0.97 m<sup>3</sup>/t. This overall improvement in efficiency was due to water saving initiatives to manage the drought conditions experienced in South Africa in 2019. Petra is aiming to maintain water efficiency rates in line with FY 2020 in FY 2021. Forward-looking targets are currently on hold pending the stabilisation of the operations, post the disruption caused by the COVID-19 pandemic.

**Risk management**

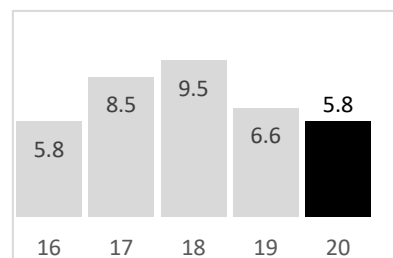
The Group endeavours to continually develop, implement and improve water efficiency measures to reduce the consumption per tonne processed.

STAFF TURNOVER<sup>4</sup> (%)**8 (0%)****Performance and targets**

The Group staff turnover rate remained constant at 8%, which is considered to be comparatively low and in line with the broader mining sector. Petra endeavours to maintain turnover rates consistent with industry norms and has a number of initiatives and programmes in place to develop and retain its people.

**Risk management**

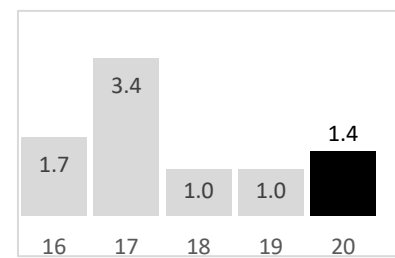
The Group's employment policies and remuneration strategy are designed to attract, incentivise and retain individuals of the right calibre, as well as retain key management for the longer term.

TRAINING SPEND<sup>4</sup> (US\$ MILLION)**5.8 (-12%)****Performance and targets**

Our investment in employee training and development reduced by 12% due to the ZAR weakening against the USD, as well as a significant reduction in the total number of people employed by the Company (especially contractors), a reduced training spend from March 2020 due to restrictions relating to the COVID-19 pandemic, and a reduced spend at Williamson due to the mine being placed on care and maintenance in April 2020. Petra aims to achieve a training spend target of 5% of annual payroll and this was achieved at the South African operations in FY 2020, though Williamson's performance was impeded by the care and maintenance period.

**Risk management**

Petra maintains compliance with the regulatory framework and supports a number of different training and development programmes.

SOCIAL SPEND<sup>4</sup> (US\$ MILLION)**1.4 (+40%)****Performance and targets**

Social spend increased 40%, with higher spend in South Africa due to the completion of a number of community projects in FY 2020. Community spend in Tanzania remained curtailed to a minimum, as a result of the mine's liquidity constraints, further exacerbated by the COVID-19 pandemic and the mine being placed on care and maintenance in April 2020. Petra targets base case spend of 1% of net profit after tax ("NPAT"); however, this calculation was not possible for FY 2020, given the negative NPAT recorded.

**Risk management**

Petra maintains compliance with the regulatory framework and continues to evaluate the evolving Mining Charter legislation in South Africa. Petra also continually liaises and co-operates with social and institutional stakeholders.

**Notes:**

1. FY 2016–FY 2019 excludes KEM JV.
2. All APMs used are defined on page 197.
3. Excluding capitalised borrowing costs.
4. FY 2018 and before includes KEM JV; FY 2019 and FY 2020 excludes KEM JV.
5. Updated emissions reporting methodology implemented during FY 2017 means that historical figures are not directly comparable.
6. Petra's water usage calculation methodology changed during the Year due to a redefinition of 'total water' – read more on page 55; the figure for FY 2019 has therefore been restated.

## Financial Review

# Addressing our challenges

“Having generated significant operational free cashflow for the first time in FY 2019, FY 2020 was severely impacted by the COVID-19 pandemic, which made production and sales particularly challenging in Q4. We therefore took decisive action to protect liquidity and post Year end, we reached agreement in principle on a common set of commercial terms with respect to a long-term solution for the recapitalisation of the Group with the South African Lender Group, our BEE Partners and the majority of the Noteholders.”

**Jacques Breytenbach**  
Finance Director

## 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 PPE 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 <sup>1</sup> US\$m	Diamond royalties US\$m	Diamond inventory and stockpile movement US\$m	Group technical, support and marketing costs <sup>2</sup> US\$m	Adjusted mining and processing costs US\$m	Depreciation <sup>3</sup> US\$m	Total mining and processing costs (IFRS) US\$m
<b>FY 2020</b>	<b>235.0</b>	<b>5.9</b>	<b>(34.9)</b>	<b>19.3</b>	<b>225.3</b>	<b>82.6</b>	<b>307.9</b>
FY 2019	266.9	13.2	(2.9)	24.5	301.7	105.9	407.6

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.

## Financial Review continued

### Mining and processing costs continued

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 COVID-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).

## Financial Review continued

### 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 DMRE (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 COVID-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 report, 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' on page 35.

### 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.

## Financial Review continued

### Going concern considerations continued

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 to 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 on pages 194 and 195) 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.

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.

See 'Basis of preparation including going concern' on pages 142 to 144 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 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 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.

## Financial Review continued

**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 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	<b>16.4</b>	46.3
Finsch	US\$m	<b>8.4</b>	24.1
Koffiefontein	US\$m	<b>3.8</b>	6.1
Williamson	US\$m	<b>8.0</b>	8.6
<b>Subtotal – Capex incurred by operations</b>	US\$m	<b>36.6</b>	85.1
Corporate/exploration	US\$m	<b>(0.2)</b>	1.8
<b>Total Group Capex</b>	US\$m	<b>36.4</b>	86.9

**Notes:**

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


**Jacques Breytenbach**

Finance Director

17 November 2020

## Operational Review

# Introduction to the Operational Review

In FY 2020 the outbreak of the COVID-19 pandemic presented unprecedented challenges to our operations and the industry as a whole. 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 protect the ongoing viability of our operations.

Despite this extremely challenging operating environment, our operations again delivered a strong performance for the Year, as we recorded the highest ROM production in Petra's history in the first nine months of FY 2020, further to throughput improvements driven by Project 2022. However, overall production was down 7% to 3.6 Mcts (FY 2019: 3.9 Mcts) further to the disruptions caused by COVID-19.

At Cullinan, an important milestone was reached with the C-Cut project, as we completed the draw-bell installation across the footprint of the project by the end of January 2020. The draw-bells require roughly 12 months to reach maturity. 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).

At Finsch, the contribution from underground ROM production also increased to 1.6 Mcts (FY 2019: 1.5 Mcts), with the tonnage contribution from the Block 5 SLC ramping up to 2.7 Mt (FY 2019: 2.5 Mt), notwithstanding the Q4 disruptions.

The Company has temporarily suspended production guidance and will look to reinstate this when operating conditions normalise.

### Protecting our people

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.

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 to ensure we are playing our part to mitigate the spread of the virus and to protect our people.

### Improving our productivity

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.

In FY 2020 we continued to implement initiatives at our operations as part of Project 2022 and these have eliminated or mitigated the impact of bottlenecks in the production processes of the various mines. This resulted in the increased throughput recorded for FY 2020, prior to the disruption of the COVID-19 pandemic. Read more in 'Project 2022 in action' on page 40.

### 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.

## Operational Review continued

### **Focus for FY 2021**

In Q1 FY 2021, the Company took the decision, following extensive consultation and planning in cooperation with the relevant organised labour and employee stakeholders, to move to 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), thereby mitigating the continued disruption to operations caused by the COVID-19 pandemic.

In September and October 2020, production at the Finsch mine was impacted by the arrangements to operate Contops coming to an end. An agreement has since been reached with organised labour to reinstate Contops for the nine-month period to June 2021. Production is therefore expected to revert to planned levels for the duration of FY 2021.

A key objective for FY 2021 will therefore be to maintain Contops and to further stabilise the operations as much as possible, dependent on the ongoing prevalence of the COVID-19 pandemic. We will also continue to evaluate the care and maintenance position of the Williamson mine in Tanzania, with the hope that market conditions will improve sufficiently to restart operations in H2 FY 2021.

Prior to the outbreak of COVID-19, the implementation of Project 2022's initiatives was firmly on track and ahead of schedule; however, it has since been significantly interrupted by the COVID-19 lockdown. As our operations return to full capacity, focused steps are being taken to ensure that the momentum of idea generation and implementation returns to its pre-lockdown levels to ensure the delivery of the expected benefits.

The focus of Project 2022 has expanded into two further areas in addition to the initial concentration on throughput. Firstly, it now also includes a sustainable optimisation of the Company's cost structure during this period of reduced revenue generation. Secondly, it is helping to drive the transformation to a new organisational model designed to support clear accountability and authority, with the correct number of organisational layers and the right work at the right levels, in order to empower our people to deliver on our strategy.



**Juan Kemp**  
Chief Technical Officer  
17 November 2020



## Production, sales and capex summary<sup>1</sup>

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

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

### Cullinan – South Africa

REVENUE CONTRIBUTION:	CARAT CONTRIBUTION:	REVENUE (US\$ MILLION):	PRODUCTION (MCTS):	AVERAGE PRICE PER CARAT (US\$):
<b>39%</b>	<b>44%</b>	<b>116.5</b>	<b>1.6</b>	<b>98</b>
(FY 2019: 37%)	(FY 2019: 43%)	(-32%)	(-5%)	(-10%)

### FY 2020 performance

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.

## Operational Review continued

### Case study: Project 2022

#### **Project 2022 in action**

Project 2022 is an essential part of Petra's journey to financial sustainability and profitability. It is now fully operational at all of Petra's mine sites, as well as at Group level, with central teams focusing on overhead costs, strategic sourcing and organisational design.

Weekly Project 2022 Results Action Review meetings 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 and we have already seen a positive impact on production volumes.

#### **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.

#### **Conclusion**

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.

Project 2022 is not just a project; it is a new way of working and part of our Petra culture, to continuously improve in everything we do.

## Finsch – South Africa

REVENUE CONTRIBUTION:	CARAT CONTRIBUTION:	REVENUE (US\$ MILLION):	PRODUCTION (MCTS):	AVERAGE PRICE PER CARAT (US\$):
<b>34%</b>	<b>46%</b>	<b>101.1</b>	<b>1.6</b>	<b>75</b>
(FY 2019: 37%)	(FY 2019: 43%)	(-41%)	(-6%)	(-25%)

### FY 2020 performance

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

REVENUE CONTRIBUTION:	CARAT CONTRIBUTION:	REVENUE (US\$ MILLION):	PRODUCTION (MCTS):	AVERAGE PRICE PER CARAT (US\$):
<b>9%</b>	<b>2%</b>	<b>25.7</b>	<b>0.07</b>	<b>387</b>
(FY 2019: 6%)	(FY 2019: 2%)	(-11%)	(+9%)	(-19%)

### FY 2020 performance

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.

## Operational Review continued

**Williamson – Tanzania**

REVENUE CONTRIBUTION:	CARAT CONTRIBUTION:	REVENUE (US\$ MILLION):	PRODUCTION (MCTS):	AVERAGE PRICE PER CARAT (US\$):
<b>18%</b>	<b>8%</b>	<b>52.5</b>	<b>0.03</b>	<b>177</b>
(FY 2019: 20%)	(FY 2019: 9%)	(-44%)	(-25%)	(-24%)

**FY 2020 performance**

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.

**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\$0.4 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 prospects within the exploration licences, or discovered using the Sekaka exploration database, 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 ha 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, or that are discovered using historical exploration data previously acquired by Sekaka Diamonds. Botswana Diamonds has the option to buy out the royalty for a cash payment of US\$2.0 million.

**South Africa**

Petra currently holds 984km<sup>2</sup> 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.

## Principal Risks and Uncertainties

The Group is exposed to a number of risks and uncertainties which could have a material impact on its performance and long-term viability. The effective identification, management and mitigation of these risks and uncertainties is a core focus of the Group, as this is key to the Company's strategy and objectives being achieved.

Central to Petra's approach to risk management is having the right Board and Senior Management team in place, with such members combining extensive experience of the specialist worlds of diamond mining, rough diamond sales, health and safety, human resources, skills development, diversity and transformation, finance, corporate governance and risk management, as well as in-depth knowledge of the local operating conditions in South Africa and Tanzania and the regulatory environments of all of the countries in which Petra operates or has a corporate presence.

The Board oversees overall risk management, with Board Committees providing an additional level of oversight. The newly established Risk and Assurance function consolidates, reviews and reports on key risks on a quarterly basis to the Exco, which is responsible for risk management processes and systems and drives a culture of individual employee accountability in implementing these.

Following the Group's Organisational Design Review, an Enterprise and Risk Management ("ERM") and Combined Assurance function was formed during the Year, headed by the Group Head of Risk and Assurance. The priority for this function in FY 2021 will be to operationalise the new ERM and Combined Assurance Plan, which includes a Group Risk and Assurance Policy Statement and Group Risk Policy and Framework. An enterprise-wide, 'bottom-up' and 'top down' risk aggregation and assessment will also be carried out and integrated into the Group risk register.

### Risk review process

Petra's management together with the Risk and Assurance function reviewed and updated the Group's principal risks with reference to the Group's internal risk registers in FY 2020. The Board and Exco conducted an in-depth analysis and appraisal of the Group's risk profile shortly after Year end, which has led to the inclusion of the COVID-19 pandemic as a principal external risk.

The Group's future approach towards the management of ESG-related risks will be further considered and enhanced through the new Risk and Assurance function, in support of the SED and HSE Committees.

### Risk appetite

Risk appetite reflects the nature and extent of risk that is acceptable to Petra in order to achieve its objectives. This is considered based on the consequences of such risks materialising and also takes into account any relevant internal or external factors, as well as the mitigating actions available. Petra will consider strategic actions in the event that a risk exceeds its appetite. As part of the Risk and Assurance function's risk management improvement plan, it expects to conduct a review of Petra's risk appetite and tolerance framework during FY 2021.

### Risk management framework

A schematic illustrating the structure of Petra's risk management framework can be viewed at <https://www.petradiamonds.com/about-us/corporate-governance/internal-control-and-risk-management/>.

### Principal risks

A summary of the risks identified as the Group's principal external, operating and strategic risks (in no order of priority) is listed below – refer to pages 93 to 99 for the full risk management commentary.

Risk	Risk appetite	Risk rating	Nature of risk	Change in FY 2020
<b>External risks</b>				
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)	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.
<i>Diamond market impact included in diamond price risk above</i>				

## Principal Risks and Uncertainties continued

## Principal risks continued

Risk	Risk appetite	Risk rating	Nature of risk	Change in FY 2020
<b>Operating risks</b>				
5. Mining and production	Medium	Medium	Long term	<p>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.</p> <p>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.</p>
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.
<b>Strategic risks</b>				
8. Financing	Medium	High	Short to medium term	<p>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.</p> <p>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.</p>
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.

## Sustainability

# Driving sustainable operations and stakeholder value

Mining is an inherently long-term business and therefore our operations are planned and structured with their sustainability in mind, to the benefit of all our stakeholders. Our goal is to put in place the right actions today which will benefit the future of a project, rather than focusing on short-term outcomes. Management of ESG matters is integrated into how we operate, with formal oversight provided by the Company's HSE, SED and Audit and Risk Committees.

Petra has reported in detail on its sustainability strategy and performance in its standalone Sustainability Reports since 2009, all of which are available to view on the Company's website at <https://www.petradiamonds.com/investors/results-reports/>.

## Assessing materiality

In FY 2020, Petra completed a formal internal and external stakeholder engagement process in order to ensure that the Company is managing and reporting on the topics that are most important to our stakeholders. This process, which is outlined in more detail in our 2020 Sustainability Report on pages 8 to 9, confirmed that Petra has generally been focused on the right topics, but it was nevertheless very helpful to gain further insight into what issues are most important to the various stakeholder groups.

## Sustainability performance in FY 2020

The Company has numerous sustainability objectives in place to drive and measure performance; some examples of key objectives and related outcomes in FY 2020 are detailed below.

Material topic	Objectives	Outcomes in FY 2020
<b>Responsible business</b>		
Ethical behaviour	Strengthening of the independent whistleblowing system	✓ System reviewed and updated
Corporate governance	Review of the Human Rights Policy	✓ Policy statement reviewed, updated and approved post Year end
	Development of the Diversity and Inclusion Policy	✓ Policy finalised and approved post Year end
<b>Safety and occupational health</b>		
Workplace safety	Zero fatalities and 10% reduction in LTIs	X 0 fatalities but a 19% increase in LTIs
Occupational health	Zero compensated occupational diseases and 100% investigation of occupational hygiene incidents	✓ 0 compensated and 100% incidents investigated
<b>People</b>		
Employee development	Ensure employee development needs are met by identifying current training gaps and future training needs	✓ US\$5.8 million invested in training and development
Diversity	Improve participation of women in leadership and management	✓ 12 female leaders participated in Women in Leadership Programme and improved participation in other management development programmes

## Sustainability continued

**Sustainability performance in FY 2020 continued**

Material topic	Objectives	Outcomes in FY 2020
<b>Environment</b>		
Environmental management	Continued improvement in waste management processes	✓ 44% less waste generated and 24% less waste sent to landfill
Climate change and energy usage	1% annual reduction in carbon emitted per carat <sup>1</sup>	X Carbon emitted per carat increased due to less carats produced and a change in emission factor for energy supplied by Tanesco
Water management	Implementation of water saving initiatives	✓ Water usage per production tonne improved by 6% ✓ Total volume of recycled water used increased by 34%
<b>Positive impacts</b>		
Community relations and development	Continued roll-out of community development projects	✓ Three community projects were completed, with social spend correspondingly rising by 40%
Stakeholder engagement and management	Implementation of a consistent and effective stakeholder engagement approach across the Group	X While progress was made, delivery of enhancements to the Company's IsoMetrix system used to capture and manage engagement was delayed by the COVID-19 pandemic and work is ongoing

1. FY 2015 to FY 2020, from the base year of FY 2016.

**Responsible business**

# 100%

PRODUCTION CERTIFIED AS 'CONFLICT FREE'

**Ethical behaviour and corporate governance**

- FTSE4Good – Petra confirmed again as a constituent
- No fines paid for regulatory non-compliance
- 15 tip-offs received by Company whistleblowing hotline
- 3 sustainability pledges made by NDC members in support of the Sustainable Development Goals ("SDGs")

Responsible business practices are essential to the long-term success of the Company and are managed at Petra via effective corporate governance, legal compliance and ethical behaviour.

The Company has a robust system of policies in place to provide the framework for ethical behaviour within the Group and a number of these can be accessed at <https://www.petradiamonds.com/about-us/corporate-governance/business-ethics/>.

**Ensuring ethical behaviour**

Petra is committed to upholding not only the levels of corporate governance it has maintained to date, but also to further developing and implementing governance best practice right down through the organisation.

Petra's commitment to ethical behaviour is clearly set out in the Group's Code of Ethical Conduct and we expect all employees, contractors, Directors and suppliers to conduct themselves in accordance with this Code.

Petra will only operate in countries which are members of the Kimberley Process and each of our diamonds is fully traceable to its point of production, thereby providing assurance that 100% of our production is certified as 'conflict free'.

Petra is in the process of developing a governance suite of training modules facilitated on an e-learning platform, having witnessed the success of this format for employee training around COVID-19. The first module to be developed is on human rights and the intention is to then develop other ethics modules, including whistleblowing, anti-bribery, Code of Ethical Conduct, diversity and inclusion and vetting. These training modules will be made available mainly to supervisors and management and other employees in relevant disciplines, such as security, procurement and human resources. Other employees are exposed to these issues through the mandatory general induction process. These training modules are expected to greatly assist in an approach of continuous communication and learning on ethical practices.

**Anti-bribery**

Bribery is strictly prohibited by Petra. Petra has a Group Anti-Bribery Policy in place which is made public on both the Company's intranet and website. The Group's stance on responsible business practices, including its commitment to ethical behaviour and anti-bribery, is communicated regularly to employees and included in employee training. All Petra employees, contractors and suppliers are informed as part of the Company's induction procedure about this important corporate policy.



The Audit and Risk Committee receives a quarterly security intelligence report, detailing any investigations of bribery. This report provides details of incidents and actions taken (including fines and penalties). In FY 2020 there were a number of allegations which were investigated and appropriate action was taken (further information is provided in the 'Whistleblowing procedure' section to follow).

#### **Whistleblowing procedure**

Petra has a whistleblowing procedure in place that provides all Petra employees, contractors and suppliers, as well as any member of the public, with the opportunity to independently and anonymously report conduct that is in contravention of the Code of Ethical Conduct or the Anti-bribery Policy. In order to uphold its independence, this service is outsourced to a service provider. It is also provided in all local languages in the countries in which Petra operates, as well as a number of international languages. All 'tip-offs' are directed to the service provider's central facility before being forwarded to nominated Group employees for further investigation and feedback, where required; outcomes are presented to the Audit and Risk Committee.

In FY 2020 Petra received 15 reports involving alleged irregularities considered necessary to investigate, relating mostly to fraud involving recruitment scams. A further breakdown of the types of tip-offs received can be found in the Company's 2020 Sustainability Report in the 'Responsible business' section. Of these reports, eight were resolved and closed and seven remain under investigation.

#### **Human rights**

Petra acknowledges the global problem with regards to human rights abuses, such as slavery, gender-based violence, child labour and other abuses committed against vulnerable members of society. The Company is fully committed to upholding the human rights of all of its stakeholders, as set out in the Group's Human Rights Policy Statement, and risk assessments in the Company's working environment are critical to the security of personnel, local communities and assets, as well as to promote and protect human rights. As part of their procurement processes, our Group companies obtain contractual obligations in the standard terms and conditions from their suppliers that they are not involved in any human rights abuses.

Our commitment includes all applicable internationally recognised human rights but particularly the International Bill of Rights (which includes the Universal Declaration of Human Rights), the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, the Voluntary Principles on Security and Human Rights ("VPSHR"), and all legislation pertaining to human rights in the countries where it operates.

In ensuring our respect for human rights we pledge to:

- welcome diversity and treat all people equally, without discrimination;
- respect the resources, values, traditions and cultures of local and indigenous communities;
- deal respectfully with issues of access to land;
- mitigate environmental impacts, including access to clean water;
- avoid damaging as far as possible the right to livelihoods including those whose livelihoods have historically been reliant on artisanal mining;
- operate with respect for human rights in post-conflict and weak governance zones;
- ensure respect for human rights in deployment of security forces; and
- have consideration for society's most marginalised individuals and groups.

Human rights issues are covered by internal operational policies and procedures, with the Company's Employment Equity Policy and its Disciplinary Code and procedures expressly forbidding any kind of discrimination. Should a human rights grievance occur, it is either managed through the operational grievance procedures or, where they are seen as substantive in nature, by the collective bargaining processes that are in place with recognised trade unions.

As previously noted, Petra is in the process of developing a new e-learning training module on human rights which is expected to improve the Company's communication and training practices around this topic.

Petra has zero tolerance for child labour, forced labour or discrimination, and we respect the right of our workers to form unions. The Company does not consider there to be a risk of child labour or forced labour taking place at any of our Group company operations, due to the rigorous recruitment and pre-employment vetting processes they have in place. The Company also does not consider there to be a risk of slavery or human trafficking with regards to its Group company operations or supply chain, due to the due diligence processes in place in the different parts of the business covering supply chain management.

#### **Illegal mining and artisanal and small-scale mining ("ASM")**

Whilst there is no risk of illegal artisanal mining taking place at the underground operations in South Africa, there is an ongoing risk of illegal artisanal mining at the Williamson open pit operation in Tanzania. For further information on this risk, see 'Allegations of human rights abuses at the Williamson mine in Tanzania' to follow.

There is also a risk of illegal artisanal mining taking place upon the tailings dumps at other South African operations, due to the nature of these deposits being at surface, meaning they can be more easily targeted.

As part of its commitment to finding a long-term solution, the Koffiefontein diamond mine ("KDM") partnered with local stakeholders in the Free State province of South Africa to create the opportunity for an ASM initiative. This process resulted in KDM making some of the tailings mineral resources, notably the resource generally referred to as the 'Eskom dump', available to the newly established Koffiefontein Community Mining Primary Cooperative ("KCM"). KDM continues to provide ongoing support to the KCM to ensure that this initiative benefits the local community.

The scale of illegal mining is not expected to have a material impact upon production in the short to medium term. However, there are risks in terms of illegal miners contravening a number of regulations for which the Petra Group companies may be held responsible, in particular in the areas of health and safety and environmental management. There are also reputational risks associated with human rights issues relating to the management of illegal mining; hence, the Company is taking steps to strengthen its management processes in this area.

## Sustainability continued

### Responsible business continued

#### Ethical behaviour and corporate governance continued

##### Allegations of human rights abuses at the Williamson mine in Tanzania

Petra has previously disclosed that there has been ongoing illegal artisanal mining taking place at Williamson over a period of time, due to the challenges in securing the large perimeter of the Special Mining Licence area, which covers 30.6km<sup>2</sup> including the main 146 hectare orebody, together with alluvial resources. Steps to manage this illegal mining activity are taken by WDL, the operator of the Williamson diamond mine in Tanzania that is owned 75% by Petra and 25% by the Government of Tanzania, its third party security contractor and the local Government authorities on an ongoing basis.

Post Year end, the Company announced that a UK-based law firm, Leigh Day, has 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. The claims are understood to allege that Petra and WDL are liable for human rights violations, personal injuries and deaths suffered by these anonymous individuals at and surrounding the 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.

Additionally, Petra received a letter from the UK-based NGO RAID post Year end regarding similar allegations raised by local residents and others relating to actions by WDL, its security contractor and others linked to WDL. Petra takes these allegations extremely seriously and is engaging and co-operating with RAID in order to address the allegations raised. Copies of the Company's recent correspondence with RAID, as well as its public announcements relating to the human rights allegations, can be viewed at <https://www.petradiamonds.com/our-operations/our-mines/williamson/allegations-of-human-rights-abuses-at-the-williamson-mine/>.

It was important to the Board of the Company that the process to evaluate these matters was carried out according to best governance principles. To this end, 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 purpose of responding to the allegations and will be responsible for overseeing this investigation and reporting back regularly to the Board. The investigation is scheduled to be completed during Q2 FY 2021 and the Committee will consider the outcome of the investigation and the recommendations to address any findings. This may include any required remedy or corrective action to be taken as a result of the investigation's conclusions.

At present, pending the investigation, the veracity of the claims made is unknown, but in the meantime, and whether or not there is any substance in the allegations, WDL has appointed an external consultancy to conduct an assessment of WDL's management of its security in line with the VPSHR.

A number of measures have been implemented, including the development and roll-out of a dedicated grievance mechanism, which will allow stakeholders to more easily raise concerns and ensure that these claims are addressed, the deployment of a stakeholder engagement expert on site to provide support to mine leadership in its engagement with local stakeholders, the closure of the on-site facility that had been used exclusively by the Tanzanian Police as a temporary police post (and was never operated by WDL or the third party private security contractor) and steps taken to strengthen the capability of the security team on site and ensure that all involved in security at the mine (which includes WDL personnel, the third party private security contractor and members of the local police force) are fully aware of their responsibilities in terms of the VPSHR, including refresher training on this. The intention is to roll out a refresher VPSHR awareness campaign in FY 2021 to the wider Petra Group.

##### Protecting consumer demand

While diamonds occupy a unique cultural position, in that they are used to celebrate life's most special moments, their continued acceptance is reliant on ensuring continued consumer desirability.

We seek to actively influence sustainable consumer demand via the Natural Diamond Council (formerly the Diamond Producers Association), an industry organisation formed in May 2015 by Petra and six of the other world-leading diamond companies to maintain and enhance consumer demand for, and confidence in, diamonds. By promoting the integrity and reputation of diamonds and the diamond industry, the NDC intends to play a central role in ensuring the long-term sustainability of the sector.

Petra is dedicated to upholding the high value placed on natural diamonds, which are given to celebrate life's most special moments and are considered as prized possessions. As a member of the NDC, we are committed to high standards of integrity and responsibility in all aspects of our business and all activities of the diamond value chain from mine to consumer.

As part of the relaunch of the NDC, the members came together and agreed three sustainability pledges, in alignment with the UN's SDGs, as follows:

Sustainability pledge	SDGs supported
Strengthening communities	8 – Decent work and economic growth 9 – Industry, innovation and infrastructure
Protecting the environment	6 – Clean water and sanitation 12 – Responsible consumption and production 13 – Climate action 15 – Life on land
Promoting gender equality and inclusivity	4 – Quality education 5 – Gender equality 10 – Reduced inequalities

These sustainability pledges ensure a common focus and allow us to highlight the positive work that is being done to support sustainable development and create a lasting legacy for future generations. Read more at <https://www.naturaldiamonds.com/diamond-industry-sustainability/>.

## Workplace safety

0.29

LTIFR

### Safety

- Zero fatalities
- 26% improvement in total injuries
- 100% of staff trained in health and safety standards
- 8,293 employee, contractor and stakeholders provided with safety training

Ensuring our people go home safe from work is Petra's number one priority and is ingrained into everything we do. The safety of all employees and other stakeholders is therefore our single most important behavioural value. We are committed to preventing and mitigating any negative safety event or impact and also to identifying and capturing opportunities to deliver positive impacts.

We provide safe working conditions and aim to prevent work-related injuries, through the effective management of strategic risks, safety and other risks and opportunities.

As an employer, we adopt a holistic approach to health and safety management. While legal compliance is the first step in managing this, we also continuously communicate and engage with employees on health and safety-related issues in order to obtain their input and co-operation with regards to future planning and developments. Leading from the front and setting the example (by proactively intervening, coaching, guiding and correcting conditions and behaviour) in the workplace is of paramount importance to ultimately achieve the objective of zero harm.

Any significant risks that remain after control at source are mitigated through codes of practice, policies, procedures, working practices and management instructions.

Health and safety material hazards and associated risks are identified when writing work programmes. The outcomes of continuous risk assessment, management walkabouts, internal audits and internal and regulatory inspections are analysed, prioritised and formally actioned by means of remedial action plans with assigned responsibility and target dates.

Every employee and contractor at Petra's operations is provided with formal health and safety training. This focuses on providing them with the required skills to execute work safely, familiarising them with workplace hazards and risks and equipping them with the knowledge to eliminate, control and minimise these hazards and risks.

Our health and safety objectives and KPIs are underpinned by the targets to achieve zero fatalities and a 10% reduction in LTIs on a rolling annual basis. The LTI target was not achieved in FY 2020, with the number experienced by the Group rising 19% to 19 during FY 2020 (FY 2019: 16).

Significant material hazards that resulted in unwanted events during the Year related to mechanical maintenance, trackless mobile machinery, charging, drilling, barring and supported loads. Causal triggers indicated that 89% of significant accidents were due to unsafe behaviour and 11% due to unsafe conditions. The majority of incidents were of low severity and were assessed to be caused by a lack of focus and inattention to detail resulting in unsafe behaviour and mistakes. However, the Company takes responsibility for behavioural-related accidents as these are an important indicator of Company culture; hence, considerable focus has been placed on turning this performance around and promoting the right mindset and conditions for a safe working environment. Of the LTIs, 37% were caused by non-work-related activity (slips and trips) and 79% of LTIs were ankle and hand injuries.

All of the mines reduced the number of LTIs recorded during the Year, with the exception of Finsch, which accounted for 11 of the 19 LTIs (Finsch accounted for six of the 16 LTIs in FY 2019), and this operation therefore exceeded its LTI target by 46%. Finsch has been addressing this performance via increased management interventions and awareness campaigns focused on hand and foot injuries, correct footing awareness, material handling retraining and stop for safety awareness days.

Group wide, considerable focus has been placed on changing unsafe or at-risk behaviours through management intervention, including in-shift safety stops, visible felt leadership and management walkabouts, safety discipline enforcement and safety over-inspection processes.

While the increase in LTIs was disappointing, overall Petra is considered to have generally achieved an improvement in its safety performance when compared to FY 2019, due to the fact that the number of total injuries (including LTIs and non-LTIs) experienced by the Group improved 26%, plus the Group improved on 75% of all measured safety KPIs during the Year.

## Sustainability continued

### Workplace safety continued

#### Employee health and wellness

- 100% of employees underwent medical screening
- 100% of our employees were offered voluntary testing for HIV/AIDS
- 9,488 medical examinations conducted

In addition to keeping our employees safe, we motivate and encourage a workforce that is healthy in both body and mind. We aim to promote employee wellbeing, taking into account prevalent local health issues, both physical and mental.

Our occupational health programme's primary focus is to eliminate exposure to harm and prevent occupational diseases in the workplace. The other elements of our health strategy include implementing employee health and wellbeing programmes, access to appropriate medical care and building partnerships with external health service providers to strengthen health systems.

The key occupational health issues that can affect our workforce are noise induced hearing loss ("NIHL") and respiratory illnesses. We therefore monitor our operating environment to assess the risk to our workforce, as well as providing the appropriate PPE, such as suitably selected hearing protection and respiratory protection devices, as well as training on safe working practices.

Measures to reduce noise levels have resulted in the near elimination of instances where employees are exposed to noise levels above the key South Africa Mine Health and Safety Council milestone limit of 105 dB(A). The roll-out of personalised hearing protection devices at sites at risk across our South African operations has also materially improved the effectiveness of hearing protection measures.

During FY 2020, two NIHL cases (FY 2019: nine) were submitted to Rand Mutual Assurance for consideration for compensation as an occupational disease and are awaiting adjudication. Seven TB cases were diagnosed in FY 2020 (FY 2019: eight) and of these five cases have been submitted to the Medical Bureau for Occupational Diseases ("MBOD") for certification and feedback remains outstanding. Two cases were Extrapulmonary TB, which does not meet the criteria for submission to the MBOD as it is not considered to be related to workplace exposure. When a condition is confirmed, we ensure that all our employees have access to the appropriate medical care through medical aids or partnerships with the relevant public healthcare facilities.

Outside the workplace, prior to the COVID-19 pandemic (read more about our response to COVID-19 on page 12), the main community health issues are HIV/AIDS, TB and malaria (Tanzania only), as well as lifestyle diseases such as hypertension and diabetes.

Petra supports the ambitious UNAIDS 90-90-90 targets that aim that by 2020 90% of all people living with HIV will know their HIV status, 90% of all people with diagnosed HIV infection will receive sustained antiretroviral therapy and 90% of all people receiving antiretroviral therapy will have viral suppression. The Company therefore ensures that 100% of its employees are offered voluntary HIV testing each year and HIV-positive employees are referred to relevant service providers for anti-retroviral treatment.

Petra has partnered with Life EHS Careways to assist employees and contractors with guidance and counselling covering mental health and other wellbeing issues. In FY 2020, 92 employees and family members made use of the facility, equating to an employee engagement rate of 14%, compared to an average mining industry rate of 7%. The top three topics that employees seek help for are substance abuse (25%), stress (9%) and relationship counselling (4%).

## People

# 5,019

EMPLOYEES AND CONTRACTORS

### Employee development

- 8% staff turnover rate
- US\$5.8 million invested in staff training and development
- 233 employees supported by study assistance scheme in FY 2020

Petra recognises that the retention and development of our people is one of the key drivers of our future success and long-term sustainability as a company. It is only with the continued hard work and contribution of our employees that the significant value of our resources can be unlocked.

Petra works hard to foster a 'can-do' culture, where big challenges can be taken on and tackled systematically, change is embraced, and full accountability is placed on all individuals to act with integrity and to the best of their abilities. In this way, each employee can feel that they are contributing to the ongoing success of the business.

As at 30 June 2020, the total number of people employed by the Group decreased by 26% to 5,019 (30 June 2019: 6,788). The number of permanent employees decreased 3% to 3,696 (FY 2019: 3,833) mainly due to the transition from an intensive capital development phase to steady-state production. The number of contractors decreased by 55% to 1,323 (FY 2019: 2,955), mainly due to the Williamson mine being placed on care and maintenance, as well as due to the advanced stages of our capital programmes and the reclassification of some contractors as suppliers.

We aim to provide education and training opportunities that will help our employees to fulfil their best potential, covering basic literacy and computer skills right through to portable skills that can be used beyond a career on the mine. We therefore invest significantly in employee training and development, with spend of US\$5.8 million in FY 2020. The main areas of expenditure continued to be in-house safety and technical training, outsourced training to specialist accredited external training providers, engineering and rock-breaking learnerships, internships, and centralised leadership and management development programmes, including leadership coaching.

Petra places a high premium on continuously improving all types of communication and engagement with its employees and frequently reviews its Communication Management Policy and Procedure Framework. The Company has various communication systems and channels in place to facilitate the execution of its internal communications strategy, including written and electronic media, social media, SMS communications and a programme of face-to-face meetings at different levels of the Company.

### Case study: Progressing careers through Petra's Career Advancement Programme

The Career Advancement Programme for employees in the Paterson A and B Band (the "CAP A&B Programme") is in place to assist employees to achieve their personal goals.

On 1 June 2018, Oliver Tait, a production driver in the plant department, joined the CAP A&B Programme at the Finsch mine. His dream was to follow a career in human resources development ("HRD") and he therefore enrolled in and obtained a qualification in HRD, being a Certificate in Occupationally Directed Education, Training and Development Practices NQF Level 4, thereby affording him the opportunity to enter into this career. Oliver also gained valuable experience in the different aspects of the mining training field, including facilitating training, assessing computer skills, and conducting on the job coaching.

Oliver is Finsch's first success story as a graduate of the CAP A&B programme. As a result, he was able to apply for a training position at the mine's Technical Training Centre and is currently appointed as a Training Instructor for Mining.

Oliver Tait commented: *"Firstly, I would like to thank Petra Diamonds for the opportunity the Company has afforded me. Also, to my mentors and everyone that had a hand in my success, a big thank you. This opportunity has already, and will continue to, open doors for me in the future. The CAP A&B Programme is a stepping-stone for employees to fulfil their dreams and have the opportunity to advance their respective careers. I would also like to encourage all A and B Band employees to make use of the opportunity and always to give 100% commitment."*

## Diversity

- 22% female Directors
- 19% women in our workforce
- 31% female interns
- 38% female Leadership Development Programme ("LDP") candidates
- 85% historically disadvantaged South Africans ("HDSA") LDP candidates

Petra believes that diversity is an important business benefit, allowing for a broad range of views, experience and backgrounds to be drawn upon. We have a policy of no tolerance of discrimination and are committed to fair employment practices, meaning that these criteria are not used to discriminate against individuals, and this is reflected in equitable remuneration scales and benefits. Improving diversity is also a mandatory requirement for companies operating in South Africa and a best practice requirement for UK-listed companies.

The Company's approach to diversity is backed up by the Group's Diversity and Inclusion Policy, which was recommended for approval by the SED Committee to the Board during the Year and is described in more detail in the Report of the SED Committee on page 104. This new policy will align the Company's various commitments and aspirations, dependent on its various operating jurisdictions, to create a Group-wide Diversity and Inclusion Plan, which will set targets for gender and racial representation across the various levels of the organisation.

Petra is committed to encouraging women in mining at all levels of the business, as well as the advancement of HDSAs. The Company therefore actively pursues the appointment of women and HDSAs at all levels of the business, as well as the development of women and HDSAs to fill more senior positions. Petra's overall objective is to achieve true equity by affording women and HDSAs the appropriate training, development and progression opportunities within the organisation across all job levels.

Petra has a number of management and leadership programmes in place, which aim to identify and develop employees who display the potential to fulfil leadership positions in the future. These programmes also assist as a strategic method of improving management diversity, both by gender and ethnicity.

During FY 2020, 13 employees participated in the Company's Leadership Development Programme, with 38% of participants being female and 85% of participants being HDSA. From the inception of this programme in 2008, a total of 141 employees have graduated. Of the graduates, a total of 94 were promoted, including 35 women and 78 HDSAs. Petra also offers a Management Development Programme in partnership with the University of Stellenbosch Business School and of the six middle managers who participated in FY 2020, four were female and five were HDSAs.

## Sustainability continued

### People continued

#### Diversity continued

##### Encouraging women in mining

Petra is focused on affording women an equal role as part of the next generation of Petra employees and as a result 30% of our interns, 34% of our engineering learnerships, 34% of our mining learnerships and 60% of our bursars were female.

The Company also has a Women in Leadership Programme in place, which was attended by 12 female participants in FY 2020. This customised programme is intended to enable women in key leadership positions to master important personal skills and gain insight into leadership at both a micro- and macro-organisational level.

Petra has a Women in Mining Committee, which enables women at Petra's South African operations to share experiences, identify challenges in the workplace and promote development opportunities.

##### Breakdown of gender diversity across the Group (at 30 June 2020)

	Men		Women		Total
	FY 2020	FY 2019	FY 2020	FY 2019	
Board	<b>78%</b>	78%	<b>22%</b> <sup>1</sup>	22%	9
Senior Management	<b>89%</b>	94%	<b>11%</b>	6%	37
Management	<b>78%</b>	81%	<b>22%</b>	19%	194
Employees (excluding management)	<b>81%</b>	81%	<b>19%</b>	19%	3,463
<b>Total</b>	<b>81%</b>	81%	<b>19%</b>	19%	3,703 <sup>2</sup>

1. Following the retirement of Dr Bartlett from the Board on 30 June 2020 and the retirement of Mr Lowrie from the Board on 17 November 2020, the percentage of female representation on Petra's Board improved to 29%.

2. This figure differs from the total employee figure of 3,696 for the Year, as it includes the seven Non-Executive Directors who are not employees of the Company.

##### 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.

We respect our workforce's right to exercise freedom of association and collective bargaining, regulated by our Collective/Recognition Agreements, across all our operations. Any union that has achieved sufficient representation in the workplace may request recognition. Union membership across our operations represents 75% of the total workforce in South Africa and 77% in Tanzania.

The Company's Itumeleng Petra Diamonds Employee Trust plays an important role in our labour relations strategy as annual distributions to employees (which commenced in 2014) are considered to be a compelling motivator to drive enhanced employee productivity and accountability.

## Environment

### 0

#### MAJOR ENVIRONMENTAL INCIDENTS REPORTED FOR TEN CONSECUTIVE YEARS

##### Environmental management

- 44% less waste generated
- 45% of waste recycled
- 6,981ha of protected wildlife areas
- 100% of suppliers screened using environmental criteria

We recognise that our value emanates from the natural world; therefore, protecting the environment in which we operate is fundamental to the running of our business. The principles of pollution prevention, compliance with legal and adopted obligations and continual improvement, due to the achievement of objectives and KPIs, are integrated into our planning, management systems and daily activities.

Our aim is to embed environmental management across our operations as a value rather than a regulatory requirement. We wish to demonstrate to our employees, communities and other stakeholders that taking care of our environment is built into our culture, with a value proposition of 'Let's do no Harm' – more commonly referred to as 'zero harm'.

An Environmental Management System is in place for each mining licence, which sets out the detailed processes for the identification of environmental risks and implementation of action plans to mitigate the impacts of our activities. All our South African operations are certified to the international environmental standard ISO 14001:2015 through the British Standards Institution. Williamson is not yet certified but operates with the same principles.

Our approach to risk management is based on a process of continual improvement in hazard identification, risk assessment, instilling awareness into the organisational culture and enforcing adherence to control mechanisms. Updates to the environmental baseline risk are implemented every five years, or when processes change, after significant incidents or disasters or by instruction from regulatory bodies.

We aim to minimise environmental incidents at all our operations and have processes to manage any incidents which may occur as effectively as possible. We classify incidents according to their severity, ranging from minor to major. Petra is pleased to report that there have been no 'major' environmental incidents recorded at the Group's operations for the past ten years.

The Company is consistently implementing processes to improve waste management according to the internationally recognised hierarchy of waste management and disposal and sets annual objectives and KPIs to drive continual progress. Overall volumes of combined waste generated in FY 2020 decreased by 44% to 5,483t (FY 2019: 9,812t), due to improvements in waste management and the impact of the COVID-19 pandemic and associated lockdowns/restricted activity.

Petra has implemented measures to integrate biodiversity in the management of our operations as we recognise that our activities have the potential to significantly affect this. Protected areas totalling 6,981ha equate to 56% of the total area owned and managed by Petra. While there is currently no standard available to certify biodiversity management, Petra is currently developing a Biodiversity Management Standard based on the Endangered Wildlife Trust of South Africa's Best Practice Guidelines regarding biodiversity management.

Petra has a standardised Group-wide approach to concurrent rehabilitation, with the objective of generating a non-detrimental, sustainable solution for the environment and socio-economic state of our communities after mine closure. Third party independent specialists assess the progress on rehabilitation schedules on an annual basis. The environmental impact from Petra's mining activities is not expected to last long after the cessation of operations, due to our strategic approach and commitment to our values at each step of the mining value chain.

### **Climate change and energy usage**

- 23% decrease in Scope 1 direct carbon emissions from our operations
- 0.039 tCO<sub>2</sub>/t carbon intensity per tonne (Scopes 1 and 2)
- 37 kWh/t energy efficiency

We recognise the growing importance of climate change, both to the Company and to our stakeholders. By better evaluating and understanding the risks and uncertainties that climate change represents to our business, we will be able to manage our assets in the most economically and environmentally sustainable manner possible.

The Company follows a two-pronged approach to identify and assess climate-related risks and opportunities. The first forms part of the Environmental Management System risk assessment process that is performed annually (based on the principles of the ISO 31000 standard on risk assessment) at each of the operations. This risk assessment process includes the identification and assessment of risks and opportunities derived from internal and external issues, environmental conditions, emergency conditions, environmental legislation and significant aspects of the mining operations.

The second approach is to complete climate change vulnerability assessments at each operation and at corporate level. The vulnerability assessment evaluates acute, chronic, transitional and financial risks and opportunities, evaluated for two scenarios over three mining phases (operational, decommissioning and post closure). The first complete set of evaluated climate change vulnerabilities will be available in FY 2021.

### **Petra Climate change adaption strategy ("PCCAS")**

The PCCAS is an important strategic tool for the Company as it:

- provides a position statement to our internal and external stakeholders who are concerned with climate change vulnerability and its impact on the Company;
- supports Petra in meeting international obligations and investor expectations by defining the Company's process to identify its vulnerabilities, plans to reduce the vulnerabilities and maximisation of opportunities; and
- acts as a common reference point for climate change adaptation efforts within Petra, providing guidance across all levels and disciplines.

The strategic framework for Petra's Climate Change Adaptation consists of 11 steps:

1. climate change scenario analysis;
2. identification of climate change exposure (relevance);
3. identification of climate change receptors;
4. identification of potential climate change impacts;
5. vulnerability assessment;
6. identification of climate change adaptive capacity/capability;
7. prioritise adaptive needs;
8. identify appropriate action;
9. prioritise climate change adaptation action plans;
10. implementation of climate change adaptation action plans; and
11. monitor the effectiveness of adaptation action plans.

## Sustainability continued

### Environment continued

#### Climate change and energy usage continued

##### Petra Climate change adaption strategy ("PCCAS") continued

The climate change scenario analysis for each operation has now been completed. The scenarios used are RCP 8.51 and RCP 2.6, which cater for both the worst-case and best-case emissions future.

Implementation of the PCCAS will span over five years with Phases 1 and 2 completed in FY 2020. Phase 3 (completion of operational vulnerability assessments) is now underway and will be followed by Phase 4 (implementation) and Phase 5 (ongoing monitoring) thereafter.

##### Task Force on Climate-related Financial Disclosures ("TCFD")

Petra is committed to meeting the requirements of the TCFD, which aims to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to the financial markets and other stakeholders. The PCCAS has been compiled with reference to the TCFD to ensure that Petra can meet these recommendations. It should be noted that post Year end, the Company completed submission of the 2020 CDP climate change questionnaire, which has recently been updated to include the recommendations of the TCFD. Therefore, Petra considers that its 2020 CDP submission provides all the disclosures required in relation to TCFD. However, the Company will continue to evaluate how best to consolidate and integrate the TCFD recommendations into its climate change practices and reporting in a way that best meets the needs of its stakeholders.

##### Performance in FY 2020

In FY 2020, the direct carbon emissions linked to our operations (Scope 1) decreased by 23% to 28,551 tCO<sub>2</sub>-e (FY 2019: 37,214 tCO<sub>2</sub>-e), mainly due to a decrease in energy consumption for the Year, which was driven by the scaling back of operations in response to the COVID-19 pandemic and the placing of the Williamson mine on care and maintenance from April 2020. The Group's indirect emissions (Scope 2) increased by 3% to 451,803 tCO<sub>2</sub>-e (FY 2019: 438,118 tCO<sub>2</sub>-e), despite the fact that the mine used less electricity for the Year, due to the use of a higher, but more accurate, emission factor for electricity purchased from Tanesco. Scope 3 emissions decreased by 22% to 3,828 tCO<sub>2</sub>-e (FY 2019: 4,916 tCO<sub>2</sub>-e) due to the redistribution of some activities to Scope 1, reduced volumes of waste to landfill and limited business travel due to the COVID-19 lockdown.

Petra uses the GHG Protocol on the reporting of greenhouse gases, as well as the IPCC Guidelines for National Greenhouse Gas Inventories of 2001 to calculate and report on our carbon footprint. This provides us with confidence that the correct information is portrayed to our stakeholders and enables us to be held accountable for the figures presented. In October 2020, Petra for the first time published an annual GHG Emissions Report, which is available to view under the section 'Climate Change' at <https://www.petradiamonds.com/sustainability/environment/>.

Managing our energy usage is an important method by which we can limit our emissions, thereby combatting climate change and driving energy efficiency, which leads to significant operational and financial benefits to the Company. Diamond mining is less energy intensive than other types of mining, as evidenced by the fact that energy consumption (specifically electricity) only represented 13% of total cash on-mine costs in FY 2020 (FY 2019: 16%).

However, it is recognised that non-renewable energy sources are finite and therefore likely to become increasingly scarce over time. Our short-term strategy is therefore to minimise overall energy usage wherever possible, while our long-term strategy is to reduce our reliance on fossil fuel energy resources. We do this by continuously evaluating opportunities to implement initiatives to reduce energy consumption, by designing all new projects to be as efficient as possible and by continuing to evaluate the strategic case for renewable power sources.

Petra's total energy consumption for FY 2020 decreased by 32% to 2.01 million gigajoules (FY 2019: 2.96 million gigajoules). Our electricity consumption was 9% lower than the previous reporting period, due to the implementation of several energy consumption reduction initiatives that resulted in decreased electricity consumption at all the mines.

#### Water management

- 0.97m<sup>3</sup>/t total water usage per tonne
- 81% recycled water used on mine
- 100% of operations with water management plans

Petra has identified water demand and water conservation management as its most significant environmental risk to operations. This is mainly due to water scarcity in the areas where we operate and the fact that our operations are water intensive. Two of our operations are located in areas that receive less than 600mm rainfall per annum (Finsch and Koffiefontein).

Changes in temperature, as may be expected as a result of climate change, will affect the availability of raw water for treatment processes and impact on natural water resources that sustain the communities around our operations. Scenario analysis indicates that Petra's operations may have to compete with local communities for the availability of water, due to expected significant population growth in the centres that provide employment. This is expected to specifically impact Cullinan, which is situated in Gauteng (the biggest area of commerce and employment in South Africa).

In FY 2019, Petra implemented an integrated water management strategy to determine current and future operational water needs by managing demand, quality and infrastructure; to ensure a resource capable of not only supporting production but also improving the lives of those around us; and to operate within the regulatory framework provided by international, national and local legislation. As part of this strategy, all of our operations now have water management plans in place.



Petra's short- to medium-term strategy to secure water resources is through:

- service-level arrangements and co-operative agreements with local Government and neighbouring industries;
- reduction of water losses;
- securing water from Governmental water schemes;
- expanding our own internal storage capacities; and
- maximising 'grey water harvesting'.

Total clean water, which includes total raw water plus potable water consumed for mining-related activities, used by our operations decreased in FY 2020 by 27% to 9,226,764m<sup>3</sup> (FY 2019: 12,720,427m<sup>3</sup>), mainly due to water saving initiatives and the constrained production due to the COVID-19 pandemic.

'Total water' has been re-defined in FY 2020 to only include water used for mining-related activities, namely raw water, potable water and underground dewatering, whereas previously it included recycled water.

Our total water usage per production tonne decreased by 6% to 0.97m<sup>3</sup>/t (FY 2019: 1.03 m<sup>3</sup>/t<sup>1</sup>). This overall decrease in efficiency was due to water saving initiatives to manage the drought conditions of 2019.

Petra prides itself on the level of water recycling achieved to date and we now recycle 81% of all water used on mine. The total volume of recycled water used during FY 2020 was 51,385,297m<sup>3</sup>, representing a significant increase of 34% compared to FY 2019 (38,391,412m<sup>3</sup>).

1. Restated from previously reported figure following change in definition of 'Total water'.

## Positive impacts

### US\$16 billion

#### NET POSITIVE SOCIO-ECONOMIC AND ENVIRONMENTAL BENEFITS OF NDC MEMBERS<sup>1</sup>

1. Measured in 2016. Source: The Socio-economic and Environmental Impact of Large-Scale Diamond Mining, a report by Trucost for the Diamond Producers Association (now known as the Natural Diamond Council) – May 2019.

#### Generating economic benefit

- US\$19.7 million paid in taxes and royalties
- US\$117.8 million spent on salaries and benefits
- US\$185.3 million total procurement spend
- 1,220 suppliers in our supply chain

In addition to creating shareholder value, our economic contribution to the countries and communities in which we operate is an important focus for the Group. Through the employment of local people, the payment of taxes and royalties, procurement from suppliers and corporate social investment, we are able to make a positive contribution to our stakeholders. By ensuring a high level of transparency with regards to our economic outputs, we can maintain confidence in Petra's contributions to society.

Petra publishes an annual Report on Payments to Governments, which is available on our website at <https://www.petradiamonds.com/investors/results-reports/>.

#### Our supply chain

Petra's supply chain department is responsible for managing the Group's inbound supply chain. It performs an important role in terms of delivering on our production plans by ensuring that the right goods and services are delivered to the right location at the right time. The team is also accountable for ensuring that our supply chain operates safely, efficiently and according to the high level of ethical conduct that we expect of our business.

We have vetting processes in place to ensure that we deal with reputable businesses, but we will continue to strengthen these processes as part of the ongoing formalisation of our supply chain practices. As part of their procurement processes, our Group companies obtain contractual obligations in the standard terms and conditions from their suppliers that they are not involved in any human rights abuses and that they have internal measures in place to avoid bribery, modern slavery, tax evasion, money laundering and human rights abuses.

Petra is utilising a supply chain management platform, enabling suppliers to register to do business with the Company via our online eProcure Portal. This ensures that suppliers are made aware of new opportunities as they arise and also allows us to expand our list of contractors and make our procurement system more transparent and effective. The platform also encourages potential suppliers to comply with various forms of legislature and registrations that are measured by a Business Maturity Index ("BMI") visible to every registered supplier on the platform. Petra aspires to improve the average BMI of suppliers contracted going forward.

## Sustainability continued

### Positive impacts continued

#### Generating economic benefit continued

##### Our supply chain continued

The Company has a mandatory supplier induction programme in place to ensure that suppliers are aware of their various obligations before their contract commences. This induction incorporates modules on Company general information, governance issues and security issues, as well as important HSE issues. Furthermore, Petra uses pre-qualification questionnaires, and occasionally site inspections, to vet suppliers on environmental standards and performance before contracts are finalised.

Petra sources the majority of the goods and services for its South African and Tanzanian operations from the countries in which they are located. We view targeted local procurement as a powerful lever for local economic development and community empowerment and preference is therefore always given to suppliers in close proximity to our mines when possible. Petra's supply chain now encompasses 1,220 suppliers and the Company spent US\$134.7 million with South African suppliers and US\$50.6 million with Tanzanian suppliers in FY 2020.

#### Community relations and development

- US\$1.4 million social investment
- US\$0.5 million community training spend
- US\$2.1 million loan funding disbursed to local SMMEs since inception of Petra's ESD Community Fund in 2015

Maintaining supportive relationships and playing a positive role in our local communities is vital to the sustainable success of our operations. Due to the remote locations of our operations, predominantly in areas with relatively low levels of socio-economic development and high unemployment, Petra's mines often present the only major economic activity in the local area. In line with our mission to unlock value for all our stakeholders, our involvement in community development aims to contribute to alleviating the most critical needs in our local communities and to create life-changing opportunities.

Our community development work is focused on contributing to the meaningful and long-term development of our host communities via sustainable job creation, skills transfer (education and training), enterprise development, and infrastructure development. The Company engages with its stakeholders in order to identify suitable development projects which are then funded and delivered through Petra's established community development channels, including local economic development ("LED"), corporate social investment, the Petra Foundation, the Petra Hardship Fund (in FY 2020 only) and discretionary sponsorships.

In order to address the scarcity of skills in our local communities and to develop a local talent pipeline for our operations, our community involvement starts at grassroots level, in the form of the maths and science school support programme and the provision of scholarships. This is continued at tertiary education level with opportunities provided through the bursary scheme, the graduate development programme, internships and the provision of practical experience through our experiential training programme. In FY 2020, Petra supported 20 full-time bursars, 95% of whom were HDSA and 60% female, and awarded scholarships to 52 learners, 100% of whom were HDSA and 63% female.

The Company has an Enterprise and Supplier Development ("ESD") Programme in place which aims to assist local businesses in accessing financing and markets, thereby encouraging their sustainability and creating local employment and economic growth opportunities. We do this via a network of one-stop Enterprise Development Resource Centres, which support local businesses with non-financial and financial services. Petra's ESD Programme has provided consultations to 524 local SMMEs to date and of these 61 have gone on to enter the Company's supply chain.

### Case study: Construction of the Daniëlskuil Technical High School

The Finsch mine undertook a socio-economic impact assessment in FY 2016 with the aim of identifying the underlying issues within its local communities, as well as reviewing the impacts of its operations, both positive and negative, in order to aid its decision-making process in terms of LED initiatives. LED is mandatory spend and corresponds with the Company's commitments as per the approved Social and Labour Plan in place at each of the South African operations.

One of the issues identified was availability of quality education and associated facilities. As a backdrop to this, the 2011 Census had identified that only 28% of the population within the Kgatelopele Local Municipality had some secondary education and that high unemployment prevails, particularly amongst young people.

The need to construct a Technical High School within circuit 5 (comprising the Postmasburg, Daniëlskuil and Lime Acres areas) was identified by various stakeholders and included into Finsch's latest Social and Labour Plan (covering the five-year period to 2022). A local SMME, P&E Artisans, was appointed as the main contractor for the project and a local electrical trading company, Power Solutions, was also appointed as a sub-contractor. Construction of the project took six months to complete and 42 job opportunities were created.

The project is also in line with the developing trend for high schools that are focused on science, technology, engineering and mathematics ("STEM"), which thereby allow students to learn in a very practical and hands-on manner.

Improved STEM education standards will benefit the local communities, as well as benefiting Finsch by providing a sustainable pipeline of suitable candidates that operations can target for apprenticeship intakes. The initial trades being taught by the school include automotive and plating/metal work, starting in Q1 CY 2021.

The Finsch mine is proud to be associated with this project and the hope is that the facility will benefit the whole community in the longer term.

**To view photos of the new school, visit**

**<https://www.petradiamonds.com/sustainability/communities/construction-of-the-danielskuil-technical-high-school/>**

## Stakeholder engagement and management

### 63

#### MEETINGS HELD WITH INTERNAL AND EXTERNAL STAKEHOLDERS

##### Community stakeholder engagement

A proactive approach to stakeholder engagement is critical in building relationships and upholding our social licence to operate. Continuous progress is being made with the implementation of a consistent and effective stakeholder engagement approach across the Petra Group. In addition to this Petra is continuing to review its community grievance mechanism and engagement systems, and is putting in place the necessary changes to properly capture and address issues raised.

The Company uses a software system, IsoMetrix Social Management, to capture, profile, schedule and manage engagement, as well as carry out the required reporting. Some further enhancements were made to the IsoMetrix system and our stakeholder approach during FY 2020, which centred around capturing a significant amount of historical demographical data on stakeholder individuals and entities, as well as engagement. Unfortunately, delivery of the enhancements was negatively impacted by the COVID-19 pandemic, but work will continue in FY 2021, as it is considered necessary to ensure that the system provides an accurate overall picture of our ongoing stakeholder relationships. This process further includes ensuring that all stakeholder relationship owners have been identified and trained in the principles of effective stakeholder relations, and are actively using the IsoMetrix system not only as a means of data capturing but also as a stakeholder engagement and management tool.

Community feedback received is captured and integrated into the IsoMetrix system, thereby significantly improving both the Company's awareness of and response to community issues. Petra's social media accounts have also proven to be very valuable and powerful as a feedback mechanism, to the point where most feedback is now being received via these channels.

## Chairman's Introduction to Governance

"Since assuming the role of Chairman, I have been satisfied that the Company has already attained high standards of corporate governance, which are led by the Board from the top down. Furthermore, the Company has made considerable progress in terms of meeting the requirements of the UK Corporate Governance Code 2018."

**Peter Hill**  
Non-Executive Chairman

### Dear shareholder,

I am pleased to introduce Petra's first Governance Statement under my tenure as Non-Executive Chairman. Having been appointed to the Board on 1 January 2020, I assumed the role of Non-Executive Chairman on 31 March 2020, in succession to founder Adonis Pouroulis, and am therefore the Company's first 'independent' Chairman.

Strong and effective corporate governance is essential to the long-term success of the Company and since joining Petra, I have been satisfied that the Company has already attained high standards in this area, which are led by the Board from the top down. Furthermore, the Company has made considerable progress in terms of meeting the requirements of the UK Corporate Governance Code 2018 (the "new Code").

Governance highlights for FY 2020 and FY 2021 to date are as follows:

### Board evolution and succession planning

The Petra Board, in line with the wider Group, has evolved significantly over recent years and my appointment marked the refreshment of leadership within the Company, further to the appointment of Richard Duffy as Chief Executive in April 2019. We are also seeing ongoing changes to the independent Non-Executive Directors ("iNEDs") on the Board, with the retirement of Dr Bartlett at the end of the Year and the retirement of Mr Lowrie on 17 November 2020, as well as the planned retirement of Mr Hamilton at the conclusion of the FY 2021 Annual General Meeting ("AGM").

Significant focus has therefore continued to be placed on succession planning and a key priority for FY 2021 so far has been the appointment of a new Senior Independent Director (in succession to Mr Lowrie). To this end, the Nomination Committee has recommended to the Board that Ms Shine assumes this role from 17 November 2020, being the date that Mr Lowrie stepped down from the Board.

The Nomination Committee is also considering a successor to Mr Hamilton as Chair of the Audit and Risk Committee in FY 2022 and an announcement in this regard will be made in CY 2021.

Post Year end, there were a number of changes to the composition of certain Committees so that all iNEDs, with the exception of myself, are members of the Audit and Risk, Nomination and Remuneration Committees, which is expected to bring greater cohesion and transparency to these Board Committees.

### Board strategy, process and performance

With the onset of the COVID-19 pandemic, Petra has faced considerable disruption to its business and the 'normal' way of doing things. We as a Board have also had to adapt to a considerably different operating environment, particularly with the onset of remote working. We have also had to adopt a highly flexible approach with regards to strategy, as the Company has faced unprecedented challenges, most notably being the rough diamond sales industry coming to a virtual standstill in Q4 FY 2020 due to travel restrictions and the closure of factories in India, further exacerbating the strain on our balance sheet. To compensate for this, the frequency of virtual Board, Committee and sub-committee meetings increased significantly during this period and into FY 2021, in order to stay on top of the fast-changing business environment and to respond appropriately, as well as to oversee the multi-stakeholder engagement process required to establish an improved capital structure for the business.

Despite these challenges, our externally facilitated Board evaluation confirmed that the Board has continued to operate well and to make progress across the identified areas for improvement, as set out on page 72. The external facilitation has noted a number of new recommendations that have been aligned with our Board objectives for FY 2021, as set out on pages 73 to 75.

### Culture

Evaluation and immersion in company culture is a necessary objective of any incoming chair and I have found much to commend, including an overriding commitment to safety and care for the environment, a 'can-do' spirit that has seen the Company rise to the challenge of operating efficiently in a COVID-19 world, and an open and collaborative way of working. I have also seen an improvement in acknowledged cultural issues of the past, namely the setting of guidance and the ability to meet production forecasts.

However, in order to reflect the considerable evolution of the business over recent years, we have decided that now is the right time to re-evaluate the purpose, culture and values of the Group and these will be considered by the Board and management, bearing in mind input from our stakeholders, including employees, in FY 2021.

## Diversity

We remain committed to improving diversity levels throughout the workforce, management team and Board and following the work of the SED Committee and the newly appointed Group Head of Human Resources and Public Affairs, a Diversity and Inclusion Policy was approved by the Board in May 2020 as part of the Company's Sustainability Framework (read more on page 104).

While the overall gender diversity of the Company remained the same in FY 2020, with women representing 19% of our workforce, I was pleased to note the overall improvements in terms of women in managerial positions, which is positively influenced by the various employee development programmes we have in place, such as our Leadership Development Programme and the Women in Leadership Programme (read more on page 52). The percentage of women on our Board remained at 22% during the Year, but post 17 November 2020 this has increased to 29% following the retirement of Dr Bartlett and Mr Lowrie from the Board.

## Governance updates

In July 2018, the new Code was published and applied to accounting periods commencing on or after 1 January 2019. Whilst the new Code has therefore only applied to Petra from the current Year, we were already compliant with the majority of its provisions. Where we were not in strict compliance in FY 2020, steps have been taken to address this, as set out on page 63. The Board now considers that Petra is in full compliance with the new Code's provisions.

## Stakeholder engagement and feedback

Positive relationships with our stakeholders continue to be essential to the long-term success of our business and we are continually looking to improve and strengthen our stakeholder engagement processes. One provision of the new Code with which we were not compliant was the Board's mechanism for engagement with the workforce. In this regard, post Year end the Board has appointed Ms Matloa, Chair of the SED Committee, as its designated iNED to carry out this function. The key principles and parameters of the role have been formalised in a document approved by the Board.

As a Board, we receive feedback on the views and priorities of our key stakeholder groups, as set out on pages 15 to 17, and stakeholder views are considered when making strategic decisions. An important example of this has been the finalisation of a new long-term capital structure for the Group, which had to be acceptable to the Company, our Noteholders, our South African Lender Group, our BEE Partners and our shareholders. It was a challenging process to align these groups, but we are satisfied that the result was the best outcome possible in this business environment and will allow for stability of operations, thereby also benefiting our workforce, host countries and local communities, as well as our customer base. The Restructuring is subject to the execution of a Lock-Up Agreement and subsequent shareholder approval at a forthcoming SGM in early CY 2021.

Should any stakeholder like to speak to me or Varda Shine, the Senior Independent Director, about any aspects of this Annual Report or the Company's performance, please do not hesitate to get in contact via our Corporate Communications team based in London (see page 207 for contact details).



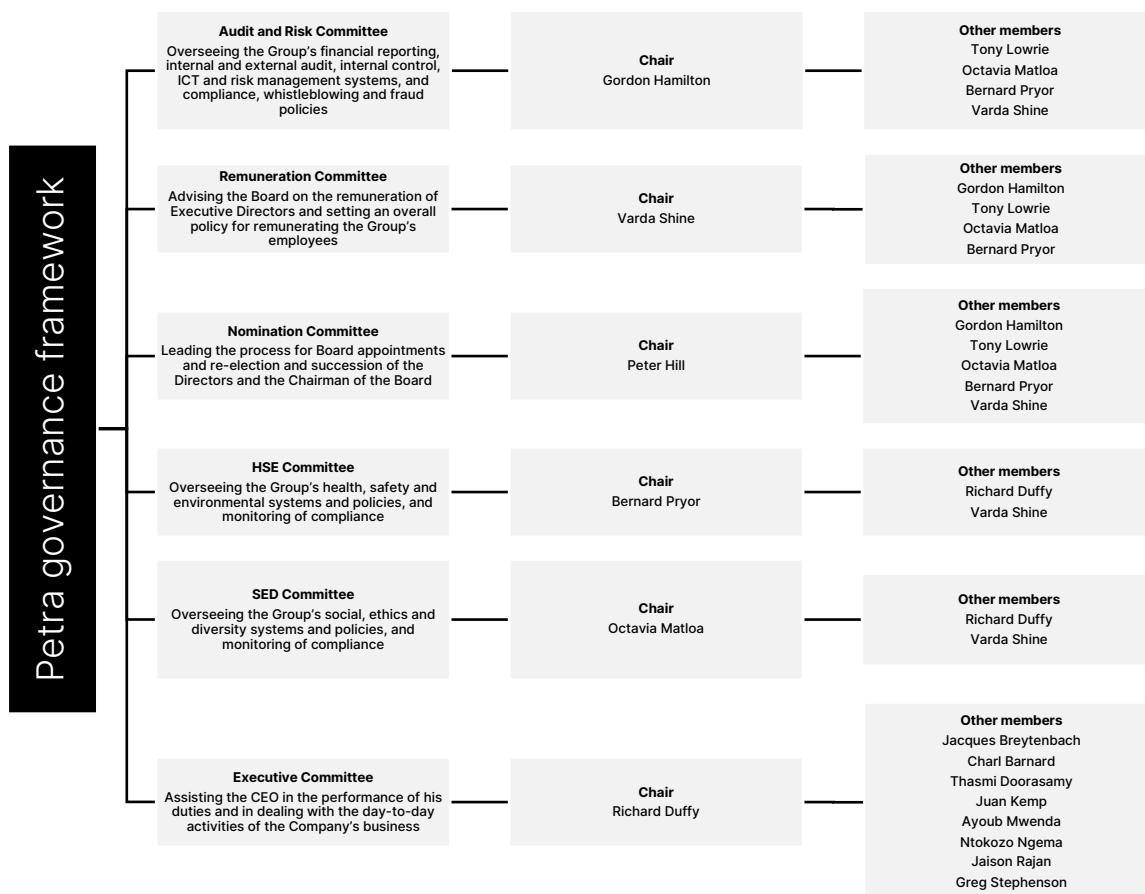
**Peter Hill**

Non-Executive Chairman

17 November 2020

# Chairman’s Introduction to Governance continued

## Petra governance framework



## Board of Directors

(as at 30 June 2020)

### 1. Peter Hill, CBE (68) (N)

**Independent Non-Executive Chairman**

**Appointment date** January 2020.

**Qualifications** Chartered Engineer and Fellow of the Institution of Materials, Minerals and Mining; BSc in Mining Engineering – University of Nottingham; MBA – London Business School; South Africa Mine Manager's Certificate of Competency.

**Skills** Mr Hill is a mining engineer who has held numerous positions at Anglo American, Rio Tinto, BP and Gold Fields plc, following which he was Chief Executive of Laird plc from 2002 to 2011. More recently he has held the role of non-executive chairman for a number of UK plcs.

**Experience** Mr Hill has extensive board experience and has been directly involved in four UK plc takeovers, a FTSE 100 merger, a FTSE 250 demerger and an IPO.

**External appointments** Non-Executive Chairman of Keller Group plc.

**Interest in the Company as at 30 June 2020**  
Nil shares.

### 2. Richard Duffy (56) H S (E)

**Chief Executive**

**Appointment date** April 2019.

**Qualifications** B. Com degree – University of Witwatersrand, South Africa; MBA from Henley Management College, UK.

**Skills** In addition to his business, strategic and financial skills, Mr Duffy has extensive experience in both open pit and underground mining and a proven focus on safety, productivity and community relations, having led multiple large-scale mining operations across Africa.

**Experience** Mr Duffy has 28 years of global mining industry experience, initially with Anglo American plc and then AngloGold Ashanti Limited, where he worked across business development, exploration and corporate finance; Mr Duffy was appointed Executive Vice President: Africa Region in 2008 and became CFO and Executive Director of AngloGold Ashanti in 2013.

**External appointments** Director of Africa Energy Management Platform and Aren Energy (Pty) Ltd.

**Interest in the Company as at 30 June 2020**  
240,000 shares (30 June 2019: 240,000 shares).

### 3. Jacques Breytenbach (48) E

**Finance Director**

**Appointment date** February 2018.

**Qualifications** Chartered Accountant – member of the South African Institute of Chartered Accountants.

**Skills** Mr Breytenbach leads the financial management of the Company and is responsible for financing, treasury, financial controls, reporting, legal, compliance and corporate governance.

**Experience** Mr Breytenbach held the role of Finance Manager – Operations at Petra from 2006, with responsibility for financial management across the Group's operations, before becoming Chief Financial Officer of the Group in June 2016. Prior to joining Petra, he held various roles, culminating in Finance Manager – Capital Projects at Anglo Platinum.

**External appointments** None.

**Interest in the Company as at 30 June 2020**  
243,750 shares (30 June 2019: 243,750 shares).

### 4. Varda Shine (57) (R) A N H S

**Senior Independent Non-Executive Director**

**Appointment date** January 2019.

**Qualifications** Business and management courses at Technicon (Israel), Templeton College, Oxford, Cranfield and INSEAD.

**Skills** Ms Shine is a CEO's mentor and a diamond industry expert adviser, with significant experience in working with stakeholders across the supply chain and delivering record sales and profits.

**Experience** Ms Shine has 30 years of experience in the diamond industry and was most recently CEO of De Beers Trading Company (2006–2014). She is a trustee of the Teenage Cancer Trust.

**External appointments** Ms Shine currently sits on the boards of the Mineral Development Company Botswana, Sarine Technologies Limited (Singapore listed) and Niron Metals Plc. She is also a Governing Board member of the Diamond Empowerment Fund.

**Interest in the Company as at 30 June 2020**  
Nil shares (30 June 2019: nil shares).

### 5. Gordon Hamilton (75) (A) N R

**Independent Non-Executive Director**

**Appointment date** November 2011.

**Qualifications** Chartered Accountant – ICAEW.

**Skills** Mr Hamilton has extensive experience as a non-executive director across a wide range of businesses.

**Experience** Mr Hamilton retired from Deloitte and Touche LLP in 2006 after more than 30 years as a partner primarily responsible for multinational and FTSE 350 company audits, mainly in the mining, oil and aerospace and defence industries, as well as heading the Deloitte South Africa desk in London. He served for nine years until 2011 as a member of the UK Financial Reporting Review Panel.

**External appointments** Non-Executive Director of Atrium Underwriting Group Limited, Nedbank Private Wealth and other related companies within the Nedbank Group.

**Interest in the Company as at 30 June 2020**  
247,000 shares (30 June 2019: 247,000 shares).

## Board of Directors continued

(as at 30 June 2020)

### 6. Octavia Matloa (44) A N R (S)

**Independent Non-Executive Director**

**Appointment date** November 2014.

**Qualifications** Chartered Accountant – Member of the South African Institute of Chartered Accountants and the Independent Regulatory Board for Auditors.

**Skills** Ms Matloa is a Chartered Accountant and brings broad business, financial and auditing experience to the Board.

**Experience** Ms Matloa has 16 years of corporate experience of which 12 years is in the mining industry. She completed her articles with PwC in South Africa in 2000 and was appointed by court as the first woman curator in the insurance industry. She has also served on various public sector audit committees. Ms Matloa has founded a number of businesses, including Tsidkenu Chartered Accountants Inc. and Mukundi Mining Resources.

**External appointments** Non-Executive Director of Master Drilling Group Limited.

**Interest in the Company as at 30 June 2020**

Nil shares (30 June 2019: nil shares).

### 7. Bernard Pryor (63) (H) A N R

**Independent Non-Executive Director**

**Appointment date** January 2019.

**Qualifications** Metallurgical Engineer, Royal School of Mines, Imperial College London; Chartered Engineer from the Institute of Mines and Metallurgy.

**Skills** Mr Pryor has a wide skill-set encompassing project acquisition, development and construction and international commercial and general management, and has run large-scale, fully operational mining assets.

**Experience** Mr Pryor has over 35 years' experience in the international mining industry; prior to his appointment as CEO of Alufer Mining, he was previously CEO of African Minerals Limited and Q Resources plc. Mr Pryor also held senior positions within Anglo American plc and was COO at Adastra Minerals Inc.

**External appointments** CEO of Alufer Mining and Non-Executive Chairman of MC Mining Limited.

**Interest in the Company as at 30 June 2020**

Nil shares (30 June 2019: nil shares).

### 8. Tony Lowrie (78) A N R

**Independent Non-Executive Director**

**Appointment date** September 2012.

**Retirement date** 17 November 2020.

**Qualifications** Royal Commission – Sandhurst Military Academy.

**Skills** Mr Lowrie has over 45 years' association with the equities business and is an experienced non-executive director.

**Experience** He has had a lengthy and distinguished career, which included senior positions with the Hoare Govett group and HG Asia Securities. Between 1996 and 2004 he

was Chairman of ABN AMRO Asia Securities and was formerly also a Managing Director of ABN AMRO Bank. He has been a Non-Executive Director of Allied Gold Mining plc, Kenmare Resources plc, Dragon Oil plc and J.D. Wetherspoon plc, as well as several other quoted Asian closed end funds.

**External appointments** None.

**Interest in the Company as at 30 June 2020**

3,737,500 shares (30 June 2019: 3,737,500 shares).

### 9. Dr Pat Bartlett (74) A N H R

**Independent Non-Executive Director**

**Appointment date** November 2011.

**Retirement date** 30 June 2020.

**Qualifications** Member of the South African Institute of Mining and Metallurgy; registered Professional Natural Scientist.

**Skills** Dr Bartlett is an acknowledged leading expert on kimberlite geology and block caving. He has extensive experience working across Southern Africa and has in-depth knowledge of several of the mines acquired by Petra, having previously worked at Finsch, Cullinan and Koffiefontein.

**Experience** Dr Bartlett was formerly Chief Geologist for De Beers until his retirement in 2003. Since retiring from De Beers, he has consulted on block caving projects for BHP Billiton, Anglo American and Rio Tinto.

**External appointments** None.

**Interest in the Company as at 30 June 2020**

Nil shares (30 June 2019: nil shares).

#### Committee key

A Audit and Risk Committee  
 N Nomination Committee  
 R Remuneration Committee  
 H Health, Safety and Environment Committee  
 S Social, Ethics and Diversity Committee  
 E Executive Committee ("Exco")  
 () Chair

#### Board changes

Mr Hill was appointed to the Board of Directors on 1 January 2020 and assumed the role of Non-Executive Chairman and Chair of the Nomination Committee on 31 March 2020, following the stepping down of founder Adonis Pouroulis from the Board.

Dr Bartlett, iNED, retired from the Company's Board of Directors, effective 30 June 2020. Dr Bartlett will continue to offer technical consultancy services to the Company for a period of one year following his retirement from the Board.

Mr Lowrie was Senior Independent Director up to 17 November 2020, upon which date he retired from the Board.



## Corporate Governance Statement

# UK Corporate Governance Code compliance

Petra aims to maintain high standards of corporate governance throughout the Group. The Company looks to not only comply with all applicable governance regulations in its jurisdictions but also to meet best practice wherever possible.

Petra is not subject to a code of corporate governance in its country of incorporation, Bermuda; however, as a London Stock Exchange (“LSE”) Main Market company with a premium listing and its tax domicile in the UK, Petra is required to comply with the UK Corporate Governance Code 2018 and to explain in this statement any areas of non-compliance with the new Code.

The new Code, which came into force on 1 July 2018, is applicable for accounting periods beginning on or after 1 January 2019. Prior to the stepping down of prior Non-Executive Chairman Mr Pouroulis from the Board on 31 March 2020, there were two related areas in which the Company was not compliant with the new Code, being:

1. Mr Pouroulis was not considered independent according to corporate governance guidelines due to his having served as Chairman since the incorporation of the Company in 1997, having acted as Chief Executive Officer until 2005, having been granted options under the 2005 Executive Share Option Scheme and having been eligible to receive benefits of membership from the Group’s life insurance scheme. Up to the point of his departure from the Board, the Company’s iNEDs continued to be of the opinion that, whilst not considered to be independent, Mr Pouroulis demonstrated integrity in judgement, character and action. Furthermore, his contribution, leadership and accumulated experience and track record of building natural resource companies justified their recommendation that shareholders support his re-election to the Board at the Company’s 2019 AGM.
2. Remuneration of Non-Executive Directors (“NEDs”) – as noted, Petra’s prior Non-Executive Chairman, Mr Pouroulis, held share options granted prior to the Company’s step-up from AIM to the Main Market of the LSE, representing a form of performance-related benefits. Whilst the Code states that NEDs should not receive performance-related remuneration, these were legacy arrangements and there have been no further share option or share incentive awards to the Non-Executive Chairman since 17 March 2010.

Further to the stepping down of Mr Pouroulis from the Board on 31 March 2020, Petra complied with the provisions of the new Code, with the exception of having a mechanism in place to engage with the workforce. In order to address this, post Year end Ms Matloa, Chair of the SED Committee, was appointed as the designated iNED to engage with the workforce and the key principles and parameters of the role have been set out in a formal document approved by the Board.

As at the date of this report, Mr Hamilton has served nine years as an iNED of Petra, a length of tenure that could impair his independence, according to the new Code. However, the Board considers that Mr Hamilton remains independent as he continues to demonstrate integrity and independence in judgement, character and action, thereby justifying its recommendation that shareholders support his re-election at the Company’s forthcoming AGM (read more in ‘Assessment of Director independence’ on page 69). Mr Hamilton will be stepping down from the Board at the conclusion of the FY 2021 AGM and a successor to his role as Chair of the Audit and Risk Committee will be announced in 2021.

As at the date of this report, the Board therefore considers that Petra complies in full with the new Code provisions.

## Corporate Governance Statement continued

### Matters reserved for the Board

- Vision and strategy
- Production and trading results
- Financial Statements and reporting (supported by the Audit and Risk Committee)
- Financing strategy
- Budgets, expansion projects, capital expenditure and business plans
- Material acquisitions and divestments
- Corporate governance, ethics and culture
- Risk management and internal controls, including consideration of the Viability Statement (supported by the Audit and Risk, Remuneration and HSE Committees)
- Health, safety, social and environmental matters (supported by the HSE and SED Committees)
- Appointments and succession plans (supported by the Nomination Committee)
- Executive Director remuneration (supported by the Remuneration Committee)

### **Board experience (as at 30 June 2020, including Dr Bartlett and Mr Lowrie)**

<b>9/9</b>	<b>3/9</b>	<b>6/9</b>	<b>7/9</b>	<b>2/9</b>	<b>9/9</b>
MINING	GEOLOGY	CAPITAL MARKETS	FINANCE	AUDIT	AFRICA

### **Board time in FY 2020**

Strategy and risk	<b>22%</b>
Corporate and finance	<b>34%</b>
Operations and projects	<b>16%</b>
Governance, social, ethics and diversity	<b>18%</b>
Health, safety and environment	<b>10%</b>

## The role of the Board

The Board is responsible for the long-term success of the Company. Petra's Board has the required balance of experience, skills and knowledge of the Company, as well as independence with regards to the iNEDs, to properly discharge its responsibilities and duties.

In order to fulfil its role, the Board:

- sets the Company's strategic aims, ensures that the necessary resources are in place for the Company to meet its objectives, and reviews management performance in achieving such objectives;
- provides leadership of the Company within a framework of effective systems and controls, which enable risk to be assessed and managed;
- develops the collective vision of the Company's purpose, culture, values and the behaviour it wishes to promote in conducting business and ensures that its obligations to its shareholders and others are understood and met; and
- carries out all duties with due regard for the sustainability and long-term success of the Company.

## The role of the Chairman

### Mr Hill:

- leads the Board and is primarily responsible for the effective working of the Board;
- in consultation with the Board, ensures good corporate governance and sets clear expectations with regards to Company culture, values and behaviour;
- sets the Board's agenda and ensures that all Directors are encouraged to participate fully in the activities and decision-making process of the Board;
- is the ultimate custodian of shareholders' interests;
- engages with shareholders and other governance-related stakeholders, as required;
- meets with the Senior Independent Director and with the iNEDs without the Executive Team present, in order to encourage open discussions and to assess the Executive Team's performance;
- identifies induction and development needs of the Board and its Committees; and
- chairs the Nomination Committee and thereby plays an important part in assessing and advising on the appropriate composition of the Board and its skill-set.

## The role of the Chief Executive Officer

### Mr Duffy:

- is primarily responsible for implementing Petra's strategy established by the Board and for the operational management of the business;
- leads and provides strategic direction to the Company's management team;
- runs the Company on a day-to-day basis;
- implements the decisions of the Board and its Committees, with the support of the Executive Committee;
- monitors, reviews and manages key risks;
- ensures that the assets of the Group are adequately safeguarded and maintained;
- is the Company's primary spokesperson, communicating with external audiences, such as investors, analysts and the media;
- leads by example in establishing a performance-orientated, inclusive and socially responsible Company culture; and
- chairs the Executive Committee and is a member of the HSE and SED Committees, thereby having direct involvement in the strategic management of Petra's HSE and SED issues, including labour relations.

## Corporate Governance Statement continued

### The role of the Board continued

#### The role of the Senior Independent Director

##### **Ms Shine (Mr Lowrie up to 17 November 2020):**

- provides a sounding board for the Chairman and serves as an intermediary for the other Directors as necessary;
- is available to shareholders if they have concerns which contact through the normal channels has failed to resolve or for which such contact is inappropriate;
- leads the iNEDs in undertaking the evaluation of the Chairman's performance appraisal; and
- is a member of Petra's Audit and Risk, HSE, Nomination, Remuneration and SED Committees, thereby having oversight of the Group's material issues and opportunities, and bringing her skill-set and independent judgement to the benefit of these Committees.

#### The role of the independent NEDs

##### **Mr Hamilton, Ms Shine, Ms Matloa, Mr Pryor and Mr Lowrie:**

- challenge the opinions of the Executive Directors, provide fresh insight in terms of strategic direction, and bring their diverse experience and expertise to the benefit of the leadership of the Group;
- assess the performance of the Chairman;
- scrutinise the performance of the Executive Directors in terms of meeting agreed goals and objectives;
- ensure that the governance, financial information, controls and systems of risk management within the Group are robust and appropriate;
- determine the appropriate levels of remuneration of the Executive Directors; and
- provide independence and a breadth of skills and experience to Board Committees.

### How our Board operates

#### **Board and Committee meetings**

The full Board normally meets formally in person at least four times a year for Board meetings (though meetings in person have not been possible towards the end of FY 2020 due to COVID-19 travel restrictions and have generally been conducted using online conferencing facilities) and also speaks at other times as necessary in order to discuss operational matters and ongoing performance against the Group's development and production plans, including internal budgets and external guidance to the market. There is frequent communication between Board members outside of the set meeting dates, in order to stay abreast of business developments.

The formal Board and Committee meeting dates are scheduled to address key events in the corporate calendar and are allocated sufficient days to allow for considerable interaction by the members, both inside and outside of the formal meetings. There is a standing list of agenda items for discussion at every meeting, with extra time factored in for additional items. The agenda is agreed with the Chairman (or with the Chairs of the relevant Committees) and a timeframe generally set in advance for the various items, thereby ensuring that the full agenda can be covered in the time allotted. Dinners and other social engagements are also attended by members outside of the meeting times to allow for more informal discussion of issues; this assists in clarification and engagement, meaning that consensus during the meeting is more easily attained.

Packs for the meetings are prepared by management following input on the agendas formulated by the Company Secretary and the respective Chairs and circulated electronically prior to the meeting, thereby allowing the Directors adequate time to consider the variety of issues to be presented and debated. In the minutes of the meetings, issues identified for follow-up are set out, ensuring that unresolved matters raised by the Directors are actioned and reported back in a timely manner.

In addition to formal Board and Committee meetings, the Chairman holds frequent meetings with the iNEDs during the year, enabling free discussions without the Executive Directors present.

## FY 2020 Board calendar

	Board meetings 9 held	Audit and Risk Committee 5 held	Remuneration Committee 4 held	Nomination Committee 4 held	HSE Committee 5 held	SED Committee 4 held	Annual General Meeting 1 held
Adonis Pouroulis <sup>1</sup>	3	N/A	N/A	3	N/A	N/A	0
Peter Hill <sup>2</sup>	6	N/A	N/A	1	N/A	N/A	N/A
Richard Duffy	9	N/A	N/A	N/A	5	4	1
Jacques Breytenbach <sup>3</sup>	9	N/A	N/A	N/A	N/A	1	1
Varda Shine <sup>4</sup>	8 <sup>5</sup>	N/A	4	N/A	N/A	4	1
Pat Bartlett <sup>6</sup>	9	5	4	4	5	N/A	1
Gordon Hamilton	9	5	4	4	N/A	N/A	1
Octavia Matloa	9	5	N/A	N/A	N/A	4	1
Bernard Pryor	9	5	N/A	N/A	5	N/A	1
Tony Lowrie <sup>7</sup>	9	5	4	4	N/A	N/A	1

1. Mr Pouroulis stepped down from the Board with effect from 31 March 2020. Due to unforeseen personal commitments, Mr Pouroulis was unable to attend two Board meetings, one Nomination Committee meeting and the AGM held during the Year. In his absence, these were chaired by Mr Lowrie.
2. Mr Hill was appointed to the Board with effect from 1 January 2020 and assumed the role of Non-Executive Chairman and Chair of the Nomination Committee from 31 March 2020.
3. Mr Breytenbach resigned from the SED Committee with effect from 12 February 2020.
4. Ms Shine assumed the role of Senior Independent Director on 17 November 2020.
5. Ms Shine was unable to attend the April 2020 Board meeting due to personal reasons.
6. Dr Bartlett retired from the Board on 30 June 2020.
7. Mr Lowrie retired from the Board on 17 November 2020.

**Site visits**

Visiting Petra's operations in person and interacting with Senior Management and employees is very important for all Board members. Annual site visits are usually arranged for the iNEDs to ensure that, in addition to papers presented at Board meetings, they continue to stay informed of development and progress at the operations, as well as allowing for interaction with employees at a range of levels throughout the business and assisting with the ongoing evaluation of Company culture.

Whilst COVID-19 travel restrictions impacted on the number of site visits that could be undertaken during the latter half of the Year, the Executive Directors visited the operations on a regular basis as part of their day-to-day business and the following site visits were conducted by the iNEDs in FY 2020:

- February 2020: Mr Hamilton and Ms Shine visited Cullinan.
- March 2020: Mr Hill and Dr Bartlett visited all the South African operations and Mr Pryor visited Cullinan.

**Employee engagement**

Post Year end, the Board appointed Ms Matloa, Chair of the SED Committee, as the designated iNED to engage with the workforce. The aim of the role is to help ensure the views and concerns of the workforce are brought to the Board and taken into account in the Board's deliberations and decisions, helping the Board to understand if employees are aligned to, and able to respond to, its business priorities. A formal document outlining the key principles and parameters of the role has been approved by the Board.

The Board normally has several opportunities throughout the year for employee engagement, with the aforementioned Director site visits, as well as informal meetings in which the Board welcomes feedback and open communication. These opportunities have been disrupted by the COVID-19 pandemic.

## Corporate Governance Statement continued

## How our Board operates continued

**Tenure of Directors<sup>1</sup>**

0–3 years	<b>56%</b>
4–9 years	<b>44%</b>
10–22 years	<b>0%</b>

**Board composition<sup>1</sup>**

Executive Directors	<b>22%</b>
Independent Non-Executive Directors	<b>78%</b>
Non-Executive Directors	<b>0%</b>

**Directors' nationality<sup>1</sup>**

South African	<b>4/9</b>
British	<b>5/9</b>

**Directors' gender<sup>1</sup>**

Female	<b>22%<sup>2</sup></b>
Male	<b>78%</b>

**Percentage of Petra shares held (as at 30 June 2020)**

Directors	<b>0.5%</b>
Other	<b>99.5%</b>

1. All statistics as at 30 June 2020, prior to the retirement of Dr Bartlett and Mr Lowrie.

2. The percentage of women on Petra's Board increased to 29% from 17 November 2020, following the retirement of Dr Bartlett and Mr Lowrie.

**Why our Board is effective****Director commitment**

The Directors' biographies and duties can be found on pages 61 and 62. During the Year, there were no significant changes to the iNEDs' external commitments and they are considered to have sufficient time to fulfil their duties, as confirmed by the external Board evaluation, carried out in August 2020. The Company appointed Mr Hill as Non-Executive Chairman in March 2020 and he is also considered to have sufficient time to fulfil his duties.

Executive Directors may, subject to Board consent, accept external appointments to act as non-executive directors of other companies. However, the Board would reserve the right to review such appointments to ensure no conflicts of interest and that the time spent on fulfilling such obligations would not affect the respective Director's contribution to Petra. Any fees for such appointments would normally be retained by the Director concerned. Currently, none of the Executive Directors have any external appointments which affect their contribution to Petra.

The Chairman and iNEDs are required to inform the Board of any proposed new directorships and a similar review process would be undertaken to ensure they can adequately fulfil their obligations as Directors of the Company.

### **Assessment of Director independence**

On 31 March 2020, Mr Hill assumed the role of Non-Executive Chairman. Mr Hill was appointed following a search for a new Chairman assisted by an independent executive search agency and is considered to be independent upon appointment, in accordance with the new Code.

The Board notes that Mr Hamilton has served nine years as an iNED as at November 2020 and the Board intends that he remains with the Company as iNED, Chair of the Audit and Risk Committee and a member of the Remuneration and Nomination Committees for continuity purposes until the conclusion of the FY 2021 AGM. While the new Code notes that serving over nine years could impair a non-executive director's independence, the Board considers that Mr Hamilton continues to demonstrate integrity and independence in judgement, character and action, thereby justifying its recommendation that shareholders support his re-election at the Company's forthcoming AGM.

The Board also considers Ms Shine, Ms Matloa, Mr Pryor and Mr Lowrie to be independent in accordance with the new Code. All five iNEDs are independent of any relationship listed in the provisions of the new Code. None of the iNEDs received any fees from the Company in FY 2020 other than their contractual iNED fees, as set out on page 114 of the Directors' Remuneration Report.

### **Conflicts of interest**

Whilst conflicts should be avoided, the Board acknowledges that instances arise where this is not always possible. In such circumstances, Directors are required to notify the Chairman before the conflict arises and the details are recorded in the minutes. If a Director notifies the Board of such an interest, they may be, if requested by the Chairman, excluded from any related discussion and will always be excluded from any formal decision. While no such instances occurred during the Year, consideration was given to Mr Hamilton's role as a Director of an offshore subsidiary of Nedbank when discussing the process to optimise the Company's capital structure, which has involved the South African Lender Group (including Nedbank Limited) as a key stakeholder. However, in each instance it was noted in the relevant Board meeting minutes that Mr Hamilton was not connected in any way to the business of the meeting as the offshore subsidiary he is a Director of has no involvement in commercial lending activities in South Africa.

### **Process used in relation to Board membership, succession planning and appointment process**

Petra's Nomination Committee is responsible for reviewing the skills, expertise, composition and balance of the Board on an ongoing basis as part of the Company's succession planning. When considering new appointments, a brief is prepared and an independent external search agency is utilised to identify potential candidates. Read more about the work of the Nomination Committee on pages 100 and 101.

### **Director induction, information, training and development needs**

Detailed knowledge of the specialist world of diamonds, the global mining industry, international capital markets, UK/LSE legislation, Sub-Saharan Africa (particularly South Africa), ESG matters and Petra's unique business and operations is crucial to the Board's ability to effectively lead the Company.

## Corporate Governance Statement continued

### Why our Board is effective continued

#### Director induction, information, training and development needs continued

Petra has an induction programme designed to bring new Directors up to speed as quickly as practicable, following their appointment to the Board. Such an induction would typically involve meetings with the Board and various members of Senior Management and an information pack of all necessary corporate documents, including the Company's latest Annual and Sustainability Reports, the Bye-Laws, Committee Terms of Reference and other key Group policies, such as the Group Code of Ethical Conduct and the Anti-Bribery Policy, enabling them to familiarise themselves with the Group, its procedures and current activities. A site visit to one or more of the Group's key operations is held as soon as possible, to provide the new Director with further information on the operations, including production/expansion plans and key ESG considerations.

#### New Chairman induction

##### Strategy in action

Work responsibly

Upon appointment, Mr Hill underwent the Company's induction programme, which was led by the Group's Corporate Communications Manager and Company Secretary. The aim of the programme is to provide a suitable introduction to the Company, its operations and marketplace, as well as its governance standards, values and culture.

Mr Hill's induction programme involved:

- a Director induction pack, including (amongst other things) Company policies, reports, Board and Committee minutes, Board objectives, the Petra Group structure, the Group risk register, latest analyst and ratings agency notes, and latest diamond market reports and resources;
- meetings with Directors and management at different levels of the business;
- attendance at the Mining Indaba Conference in Cape Town and the BMO Global Metals and Mining Conference in Miami (both in February 2020), allowing for meetings with various Company stakeholders, including corporate advisers and current and potential shareholders and bondholders; and
- a tour of the South African operations and corporate office in Johannesburg in March 2020, accompanied by the Chief Executive.

##### Values in action

Let's do it right

Let's take control

##### **Peter Hill, Non-Executive Chairman, commented:**

*"I was happy with the comprehensive nature of my induction process, which was carried out quickly and efficiently.*

*"The site visits were essential in terms of gaining a better understanding of the quality and scale of our assets and our workforce, as well as demonstrating the priority emphasis placed on health and safety within the Group.*

*"I have been impressed with the 'can-do' nature of the Petra culture and the ability to embrace change and remain flexible in the face of a fast-changing business environment.*

*"Unfortunately, the onset of the COVID-19 pandemic has disrupted 'business as usual' and it was therefore not possible to visit the Williamson mine in Tanzania before global lockdowns came into effect.*

*"We also have plans to carry out a governance roadshow in due course to formally introduce me to our top shareholders and bondholders, but this has been placed on hold for the time being.*

*"While assuming the role of Chairman at the onset of a global pandemic has presented many challenges, our recent external Board evaluation confirmed that the Board is operating effectively and I look forward to the resumption of meetings in person and visits to operations when it is considered safe to do so."*

In order to ensure that existing Board members retain the relevant and up-to-date knowledge and skill-set to properly discharge their duties, ongoing training and other professional development opportunities are provided by the Company and/or the Directors attend external courses and conferences on their own professional behalf. Training is arranged as appropriate to suit each Director's individual needs and covers topics such as industry developments, governance, technical subjects related to diamond mining, communication strategies and ESG matters. The Chairman reviews and agrees with each Director their training and development needs. Board training on specific topics is requested by the Board members and then provided by a specialist at the Board meeting.



In FY 2020, the Board received formal training by an independent external adviser on 'Climate change – regulations, implications and opportunities'. The Directors also received detailed technical presentations during their mine site visits. Further Board training for the Year was curtailed by the COVID-19 pandemic.

The Company's Corporate Communications team acts as a conduit of regular information to the Board and Senior Management, providing daily briefings by email on relevant topics, such as key diamond industry trends, peer group developments, regulatory updates and socio-economic information about Petra's countries of operation, as well as internal Company news.

The Board has access to the advice and services of the Company Secretarial function as required.

### Climate change training

**Strategy in action**

Work responsibly

**Values in action**

Let's do it right

Let's do it better

Issues related to climate change now demand significantly more attention and there is an expectation that all UK listed companies will provide climate-related financial disclosure in line with the TCFD's recommendations by 2022. There is therefore a need for boards to be regularly updated on these issues.

In November 2019, the Board had a comprehensive overview and training session on climate change legislation and disclosure carried out by an independent external adviser.

The session focused on the following key areas:

- current and emerging legislation including Section 172 and the duties of Directors with regards to stakeholders;
- reporting requirements relating to climate change;
- the responsibilities of Directors;
- governance structures;
- expectations of investors including TCFD; and
- the UN Sustainable Development Goals.

### **Evaluation of the Board's performance**

Following the internal evaluation process conducted for FY 2019, various areas for improvement were identified and an update on progress made during FY 2020 is set out below.

Area of improvement identified in FY 2019 evaluation	Progress made during FY 2020
<b>Objectives, strategy and remit</b>	Board objectives developed further in FY 2020 (see pages 73 to 75); strategy evolved into a shorter-term focus on surviving the diamond market downturn and, during the second half of the Year, adapting operations to the effects of the COVID-19 pandemic.
<b>Board composition and succession</b>	Chairman succession successfully completed: Peter Hill CBE joined as an iNED on 1 January 2020 and became Non-Executive Chairman on 31 March 2020 when founder and Non-Executive Chairman Adonis Pouroulis retired.
<b>Board reporting and performance measurement</b>	Board reporting packs continue to be evolved with greater feedback from the Exco incorporated and the submission of regular 'CEO reports to the Board', allowing for enhanced Board oversight of ongoing performance and issues. During the fourth quarter of the financial year, Board and Committee meetings were held virtually using online conferencing facilities.
<b>Risk management and reviews</b>	Risk register developed further during FY 2020, including a 'bottom up' review and the development of specific risks. The latter focused especially on the deteriorating diamond market during the Year and its effects on Petra, and during H2 FY 2020 focus was on the emerging and increasing risk of the COVID-19 pandemic, and how that affected the Company's operations (internal) and the diamond market (external), and thus the financial health of the Company. While management assessment of risk is a continuous process, formal risk reviews by the Board therefore moved to being dynamic as opposed to being focused on once per year.

## Corporate Governance Statement continued

### Evaluation of the Board's performance continued

#### FY 2020 Board evaluation

The Board undertook an externally facilitated evaluation of its own performance and that of the Board Committees, using Donata Denny, an independent and highly respected Leadership Coach and Professional Development Adviser. The evaluation consisted of each Director completing a focused questionnaire, a one-on-one confidential interview with the external facilitator, and then a facilitated Directors' workshop to discuss the outcomes and findings, to be taken forward during FY 2021.

The evaluation of the performance of the new Chairman was undertaken by Mr Lowrie, the Senior Independent Non-Executive Director at the time, in conjunction with his Board colleagues. The Directors welcomed the appointment of the new Chairman together with his leadership, and valued his experience, as the Board had to focus increasingly on the Company's financial position.

One major theme of the evaluation was Board development and the way in which it was conducted. This covered three areas, as set out below.

Firstly, the composition of the Board has been further developed. Dr Bartlett, iNED, retired on 30 June 2020 after serving nine years. He remains a consultant to the Board and management given his world-class expertise in kimberlite geology and sub and block-level caving. It was agreed that Mr Lowrie would retire on 17 November 2020, after serving nearly nine years, and that the Senior Independent Director role would be assumed by Ms Shine. It was also agreed by the Board that Mr Hamilton, iNED and Chair of the Audit and Risk Committee, notwithstanding having been a Director for nine years, was still considered by the Board to be independent, and in order to provide continuity would continue to serve as Chair of the Audit and Risk Committee until the FY 2021 AGM when he would retire, with a search for his replacement as Committee Chair to be commenced in CY 2021. Together with the three Director appointments made in FY 2019 (new Chief Executive and two new iNEDs) and the appointment of a new Chairman of the Board in FY 2020, the Board in FY 2021 has been considerably refreshed.

Secondly, in a change to previous practice, at the start of FY 2021 all iNEDs are now serving on the Nomination, Audit and Risk, and Remuneration Committees, with the exception of the Non-Executive Chairman who is solely a member of the Nomination Committee (as Chair). This is expected to bring greater cohesion and transparency to these key Board Committees.

Thirdly, in a review of Directors' remuneration conducted by the Chairman and the Chair of the Remuneration Committee, fees for chairing all of the Board Committees were reduced from the start of FY 2021.

The above-mentioned changes constitute a major reconfiguration of the Board and its Committees and could have caused tensions; Directors felt that these had generally been conducted in a collaborative and transparent manner.

The second major theme of the Board evaluation concerned an evaluation of Board dynamics during isolation and lockdown, which coincided with the Company entering into intense discussions with its financial stakeholders, as well as putting itself up for sale, all at a time when the diamond market itself made achieving tenders and sales very difficult, putting further financial pressure on the Company.

Most of this occurred when Board members were unable to meet face to face because of COVID-19 isolation and thus Board and Committee meetings had to be held 'virtually', including with advisers. Even just the latter would put a strain on normal Board dynamics; doing this during the financial pressure the Company was under made this even more sensitive, particularly as the frequency of Board, Committee and sub-committee meetings increased significantly during Q4 FY 2020 and into FY 2021.

Notwithstanding these pressures, the Board was felt to have functioned well, with the iNEDs continuing to provide oversight and support to the Executive Directors during these challenging times. The Board and its Committees were felt generally to have performed creditably.

The following areas of improvement and development were identified for FY 2021; however, it should be noted that the aspiration to resume more personal contact remains severely impaired by the ongoing impact of the COVID-19 pandemic:

- the resumption of in-person Board and Committee meetings when COVID-19 restrictions are lifted, while maintaining and improving further the collaborative nature of the Board's working fostered during isolation;
- the resumption of Directors visiting mines, facilities and offices which were suspended during lockdown, to re-familiarise themselves with the grassroots of the business;
- Directors re-engaging with managers and the workforce, having understandably become more distant from the Company's workforce during lockdown;
- re-engaging on Company strategy and portfolio development, having been more short-term focused during FY 2020 due to the effects of COVID-19 including diamond market disruption, as well as the short-term pressures engendered by the Company's financial restructuring; and
- developing and enhancing Board dynamics and corporate governance standards and processes once the new Board is in place following the completion of the financial restructuring.

## Board strategy and performance

The Company's strategy is to further develop its stature as a leading independent diamond miner with a focus on working responsibly, achieving consistent delivery and driving optimisation. The Board's objectives in order to assist the Company in the furtherance of its strategy are set out below.

Objectives for FY 2020	Progress in FY 2020	Objectives for FY 2021
<b>Strategy and operations</b>		
Safety of all Petra people will continue to be the Company's top priority and closely monitored by the Board and the HSE Committee.	Safety is the first operational item discussed at every Board meeting and received significant attention throughout the Year. While the Group's LTIFR rose to 0.29 (FY 2019: 0.21), the number of total injuries, including those that did not result in a lost shift, reduced by 26% to 45.	Safety of all Petra people will continue to be the Company's top priority and performance in this regard, including the specific KPIs set for FY 2021, remain closely monitored by the Board and the HSE Committee, as Petra strives to reach its objective of a zero harm workplace.
Strategic focus on optimisation of the Group's portfolio, driven by Project 2022, which aims to reset the cost base and maximise profitability.	Project 2022 is mainly driven by throughput initiatives and the elimination or mitigation of bottlenecks in production processes, which led to the Company recording its highest level of ROM production for the nine months to 31 March 2020, before the COVID-19 disruptions took hold.	Regular monitoring to assess the implementation of Project 2022, which aims to get fully back on track, despite the disruptions to operations caused by the COVID-19 pandemic.  The focus of the project now also includes a sustainable optimisation of the Company's cost structure during this period of reduced revenue generation.  Monitoring the return of the Williamson mine from care and maintenance to production, when market conditions allow.
The Board will allocate sufficient time both at Board meetings and at an annual strategy day to consider long-term strategy for the Group, including an appropriate capital structure and allocation strategy, as well as ongoing review of the assets within the Group's portfolio with a view to maximise return on capital.	Strategic discussions form part of each Board meeting. A strategy day took place in September 2019 and another session is planned for FY 2021.  Throughout the period of negotiations with the Company's Noteholders and the South African Lender Group, the Board met on a very regular basis in order to debate the terms presented and to consider an appropriate capital structure that would be in the best interests of the Company and its stakeholders. Post Year end, a revised capital structure was agreed that presents a solid foundation for the business to the benefit of all of its stakeholders.  The Williamson mine was placed on care and maintenance in April 2020 in order to protect the mine's liquidity, due to the lower diamond price environment.  The Company chose to exit its exploration operations and announced the sale of its Botswana assets post Year end. Its South African exploration assets remain as assets held for sale.	Continue to closely monitor the Company's financial position based on the prevailing uncertainty in the business environment afforded by the COVID-19 pandemic.  Continue 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.  Re-engagement on long-term strategy having understandably been more short-term focused in FY 2020 due to the pressures engendered by the COVID-19 pandemic and the Company's financial restructuring.

## Corporate Governance Statement continued

**Board strategy and performance continued****Strategy and operations continued**

Continue to improve the mechanisms by which the Board receives feedback from the Company's broad range of stakeholders.

Implementation of clear and formal systems to facilitate Board/workforce engagement.

The Board receives relevant reports from management, including feedback on stakeholder engagement, covering topics such as shareholder and noteholder feedback, labour relations, community engagement and social matters.

Regular site visits (in normal operating conditions) afford the opportunity for direct engagement with a range of stakeholders, including employees at different levels within the Group.

Post Year end, Ms Matloa was appointed as the designated iNED for workforce engagement. The key principles and parameters of the role were set out in a document approved by the Board.

Continue to improve the mechanisms by which the Board receives feedback from the Company's broad range of stakeholders.

Ongoing consideration of Company purpose, culture and reputation, and how these are vital to the delivery of Petra's strategy and to upholding consumer confidence in diamonds.

Petra is undergoing an organisational design review and is also carrying out an ongoing evaluation of its corporate culture. Information on these processes has been presented to and considered by the Board.

When making any decisions, the Company purpose, culture and reputation are kept in mind by the Board. The Company is also a member of the NDC and is represented by CEO Richard Duffy.

As part of the ongoing evolution of the Group, which has seen leadership change and a strategic review of the business, reconsideration of the purpose, vision, values and culture of the Group, taking into account stakeholder interests and views.

**Board composition**

Continue to consider the optimal Board, Committee and Senior Management structures, bearing in mind the benefits of a broad mix of expertise, skills and diversity.

Identify and appoint a successor for the role of Chairman.

Mr Hill was appointed as Non-Executive Director in January 2020 and assumed the role of Non-Executive Chairman in March 2020, following the stepping down of founder Mr Pouroulis from the Board.

Ms Shine assumed the role of Chair of the Remuneration Committee in succession to Mr Hamilton in March 2020.

Dr Bartlett retired from the Board at the end of the Year after nearly nine years' service, following which changes were made to the composition of the Audit and Risk, Remuneration, Nomination and HSE Committee memberships via the appointment of additional iNEDs.

A Diversity and Inclusion Policy was approved by the Board.

Continue to consider the optimal Board, Committee and Senior Management structures, bearing in mind the benefits of a broad mix of expertise, skills and diversity.

Ms Shine was appointed Senior Independent Director upon the retirement of Mr Lowrie on 17 November 2020.

Plan for the successor for the role of Chair of the Audit and Risk Committee, following the planned retirement of Mr Hamilton from the Board at the conclusion of the FY 2021 AGM.

Ongoing consideration of succession planning, both for the Board and the other Senior Management structures.

## Risk management

<p>Ensure that the annual Internal Audit Plan addresses the key business risk areas that can be mitigated by Internal Audit reviews. This will be backed up by Internal Audit continuing to consider other parts of the business where the ongoing review of the systems of internal controls and internal financial controls is relevant to superior Group risk management.</p>	<p>The Internal Audit Plan for FY 2020 considered the key business risks as highlighted in the Company's risk registers. Risks are reported on a quarterly basis, highlighting risk movements, emerging risks and mitigation plans. Risk assessment is an ongoing process not an event. In light of the COVID-19 impacts, formal risk reviews by the Board moved to being dynamic as opposed to being focused on once per year.</p>	<p>FY 2021 represents the last of the three-year Internal Audit Plan approved by the Audit and Risk Committee. Planning will therefore commence on the next three-year cycle, which is expected to make significant progression due to the input of the Company's recently formed ERM and Combined Assurance function, which will enhance the Company's already well-established risk management processes. The ERM function is currently working on a Group-wide bottom-up risk assessment.</p>
<p>Continue to consider the key risks that are relevant to the Petra Group, ensuring the possible effect of such risks and plans for the mitigation thereof are fully understood and continually actioned by the Board and Senior Management, including an annual review of the Group's risk register.</p>	<p>The Company's recently formed ERM and Combined Assurance function reviews and reports on key risks on a quarterly basis to the Exco. The Group risk register developed further, including a 'bottom up' Group-wide review and the development of specific risks.</p>	<p>In conjunction with the Exco, to operationalise the new ERM and Combined Assurance Plan, which includes a Group Risk and Assurance Policy Statement, and Group Risk Policy and Framework as well as Risk Methodology Policy. Quarterly reporting to the Exco and the Board will continue.</p>
<p></p>	<p></p>	<p>Review of effectiveness of the COVID-19 pandemic response across the Group as a way of evaluating the Company's emergency response procedures.</p> <p>Monitoring of the independent investigation into the allegations of human rights abuses in Tanzania. The outcome of the investigation will inform how the matter proceeds thereafter.</p>
<h2>Board process</h2>		
<p>Hold an external Board evaluation process in FY 2020.</p>	<p>The evaluation process was carried out post Year end by independent consultant Donata Denny. An overview of the results is included on page 72.</p>	<p>Hold an internal Board evaluation process in FY 2021, with an external evaluation to occur at least once every three years.</p>
<p>Continue to assess the Directors' training needs and to provide relevant training opportunities to the Directors in order to ensure that all Board members stay abreast of relevant developments.</p>	<p>Board training was conducted in November 2019 on 'Climate change – regulations, implications and opportunities'. Further Board training for the Year was curtailed by the COVID-19 pandemic.</p>	<p>Continue to assess the Directors' training needs and to provide relevant training opportunities to the Directors in order to ensure that all Board members stay abreast of relevant developments.</p>
<p>Continue to receive monthly update reports to ensure regular monitoring of delivery against development and production plans.</p>	<p>The Board was provided with regular operating and liquidity updates, particularly as the COVID-19 pandemic caused unprecedented disruption to the operating environment.</p>	<p>Continue to keep the Board regularly updated about operating conditions, the Company's financial position and the wider diamond market, bearing in mind the uncertain business environment afforded by the COVID-19 pandemic.</p>
<p>Arrange at least one annual visit for the full Board to the Group's operations.</p>	<p>A full Board visit was not undertaken in FY 2020, mainly due to travel restrictions as a result of COVID-19. However, a number of site visits to certain operations were made by various Directors during FY 2020 as set out on page 67.</p>	<p>Resumption of group and individual site visits, including to mines, facilities and offices, when considered safe to do so, in order to re-engage with managers and the workforce, having understandably become more distant during lockdown.</p>

## Corporate Governance Statement continued

Shareholder communications**Shareholder breakdown as at 30 June 2020****Analysis of equity investor concentration**

Top 20 holders	<b>74%</b>
21–40 holders	<b>14%</b>
41–60 holders	<b>5%</b>
61–80 holders	<b>2%</b>
81–100 holders	<b>1%</b>
Other holders	<b>5%</b>

**Analysis of investor style**

Multi-style	<b>10%</b>
Growth	<b>13%</b>
GARP	<b>19%</b>
Index	<b>0%</b>
Private client broker	<b>32%</b>
Value	<b>1%</b>
Hedge	<b>0%</b>
Other	<b>0%</b>

**Investor relations (“IR”) calendar for FY 2020**

July	FY 2019 Trading Update	Investor/analyst conference call
September	FY 2019 Prelim Results	Investor/analyst presentation and webcast
	Investor roadshow in the UK	Investor one-on-one meetings
October	Annual and Sustainability Reports published	Report publication
	Q1 FY 2020 Trading Update	Investor/analyst conference call
November	AGM	Investor/analyst presentation and webcast
January	H1 FY 2020 Trading Update	Investor/analyst conference call
February	Investor and analyst site visit to Cullinan	Site visit
	H1 FY 2020 Interim Results	Investor/analyst presentation and webcast
	Investor roadshow in the UK	Investor one-on-one meetings
	Participation in industry investor conferences in South Africa and North America	Conferences
May	Q3 FY 2020 Trading Update	Report publication

**IR strategy**

Investor relations is an essential aspect of the Company's corporate communications strategy. The aim of Petra's IR programme is to ensure that the Company's business model, strategy, operational and financial performance and future prospects are clearly understood by the investment community both in the UK and internationally.

The Company achieves this by operating with a high level of transparency with regards to its historical, current and future operations, by providing consistent information and messages across a number of communication channels and by using clear language that aims to explain the investment story and ensure that it is easy to understand for a wide range of audiences.

Petra continues to support an open and transparent dialogue with shareholders and other financial stakeholders, thereby ensuring that their needs and objectives and their views on the Company's performance are understood, as well as demonstrating the high emphasis placed on engagement and shareholder value by the Board.

The Group's corporate website, [www.petradiamonds.com](http://www.petradiamonds.com), aims to provide investors with the required information to potentially make an investment decision; however, the Company also provides a wide range of information to assist other stakeholders and makes available Petra's Annual and Sustainability Reports via this medium. The website is regularly reviewed and updated with new information.

Recognising the growing importance of social media both in terms of news dissemination and in terms of providing an alternative communications channel to stakeholders, Petra continues to develop its presence through its LinkedIn and Twitter channels. The Company also publishes updates on Facebook and Instagram, but these channels are focused primarily on employee and other local community stakeholders.

## IR activity

Petra has a dedicated in-house Corporate Communications team based in London to ensure that any investor query or concern is responded to and dealt with efficiently and in a timely manner. Petra's Corporate Communications team regularly provides feedback to management as well as all members of the Board on shareholder and analyst communication and ensures that analyst research notes are circulated as received. A monthly IR report covering Petra trading in relation to its peers, an overview of IR activity and investor feedback, analyst forecasts, share register movements and bond performance is distributed monthly to the Board and a quarterly IR presentation is included for review at Board meetings.

As part of Petra's proactive investor relations approach, the Chief Executive, Finance Director and Corporate Communications team commit time to hold regular formal and informal meetings in person and via telephone with the Company's shareholders, bondholders and potential investors, in addition to twice yearly roadshows, which coincide with the publication of Petra's interim and annual results. The Company also normally hosts results webcasts at least twice a year, which are broadcast live on the Company's website to ensure that all shareholders can participate in the presentation, regardless of their location, and are available to access thereafter at [www.petradiamonds.com/investors/financial-events-calendar/](http://www.petradiamonds.com/investors/financial-events-calendar/). Furthermore, regular meetings are arranged with sell-side analysts and broker sales teams.

In addition, the Chairman is available to meet with shareholders as required and the iNEDs are normally provided with opportunities to meet with shareholders throughout the year. Petra's Senior Independent Director is available to shareholders to address concerns that contact with the Chairman, Chief Executive or Finance Director failed to resolve, or for which such contact was inappropriate.

As part of the Company's commitment to ensuring effective shareholder communications, the Chairman and Senior Independent Director normally carry out a governance roadshow every two years. However, the governance roadshow planned for FY 2020, which would also have served to introduce the new Chairman to Petra's top shareholders, has been placed on hold for the time being due to the COVID-19 pandemic.

Petra hosts one formal investor/analyst site visit per year, with additional smaller ad hoc visits arranged as required or requested. Such visits are considered an essential part of the Company's IR programme as seeing one of the operations in person is the best way for an investor/analyst to understand the scope and scale of Petra's assets, as well as the depth of operational management on site and the passion of Petra's people.

## FY 2020 shareholder engagement

During FY 2020, the Company's CEO and corporate communications team held 115 one-on-one and group investor meetings, thereby engaging with almost 170 people. The team met with all of the active managers within the Group's top 20 shareholders at least once during the Year. In addition to the meetings detailed above, following his appointment as Chairman, Mr Hill attended a number of investor meetings during conferences in South Africa and in the US in February.

The main recurring themes and issues raised by shareholders during the Year centred on:

- Petra's operational performance, as the Company reported record ROM output in the first nine months of the year, and Project 2022, Petra's business efficiency programme, delivered a number of operational improvements;
- Petra's balance sheet and leverage levels, and the Company's ability to generate free cashflow and to meet its debt facility covenants and its liabilities as they fall due, including the coupon for the Company's US\$650 million Notes (read more on pages 6 to 36);
- the outlook for the diamond market and expectations with regards to Petra's diamond sales and pricing (read more on pages 18 to 23);
- the reasons for the decline in the Company's share price during FY 2020 (read more on page 28);
- the impact of the outbreak of COVID-19 on the Company's operations and the diamond market, as well as the measures taken by the Company to contain the spread of the virus at its operations and how it supported its employees and stakeholders during the pandemic (read more on page 12);
- the blocked Williamson parcel and VAT receivables in Tanzania and the ongoing discussions with the Government (read more on page 87);
- the volatility of the ZAR:USD exchange rate and the impact on Petra's financial position (read more on page 94); and
- laboratory-grown gem diamonds and how these affect the market for natural diamonds (read more on page 93).

## Reporting

Petra's objective with regards to external reporting (via its Annual Report and Sustainability Report and supported by its website) is to provide a high level of transparency, in order to set out a clear picture of the Group's past performance and its potential future prospects. To this end Petra has aimed to provide a high level of disclosure, particularly across the area of sustainability, having produced detailed standalone Sustainability Reports for the last ten years.

## Corporate Governance Statement continued

Annual General Meeting (“AGM”)

Shareholders are encouraged to participate at the AGM, ensuring that there is a high level of accountability and identification with the Group’s strategy and goals. Due to an unforeseen personal commitment, Mr Pouroulis was unable to attend the FY 2019 AGM and in his absence it was chaired by Mr Lowrie. The remainder of the Board was present, with the Committee Chairs (Mr Lowrie standing in as Nomination Committee Chair on behalf of Mr Pouroulis) available to answer any questions relevant to their activities.

**Results of our FY 2020 AGM**

A summary of the proxy voting for the AGM was made available via the London Stock Exchange and on the corporate website as soon as reasonably practicable on the same day as the meeting.

		Total votes for (as a % of votes cast)	Total votes against (as a % of votes cast)	Votes withheld (as a % of total shares with voting rights)	Total number of votes withheld
1	Statutory accounts	100.00	0.00	0.00	9,010
2	Approve Directors’ remuneration	94.47	5.53	0.00	12,260
3	Re-appointment of auditors	100.00	0.00	0.00	9,010
4	Approval to fix auditors’ remuneration	100.00	0.00	0.00	12,260
5	Re-appointment of Mr Pouroulis	98.90	1.10	4.72	18,907,147
6	Re-appointment of Mr Breytenbach	98.89	1.11	0.00	9,010
7	Re-appointment of Mr Lowrie	98.97	1.03	0.00	9,010
8	Re-appointment of Dr Bartlett	98.97	1.03	0.00	9,010
9	Re-appointment of Mr Hamilton	98.97	1.03	0.00	9,010
10	Re-appointment of Ms Matloa	98.97	1.03	0.00	9,010
11	Re-appointment of Ms Shine	100.00	0.00	0.00	9,010
12	Re-appointment of Mr Pryor	100.00	0.00	0.00	9,010
13	Re-appointment of Mr Duffy	100.00	0.00	0.00	9,010
14	Authority to allot relevant securities	98.97	1.03	0.00	12,260
15	Disapplication of pre-emption rights	98.97	1.03	0.00	21,812



## Report of the Audit and Risk Committee

### Members of the Audit and Risk Committee<sup>1</sup>

Gordon Hamilton (Chairman), iNED

Varda Shine, iNED<sup>2</sup>

Octavia Matloa, iNED

Bernard Pryor, iNED

Tony Lowrie, iNED<sup>3</sup>

1. Dr Bartlett was a member of the Committee in FY 2020, until he retired from the Board on 30 June 2020.

2. Ms Shine joined the Committee on 1 July 2020.

3. Mr Lowrie was a member of the Audit and Risk Committee until he retired from the Board on 17 November 2020.

**Audit and Risk Committee Terms of Reference** [petradiamonds.com/about-us/corporate-governance/board-committees](http://petradiamonds.com/about-us/corporate-governance/board-committees)

### Quote from the Chair:

“The Committee gave careful consideration to the Group’s liquidity forecast, the possible impact of the envisaged capital Restructuring and the assessment of the Group’s ability to continue as a going concern while recognising the material uncertainties the Group is currently facing.”

### The Audit and Risk Committee (“the Committee”) continued to focus on its key objectives set for FY 2020 of:

- assessing the Group’s reaction to navigate the challenges brought about by COVID-19, including the steps taken towards the envisaged capital Restructuring planned to be undertaken during FY 2021 (although not an initial key objective set for FY 2020);
- ensuring the Group’s interim and annual results and financial statement reporting were adequately considered with focus on maintaining robust judgements and estimates, specifically in light of the significant impact of COVID-19 on these judgements and estimates;
- continually assessing the Group’s Internal Audit function and looking to enhance and improve processes and functions where appropriate;
- overseeing and directing enhanced enterprise-wide risk management practices;
- ongoing consideration of controls systems to ensure they remain relevant and appropriate to the business and the associated risks thereto; and
- maintaining regular and detailed interaction with the external auditors, both within the Committee meetings and otherwise (by the Committee Chairman), ensuring the highest levels of audit quality and timeous feedback are maintained.

## Report of the Audit and Risk Committee continued

### Dear shareholder,

The Audit and Risk Committee plays a vital role at Petra by ensuring that the Group has effective and appropriate risk management and internal control systems, backed up by comprehensive financial, governance, Internal Audit and reporting functions. As Chairman of the Committee, I am pleased to have this opportunity to summarise some of the key developments during the Year, as well as our ongoing responsibilities and objectives.

### Careful consideration of leverage, capital restructuring, banking covenants, going concern and Viability Statement

The Group's debt levels continue to remain high given the impact of the lower diamond prices achieved during the Year and the disruption to sales tenders due to COVID 19. The impact of the current weakness in the diamond market on the Group's operating results and cashflow position resulted in the Company not paying the May 2020 interest coupon on the Notes and also fully drawing down on its working capital and revolving credit facilities to maximise liquidity within the Group.

The Company entered into a forbearance agreement with the AHG of the Notes under which the AHG agreed not to exercise their 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 an Amendment Agreement with its South African Lender Group to amend the maturity of the revolving credit facility and BEE bank 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.

A strategic review by the Company was launched, in conjunction with a set of independent advisers, to evaluate an optimal long-term capital structure for the Group. A key focus of this review was to reduce the Company's leverage to a manageable level and it therefore involved extensive discussions with both the AHG and the South African Lender Group.

On 20 October 2020, an in-principle agreement was reached with the AHG and South African Lender Group to restructure both its existing Notes as well as its existing banking facilities, including amounts drawn under its ZAR500 million (US\$28.9 million) WCF, ZAR400 million (US\$23.1 million) RCF and amounts outstanding under the Group's guarantee to its BEE partners' facilities (ca. ZAR694 million). The envisaged debt Restructuring entails a debt for equity swap which will impact the Group's equity shareholders and will thus be subject to shareholder approval by way of voting at an upcoming SGM, currently estimated to take place early CY 2021.

In the event of a successful Restructuring, the Group's forecasts remain sensitive to both trading conditions and the potential impact of COVID-19, which may 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 for the proposed lending facilities to remain available and, if unavailable, additional funding may be required.

The Committee was kept fully apprised of the developments regarding the non-payment of the May 2020 interest coupon, the subsequent Forbearance Agreement with the AHG and the Amendment Agreement with the South African Lender Group, liquidity and cashflow forecast positions including potential forecast covenant breaches, as well as management's engagements with the AHG and the South African Lender Group (which remain ongoing as part of the Restructuring). The Committee regularly discussed these issues and the Restructuring and potential deleveraging mechanisms available to the Group with the full Board, ensuring at all times that appropriate consideration was being given and that external reporting in regulatory announcements was always appropriate, balanced and complete. Consideration was also applied to the BEE guarantees and the resultant recognition of the related debt on the Group's balance sheet at Year-end.

### Reviewing LOM estimates leading to impairments

IFRS requires that detailed impairment reviews are performed for each reporting period if there are indications of a potential impairment. Given the weakening diamond pricing environment as a result of COVID-19, coupled with the Group's declining market capitalisation, management identified there to be indicators of impairment and carried out tests for each mine based on the underlying LOM models.

The review required management to use its judgement and make assumptions with regards to production rates, operating costs, capital expenditure, treatment of VAT at Williamson in the forecast period, estimated timeframes for Williamson to recommence production and the Group's reserves and resources, coupled with a robust discussion on diamond pricing in light of the current diamond market weakness measured against prices achieved historically and anticipated future pricing. Economic assumptions around inflation, foreign exchange rates and discount rates are further included in the preparation of the models with the resultant net present value per mine then being compared to the carrying value of mining assets, ore stockpiles and diamond inventories.

The Committee assessed all these key assumptions and project initiatives, considered market conditions, and was kept abreast regularly by management of developments at the operations, as well as holding frequent discussions with the external auditors so as to ensure appropriate external reporting was provided.

### Tanzanian legislative environment

Ongoing legislative challenges in Tanzania impacting the mining industry, coupled with the blocked parcel of rough diamonds dating back to September 2017, continue to constitute a commercial risk for the Group. The Committee considered external legal advice received by management, which highlighted the Company's legal right to receive the parcel as well as Petra's adherence to all requisite procedures. These factors, along with the ongoing engagement with the Government of Tanzania ("GOT") and its decision to approve and release subsequent parcels show that the continued seizure of the parcel is not indicative of a wider dispute, which would increase the risk that the Group's ownership and right to the diamonds being contested. This provided further additional support to the likelihood of the release of the parcel and therefore, the Committee's consideration of the carrying value of the parcel and its reflection thereof in inventory.

The significant increase in overdue VAT receivables at Williamson continues to be a key concern. The Committee held frequent discussions with management throughout the Year wherein updates concerning feedback on engagement with the Tanzanian Revenue Authorities and other Government officials were provided. Consideration of in-country legal advice as to the VAT legislative changes in July 2020 amending the categorisation of raw minerals (legislated post July 2017 to June 2020) in the context of Williamson's diamond exports, current fiscal constraints in Tanzania and the political environment were further considered by the Committee. Given the continued delays in recovery, significant uncertainty exists regarding the timing of receipt. Following a review of management's analysis, the Committee agreed with their assessment around the potential timing of the recoverability of the receivables and credit adjusted discount rate, and agreed with the suggested provision to appropriately reflect a time value of money adjustment.

### **Recoverability of BEE loans receivable**

The BEE partners hold non-controlling interests in Finsch, Cullinan and Koffiefontein and the Group held loans payable to its BEE partners totalling US\$108.6 million as at 30 June 2020 (more detail can be found in note 16).

At 30 June 2020, the Group recorded US\$40.0 million within loans and borrowings in respect of guarantees provided by the Group to the South African Lender Group in respect of the BEE Lender Facilities following the event of default arising on the Second Lien Notes due to the non-payment of interest during May 2020 and the associated cross default on the BEE Lender Facilities.

A compensating BEE loan receivable of US\$40.0 million was recorded on 30 June 2020 as part of the gross receivables in respect of amounts to be reimbursed to the Group relating to the guarantee under the BEE Lender Facilities. The Committee considered the appropriateness of the asset recognition based on the terms of the agreements and legal advice obtained by management on the entitlement to reimbursement. Including this amount, the Group held BEE loan receivables of US\$147.9 million (before recognising excepted credit losses under IFRS 9) due from its BEE partners, as set out in note 16, which are repayable out of cashflows generated from the Group's mines.

Under IFRS 9, the Group performed an expected credit loss assessment on the recoverability of the BEE receivable balance and recorded an expected credit loss provision of US\$10.9 million which required judgement and estimation by management. The Committee carefully considered the appropriateness of judgements and estimates applied in determination of the accounting for the guarantee and associated reimbursement asset, together with the expected credit loss determination and agreed with management's assessment.

### **Other matters considered by the Committee**

#### **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.

The Committee 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 specialist human rights lawyers advising the sub-committee and the Group, 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.

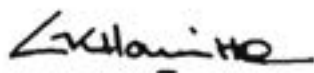
Additionally, the Company has been contacted by the UK-based Non-Governmental Organisation RAID regarding similar allegations raised by local residents and others relating to actions by WDL, its security contractor and others linked to WDL. Petra is engaging and cooperating with RAID in order to address the allegations raised.

Based on discussions with management, their assessment of the merits and outcome of the claims and the pending independent investigations around the claims and the completion thereof, the Committee agrees with management that the outcome of the claims remains uncertain, the disclosure made is appropriate and that the conclusion that no provision is applicable at 30 June 2020 is appropriate.

### **The Committee's responsibility towards risk management**

The Committee continued to execute its risk management oversight responsibilities ensuring that both operational and corporate level risk reviews were both carried out and appropriately reported on during the Year. In addition, the Committee had oversight of the Company's implementation steps towards establishing an Enterprise and Risk Management ("ERM") and Combined Assurance function during the Year, headed by the Group Head of Risk and Assurance. The priority for this function in FY 2021 will be to operationalise the new ERM and Combined Assurance Plan, which includes a Group Risk and Assurance Policy Statement, Group Risk Policy and Framework. An enterprise-wide, "bottom-up" and "top down" risk aggregation and assessment will also be carried out and integrated into the Group Risk Register.

Whilst the FY 2020 risk review largely followed previous methodologies, the revised ERM approach is not expected to materially amend the Group's principal risks as disclosed on pages 43 and 44.



**Gordon Hamilton**

Chairman of the Audit and Risk Committee

17 November 2020

## Report of the Audit and Risk Committee continued

### Committee experience and skill-set

The members of the Audit and Risk Committee are considered to possess the appropriate skills and experience to monitor and ensure the integrity of the Group's financial reporting, Internal Audit, internal financial control and risk management systems and to support Petra's governance.

Mr Hamilton, the Chairman of the Committee, fulfils the requirements of the Code with regards to recent and relevant financial experience, having spent more than 30 years as a partner at Deloitte LLP primarily responsible for multinational and FTSE 350-listed company audits in mining and for several South African companies. He is currently chairman of the audit committee for several other companies (refer to page 61).

In terms of the Committee members, and in line with updated FRC Guidance, Dr Bartlett, as an experienced diamond geologist, possesses a wealth of sector-specific experience relevant to the nature of Petra's business; he was a member of the Committee until the end of the Year, at which point he stepped down from the Board. However he remains available to the Company for the duration of FY 2021 as a technical consultant. Mr Lowrie brings many years of business experience across international banking and financial sectors; he was a member of the Committee until 17 November 2020, at which point he stepped down from the Board. Ms Matloa is a qualified Chartered Accountant who brings highly relevant business and audit experience as she is currently a member of the audit committee for other organisations in South Africa. Mr Pryor is a metallurgical engineer with 35 years of experience in the international mining industry. Ms Shine, who was appointed as a member of the Committee with effect from 1 July 2020, brings deep knowledge of the diamond industry, as well as significant experience in the South African and UK corporate environments.

When appropriate, new members to the Audit and Risk Committee will receive the required induction to ensure they are properly equipped to discharge their duties; this includes the standard Board induction process (as set out on pages 69 and 70), as well as information specific to the Committee such as its Terms of Reference, Internal Audit Charter, previous internal and external auditor reports and Committee meeting minutes. The Committee members receive appropriate ongoing training and development, as well as regular updates from the Group's external auditors on relevant financial reporting, governance and regulatory developments.

The Committee may, if considered necessary, take independent advice at the expense of the Company. Other than BDO LLP, as the external auditors, no other external consultants assisted the Committee during FY 2020.

### Committee meetings

Five meetings were held in FY 2020 and the Committee invited the Group Chairman, the Executive Directors, members of Senior Management (including the Exco members and the Group Risk and Assurance Manager) and the Group Internal Audit Manager to attend these meetings as appropriate. In addition, the Chairman of the Committee met separately with the BDO LLP Audit Partner on several occasions to discuss significant audit and accounting matters, together with relevant financial reporting and governance developments. The full Committee also met with the Audit Partner without the Executive Directors present during the Year.

The Committee recognises the importance of allocating significant time to fulfil its duties effectively. In advance of each Committee meeting, a formal agenda and information pack is circulated allowing each member time to review the information and prepare for the Committee meetings. During the formal meetings, the members then engage in robust and open debate and assessment of relevant matters.

Mr Hamilton, as Chairman of the Committee, allocates a significant amount of time to this role. In addition to chairing formal meetings of the Committee and attending sessions with the external auditors, Mr Hamilton travelled regularly to Johannesburg during FY 2020, except during the COVID-19 pandemic travel restrictions, where he was able to meet with the Finance Director and the finance team, as well as the Group Internal Audit Manager, in order to discuss and monitor the financial controls and audit activities of the Group on a timely basis.

In addition, site visits were arranged for Committee members during the Year to the Group's various operations, enabling the Chairman and the Committee to maintain a comprehensive understanding of corporate and finance developments and activities and any associated risks, as well as the operational risks and issues and controls in place at Petra. A site visit was undertaken by Mr Hamilton and Ms Shine to Cullinan during February 2020. Dr Bartlett also accompanied Mr Hill on site visits to Cullinan, Finsch and Koffiefontein in March 2020. Mr Pryor visited the Cullinan mine in March 2020.

## Committee role and activities

The principal functions of the Audit and Risk Committee are listed below, along with the corresponding activity and performance in FY 2020.

Role	Activities in FY 2020	Outcomes
<p><b>To monitor the integrity of the interim and preliminary full year results announcements, as well as the Annual Report and Accounts published by the Company, reviewing significant financial reporting judgements contained therein.</b></p>	<p>The Committee formally considered the Group's interim results, preliminary full year results and Annual Report and Accounts and considers that they present a fair, balanced and understandable assessment of the Group's performance and prospects. The Committee, on behalf of the Board, has a specific process of review that enables it to make this assessment, which includes a detailed appraisal by each member. The Committee then met with the Executive Directors to discuss any questions and comments.</p> <p>In particular, the Committee assessed the balance of information reported against its understanding of the Group, as well as the tone and language used in the reporting, ensuring that it should be comprehensible to readers of various backgrounds.</p> <p>Outside of formal Committee meetings, accounting matters were also discussed by the Chairman of the Committee and the Finance Director. Key auditing, financial reporting and governance matters, which typically focused on areas of significant judgement, estimation or accounting policy selection, were discussed with the Audit Partner ahead of Committee meetings and then during the Committee meetings.</p>	<p>In accordance with the Code, the Directors consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's performance, business model and strategy.</p>
<p><b>To review and challenge, where necessary, accounting policies and practices, decisions requiring a major element of judgement, the clarity of disclosures, compliance with accounting standards, and compliance with regulatory and legal requirements.</b></p>	<p>As part of its work to approve the Group's Financial Statements, the Committee reviewed the key financial reporting judgements and accounting policies therein. These judgements were assessed through discussions with the Group's auditors and presentations by management in which the Committee, where appropriate, challenged the basis for such judgements and estimates.</p> <p>Details of the significant matters considered by the Committee in respect of the FY 2020 Annual Report are set out on pages 85 to 88.</p>	<p>The Committee considers that the accounting policies used, reporting disclosures, compliance with accounting standards and other requirements are appropriate to the Group in all regards, taking account of the specialised nature of its business.</p>
<p><b>To ensure that Petra's risk management systems, internal financial controls and other internal controls are effective.</b></p>	<p>The Committee assesses the Company's risk management systems, internal controls and internal financial controls on an ongoing basis. As part of this, the Committee invites the Group Chairman, the Executive Directors and the Group Internal Audit Manager to attend the meetings as appropriate.</p> <p>During these meetings, the Committee was provided with updates on the Group's activities and the members considered the risk and control implications on an ongoing basis. Additionally, the Board as a whole received presentations and reports by management on operational and financial performance each quarter that allowed for assessment of risk and internal controls.</p> <p>The Committee meetings during FY 2020 included presentations by BDO LLP regarding the results of the FY 2019 audit, the interim review for H1 FY 2020 and the FY 2020 Audit and Risk Committee Planning Report, with a presentation by BDO LLP of the results of the FY 2020 audit subsequent to the Year end. These presentations included the auditors' observations and recommendations in respect of internal controls that the Committee incorporated into its overall assessment of the effectiveness of risk management and controls.</p>	<p>The Committee considers that Petra's internal controls, including its internal financial controls, continue to be robust and defensible.</p> <p>The Committee will continue to review and assess the development of risk management and internal control systems, assisted by the work of the Internal Audit team.</p>

## Report of the Audit and Risk Committee continued

**Committee role and activities continued**

Role	Activities in FY 2020	Outcomes
<b>To ensure the Internal Audit function is adequately resourced and effective and is supported by the Committee in its role.</b>	The Internal Audit Charter was reviewed, having been approved by the Committee in FY 2019. The Committee continued to assess the effectiveness of the Internal Audit team during the Year and to review and develop the Internal Audit Plan as required.	The Group Internal Audit Manager, and supporting team, will continue to work with the Committee to ensure the integrity and effectiveness of the Group's internal control procedures and risk management systems.
<b>To consider the appointment, re-appointment or removal of the external auditors, to recommend the remuneration and terms of engagement of the external auditors and to assess the external auditors' independence and objectivity.</b>	<p>In advance of the FY 2020 audit, the Committee reviewed and approved the external auditors' audit planning presentation and assessed the appropriateness of the audit strategy, scoping, materiality and audit risks.</p> <p>The Committee approved the audit fees as part of the audit planning process. The Committee also reviewed audit-related fees in relation to the interim review and agreed upon procedures over the Company's Sustainability Report.</p> <p>Subsequent to Year end, the Committee reviewed non-audit fees and independence considerations in respect of BDO LLP's proposed role as Reporting Accountant as part of the Restructuring process. Having considered the estimated fees, nature of the services and safeguards to independence the Committee approved the services.</p>	<p>The Committee has taken appropriate steps to assess the independence of its auditors, recognising the importance of audit independence to the audit process.</p> <p>The Committee has reviewed and gained a thorough understanding of the external auditors' strategy and has satisfied itself that it is robust and that the auditors remain independent.</p>
<b>To review the engagement of the external auditors to ensure the provision of non-audit services by the external audit firm does not impair their independence or objectivity.</b>		
<b>To give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the UK Listing Rules.</b>	The Committee received adequate timely information, briefings and training on all relevant regulatory updates and developments. The Committee as a whole and, on occasion, the Chairman of the Committee met separately with the BDO LLP Audit Partner to discuss significant audit, accounting and governance developments during the Year.	The Committee is satisfied that Petra continues to act in accordance with the Code and all relevant laws, regulations and the UK Listing Rules.
<b>To review the adequacy of the Company's whistleblowing system, its fraud detection procedures and the systems and controls in place for bribery prevention.</b>	<p>The Committee continues to consider the adequacy of the various policies and systems in place across the Group that cover the whistleblowing system, its fraud detection procedures and the systems and controls in place for bribery prevention.</p> <p>The Group's whistleblowing procedure was reviewed and updated during the Year, and the independent, external whistleblowing and fraud hotline remains in place and continues to be offered to all employees as well as other stakeholders.</p>	In FY 2020 Petra received 15 reports involving alleged irregularities considered necessary to investigate, relating mostly to fraud involving recruitment scams, procurement irregularities, illegal diamond trading, theft and corruption. Of the 22 reports in total under review, including seven brought forward from the previous year, 11 were resolved and closed and 11 remain under investigation. Following reports of collusion with a contracted supplier at the Cullinan mine, an employee was dismissed for fraud after it was found the employee had colluded with another employee (who subsequently resigned) to unlawfully pay a supplier at the mine. The amounts involved in these investigations are not of a material nature. Further to the outcome of these investigations, the Company made changes to its system of internal controls to limit such events taking place in the future.

## Significant issues considered by the Committee in FY 2020

The following are considered by the Committee to be the significant issues considered by the Committee in respect of the Group's Financial Statements, based upon its interaction with both management and the external auditors during the Year. These issues align with those disclosed in the Independent Auditors' Report on pages 128 to 136.

The Committee separately considered certain key areas warranting specific audit focus, in particular going concern and viability and impairments given the impact of COVID-19 and the weaker pricing environment, and compared these to the significant matters identified by the external auditors. The Committee assessed that all matters were adequately covered during the FY 2020 external audit.

Significant matters considered

Our response to these matters

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### Going concern, debt restructuring, leverage and debt facility covenants

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**Going concern, liquidity, the successful completion of the Group's debt Restructuring and covenant compliance coupled with facility availability remained a key risk and area of focus given the impact of a softer diamond market throughout the year and COVID 19 pandemic impact.**

**Management's base case forecasts as at the date of this report indicate that the Group will maintain sufficient liquidity and operate within its covenants across the period to 31 December 2021. However, the Group's forecasts remain sensitive to both trading conditions and the potential impact of COVID-19, which may 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 for the proposed lending facilities to remain available and, if unavailable, additional funding may be required.**

**The assumptions in the Group's financial forecasts, the successful completion of the Group's debt Restructuring and the status of forecast future covenant compliance, mitigating actions available to the Group and appropriateness of the going concern assumption and related disclosures therefore represented an area of significant focus for the Committee.**

The Committee members critically reviewed the forecast cashflow and banking covenant models presented by Management against forecast Group liquidity requirements and required covenant ratios in relation to the banking facilities, particularly considering the current debt Restructuring and the in-principle agreement reached in October 2020 with the AHG and the South African Lender Group, coupled with a detailed and robust review of the impact of COVID-19 on assumptions pertaining to a disruption to operations at its South African mines, deferral of at least two consecutive diamond tenders during the period, a sustained decline in rough diamond prices of 5% and an increase in operating costs.

The Committee members considered the results under the base case scenario, confirming that it was dependent on the successful completion of the proposed debt Restructuring and the continued availability of the South African banking facilities in line with the in-principle agreement. The Committee noted the forecasts indicate that the Company will be able to operate within covenants set out in the in-principle agreement and maintain sufficient liquidity.

However, the Committee noted that proposed first lien covenants 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 the continued availability of the South African Lender Group bank facilities, results of the stress testing indicate that in the event of deferral of the tenders outlined above or a sustained reduction in pricing, or a combination of different scenarios, possible covenant breaches associated with the South African banking facilities may occur in December 2021 and June 2023. 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 their 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.

Having considered the cashflow forecast, risks and sensitivity analysis, the current status of the debt Restructuring and South African Lender Group support, the Committee was satisfied with Management's forecast and judgement that the going concern basis of preparation remained appropriate. However, the Group is reliant on the successful conclusion of the current capital Restructuring to continue as a going concern which is dependent on execution of the Lock-Up Agreement and subsequent approval by the Company's shareholders. Additionally, in the event of a successful capital 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.

The Committee assessed the disclosures in the Annual Report and Financial Statements in respect of going concern and covenant compliance and concluded that they were appropriate. Refer to note 1.1 on pages 142 to 144 for further details.

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## Report of the Audit and Risk Committee continued

**Significant issues considered by the Committee in FY 2020 continued**

Significant matters considered

Our response to these matters

**Carrying value of mining assets**

**The carrying values of the mining assets at all of the operations were key focus areas for the Committee in FY 2020 on the back of the weaker diamond market, the impact of COVID-19, lower diamond prices and the inability to hold tenders.**

**At Cullinan, Finsch, Koffiefontein and Williamson impairment indicators were identified and impairment charges of US\$11.6 million, US\$27.6 million, US\$11.7 million and US\$34.6 million respectively were recognised.**

**The impairment tests include significant estimates and judgements and therefore represented a key focus for the Committee, as covered in note 8 on pages 148 to 152.**

The Committee critically reviewed the key assumptions and parameters (diamond price forecasts versus historical pricing trends and the impact of COVID-19 pandemic on the market outlook, foreign exchange rates against current and forward rates, and the basis for production, cost forecasts and the determination of the discount rate) in the LOM plans for Cullinan, Finsch, Williamson and Koffiefontein that supported the impairment tests performed by management.

In addition, the Committee reviewed, for all the operations, the sensitivity analysis performed by Management on key parameters of potential impairments under various scenarios. The Committee has also reviewed the assumptions around price recovery post COVID-19 and compared such recovery to the period in 2008 post the economic crash when diamond prices had a robust recovery within twelve months. The Committee did note that the recovery in the LOM plans allowed for a slower recovery in diamond prices given the suppressed nature of the diamond markets. Analyst reports, media sources and public statements from other diamond companies were also critical to the Committee's review of the impairment models.

The changes to the underlying operational plans, costs and capital expenditure assumptions did not materially change the valuation of these assets compared to earlier reviews of this nature and thus did not indicate any impairment on a standalone basis, 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 LOM. However, the revised starting price assumptions and a decision to use a lower real price escalator compared to earlier assumptions, given the continued weakness in the diamond market, resulted in each of the four operational assets' carrying values being partially impaired to reflect the latest assessment of the recoverable value.

The Committee further reviewed the relevant disclosure in the Financial Statements to ensure compliance with reporting standards.



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**Tanzanian legislative environment**


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**At Williamson, ongoing risks arising from legislative changes and political uncertainties, alongside the slow recovery of VAT receivables and the continued confinement of the parcel of diamonds due for export in FY 2018, continued to represent a significant area of focus for the Committee in FY 2020.**

The Committee reviewed legislative changes, reviewed associated commentary from legal bodies and discussed with management and the Company's legal counsel the potential impact of the legislative changes on the Williamson LOM plan and impairment test. This included specific consideration of the impact on costs and the selection of an appropriate discount rate at 30 June 2020.

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 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 Committee considered the Group's ongoing discussions with the GOT, verbal confirmation that the GOT still holds the diamond parcel 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.

The Committee also received confirmation that 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 regards to the parcel of diamonds that was blocked from export, based on the above judgements and assessment thereof, the Committee agrees with management's assessment that the diamond parcel will be released by GOT and will be available for future sale.

The Committee reviewed the VAT legislation amendment which now allows for VAT input credit to be claimed on the export of raw materials. The amendment became effective 17 June 2020. The Committee considered the impact of the legislation change on VAT receivables pre July 2017 and VAT receivables post July 2017 to June 2020. Further consideration was undertaken by the Committee of management's assessment that the pre July 2017 VAT is legally valid and remains recoverable by reviewing the historical in-country legal advice and confirming that no change to the legal opinion was implemented.

The Committee considered management's discounting provision based on management's analysis of the expected timing of receipts and suggested risk adjusted discount rate.

Additionally, the impact of care and maintenance at Williamson and production forecast to re-commence in CY 2021 was reviewed by the Committee.

The Committee reviewed the relevant disclosure in the Financial Statements to ensure compliance with reporting standards.

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## Report of the Audit and Risk Committee continued

**Significant issues considered by the Committee in FY 2020 continued**

Significant matters considered

Our response to these matters

**Litigation at Williamson**

**In May 2020, the Group received litigation claims from a UK based law firm, Leigh Day, in respect of various alleged human rights abuses at Williamson. The Group was also contacted by RAID, a human rights NGO based in the UK, subsequent to Year end with similar claims. The financial impact of the risks associated with such claims required the Committee to focus on the merits of the claims.**

The Committee reviewed the claims letter received from Leigh Day and noted its content and alleged claims. Responses by management to Leigh Day were also reviewed wherein it was confirmed that a formal response to Leigh Day is required by 20 November 2020. The responses to RAID were also reviewed and included setting out the proactive measures taken to strengthen human rights management at Williamson.

The appointment of external advisers, to assist with an in-depth investigation, working with the legal team, and legal substance of the claims, and the establishment of an internal sub-committee comprising of iNEDs to oversee the investigation, was noted by the Committee.

The Committee held calls with the advisers to understand the scope of the work and also the progress to date. Discussions were also held with the Chair of the sub-committee. The discussions held with both the sub-committee and advisers confirmed that the investigation is at an early stage and is unlikely to provide a clear conclusion by the date of signing this report.

Given the early stage of the investigations and developing nature of the claim, Management concluded that it was not probable that a loss would be incurred, however deemed it appropriate to disclose the claims in the Annual Report as a contingent liability. The Committee considered Management's approach, based on the information presented, to be appropriate and reviewed the disclosure in the Annual Report for compliance with reporting standards.

**Recoverability of BEE loans receivable**

**The Group acts as guarantor for the BEE Partners external banking facilities. Historically the event of default by the BEE partners to the BEE Lender group was considered less than probable and thus no separate provision was recorded by the Group.**

**Given the Group's event of default under the Notes, the BEE Partner banking debt of US\$40.0 million was recognised in the Consolidated Statement of Financial Position as an additional liability and a corresponding long-term receivable. As the cashflows to repay the banking debt are linked to the cashflows of the underlying operating mines, the Committee considered the recoverability of the BEE loans a significant issue.**

**The Group's expected credit loss for the BEE loans receivable amounted to US\$10.9 million, comprising US\$6.1 million for Cullinan and Finsch and US\$4.8 million of Koffiefontein BEE loan receivables.**

The Committee reviewed the expected credit loss assessment calculations and confirmed that the calculations were based on the approved LOM models for Cullinan and Finsch used in the 30 June 2020 impairment testing under different pricing scenarios.

The calculations included a range of scenarios and assumptions each with an associated probability factor:

- possibility of the debt Restructuring not being successful;
- possibility of the debt Restructuring being successful with a probability of the BEE loan receivable being offset against the BEE loan payable; and
- possibility of the debt Restructuring being successful with a probability of the BEE loan receivable not being offset against the BEE loan payable.
- Five different pricing scenarios ranging from 10% below the base case pricing to 10% above the base case.

The Committee considered Management's various scenarios, the assumptions around pricing and the probability factor attributed to each scenario. Taking into account that in-principle agreement to the debt Restructuring has been reached the Committee agreed with the probability factor that Management had assigned to the success of the debt Restructuring. The ongoing discussions with the BEE partners are at an advanced stage and thus the probability factor assigned to the successful offsetting of the BEE loans receivable against the BEE loans payable was deemed appropriate. The pricing distribution was considered appropriate under the current diamond market conditions.

The Committee also noted the adjustment to Koffiefontein's LOM from FY 2024 to FY 2023, thus decreasing future cashflows available, and agreed with Management that the full amount in respect of BEE loans receivable related to Koffiefontein should be provided for.

The Committee considered the expected credit loss assessment by Management to be well balanced and appropriate, and reviewed the disclosure in the Financial Statements for compliance with reporting standards.

Each of these areas, with the exception of the Litigation at Williamson, also represented key audit matters for BDO LLP and, accordingly, the Committee was provided with detailed written and oral presentations by the engagement team on each of these matters. Additionally, the engagement team provided presentations on the audit assessment of the Litigation at Williamson and related accounting treatment and disclosure by management. On the basis of their work, BDO LLP reported to the Committee no inconsistencies or misstatements that were material in the context of the Financial Statements as a whole.

### External auditors

During the Year, the Committee fully considered the effectiveness, objectivity, skills, capacity and independence of BDO LLP considering all current ethical guidelines, and was satisfied that all these criteria were met. The auditors' fees were approved as part of this process.

The effectiveness of the external auditors was deliberated, giving consideration to recent FRC guidance on assessing audit quality. The Committee places considerable importance on the following attributes: African mining sector experience (given the specialised nature of the industry), service levels, audit quality, sound auditor judgement, the willingness and ability to challenge management and provision of value for money.

In forming its assessment of the effectiveness of the audit, prior to the audit the Committee considered the FRC's Audit Quality Review report on BDO LLP, received formal presentations regarding the proposed audit strategy, and the Chairman met separately with the Audit Partner to discuss the audit strategy in detail. These forums enabled the Committee to assess the extent to which the audit strategy was considered to be appropriate for the Group's activities and addressed the risks the business faces, including factors such as: independence, materiality, the auditors' risk assessment versus the Committee's own risk assessment, the extent of the Group auditors' participation in the subsidiary component audits and the planned audit procedures to mitigate risks.

Following the audit, BDO LLP presented their findings to the Committee and met separately with the Committee Chairman to discuss key audit judgements and estimates. This provided an opportunity to assess the audit work performed, understand how management's assessments had been challenged and assess the quality of conclusions drawn.

The Committee also made enquiries of Senior Management to obtain its feedback on the audit process and considered this feedback in its assessment.

Each of the key attributes for audit effectiveness was considered to be appropriately met for FY 2020 by the Group's auditors.

Auditors' remuneration US\$ million	FY 2020	FY 2019
Audit services <sup>1</sup>	0.9	0.9
Audit-related assurance services <sup>2</sup>	0.1	0.1
<b>Total</b>	<b>1.0</b>	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 Assurance Standards Board of US\$5.0k (FY 2019: US\$5.0k).

The Committee requires that any non-audit services to be performed by BDO LLP are formally approved by the Committee. Audit-related services do not require pre-approval and encompass actions necessary to perform an audit, including areas such as internal control testing procedures; providing comfort letters to management and/or underwriters; and performing regulatory audits. BDO LLP provided audit-related services in the Year in relation to the interim review and specific agreed upon procedures on the Company's Sustainability Report.

The provision of any non-audit service requires Committee pre-approval and is subject to careful consideration, focused on the extent to which provision of such non-audit service may impact the independence or perceived independence of the auditors. The auditors provided details of their assessment of the independence considerations, as well as measures available to guard against independence threats and to safeguard the audit independence. No non-audit services were provided by BDO LLP during the Year or during the prior year. Subsequent to Year end, the Committee reviewed non-audit fees and independence considerations in respect of BDO LLP's proposed role as Reporting Accountant as part of the Restructuring process. Having considered the estimated fees of £0.25 million (US\$0.33 million), the nature of the services and safeguards to independence, the Committee approved the services.

### Internal controls (including the system of internal financial controls) and risk management

The Board, with assistance from the Committee, is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Company in achieving its business objectives. The Code requires that the effectiveness of the system of internal control be reviewed by the Directors, at least annually, including financial, operational and risk management.

## Report of the Audit and Risk Committee continued

### **Internal controls (including the system of internal financial controls) and risk management continued**

#### **The Group's Internal Audit function**

The Group's Internal Audit function is staffed by the Group's Internal Audit Manager, supported by two Senior Internal Audit Managers. The Group Internal Audit Manager reports directly to the Chairman of the Committee.

The FY 2020 Internal Audit Plan was approved by the Committee, and the new three-year Internal Audit Plan strategy (i.e. FY 2020 to FY 2022) was presented to the Committee for approval during September 2019.

#### **The Group's Risk Management function**

During the Year, and following the Organisational Design Review launched by the CEO, the Group established an Enterprise and Risk Management and Combined Assurance function, headed by the Group Head of Risk and Assurance, supported by a Risk Specialist. In FY 2020, the focus of this function was to commence with the review and updating of the Group's risk management policy and the formulation of a risk management framework. The policy and framework were subsequently recommended to the Committee and, following a review by the Committee, approved by the Board during Q1 FY 2021. The priority for this function in FY 2021 will be to operationalise the new ERM and Combined Assurance.

#### **System of internal control**

The Committee regularly reviews the adequacy and effectiveness of the Group's internal control procedures and risk management systems through regular reports from the Group's Internal Audit, Finance, Operations and Corporate teams, and through consideration of the external auditors' Audit and Risk Committee reports and face-to-face discussion between the Audit Partner and the Audit and Risk Committee Chairman and Committee members.

For FY 2020, the Group Internal Audit Manager and the Committee remained satisfied that no material weaknesses in internal control systems were identified. Whilst being satisfied that controls and risk management remain appropriate for the Group's activities, the Committee continues to undertake a thorough review and to challenge internal controls, risk management procedures, Internal Audit resourcing and strategy to ensure that its practices develop and remain appropriate. When internal control reviews identified necessary or beneficial improvements, appropriate steps have been taken to ensure the control environment is effective. This includes systems to track management's responses to the areas for improvement and subsequent Internal Audit visits to test the implementation.

## Viability Statement

The UK Corporate Governance Code requires that the Directors assess the viability of the Group over an appropriate period of time selected by them. The Board has concluded that the most relevant time period for this assessment is a three-year period ending June 2023, taking into account the Group's current position, the likely terms of the envisaged Restructuring with specific reference to the envisaged maturity date of the restructured first lien bank debt, and the potential impact of the principal risks that could affect the viability of the Group. This assessment is carried out annually before the approval of the Annual Financial Statements and informed by continuous business planning processes throughout the Year.

The review of the Group's viability is led by the Chief Executive and involves all relevant functions including operations, sales and marketing, finance, treasury and risk. The Board actively participates in the annual review process by means of structured Board meetings. As part of this review, the Board considered detailed forecasts in respect of both liquidity and the future covenant measurements related to the Group's banking facilities as well as the restructured loan notes and their envisaged maturity date, even though the envisaged maturity date falls outside the three-year review period.

The impact of the COVID-19 pandemic on the Group's operations, the rough diamond market and rough diamond prices, as witnessed in the Group's FY 2020 financial results, necessitated the Group's decision to launch a strategic review and commence with the envisaged debt and capital Restructuring during H2 FY 2020. As announced on 20 October 2020, the Group reached an in-principle agreement with its lenders to restructure both its existing US\$650 million loan notes (originally maturing in May 2022) as well as its existing banking 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). At the estimated time of the envisaged Restructuring, 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 the May 2020 and November 2020 coupon payments not settled, plus ZAR1,594 million (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 execution of the Lock-Up Agreement and subsequent shareholder approval by way of voting at an upcoming SGM, currently estimated to take place early CY 2021.

The Group's assessment is based on the assumption that the envisaged debt and capital restructuring will be implemented in line with the provisions of the term sheet agreed in principle, as announced. In the event that 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 an 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 (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.

## Viability Statement continued

### Risks and stress tests

For the purpose of assessing the Group's viability, the Board focused its attention on the more critical principal risks. In order to determine those risks, the Board assessed the Group-wide principal external, operational and strategic risks by undertaking consultations with Senior Management (refer to the 'Risk overview' and 'Risk management' sections of this report set out on pages 43 and 44 and 93 to 99 respectively). Through this analysis, the Board also identified low probability, high loss scenarios – 'singular events' – with the potential magnitude to severely impact the solvency and/or liquidity of the Group.

Although the business and strategic plans reflect the Board's best estimate of the future prospects of the Group, the Board has also stress tested the potential impact on the Group of a number of scenarios over and above those included in the plan, by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan. The scenarios tested considered the Group's revenue, underlying EBITDA, cashflows, other key financial and covenant ratios, as well as the impact on facility availability over the three-year period and included:

- 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 on pages 194 and 195) 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 the continued availability of the South African Lender Group bank 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 and June 2023. 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 has a reasonable expectation 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 viability is reliant on the successful conclusion of the 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, 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, specifically for the December 2021 period, while projections indicate sufficient liquidity to proactively address the possible breach in June 2023 from own funds.

These factors indicate the existence of material uncertainties which may cast significant doubt about the Group's viability and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

# Risk Management

## Identifying, managing and mitigating risk

Risk management is the overall responsibility of the Board at Petra, but the Board Committees, Exco and Senior Management also play important roles in terms of the identification, management and ongoing mitigation of risks within their realm of responsibilities.

<b>External risks</b>	
<b>1. Rough diamond prices</b>	Long term
Risk change in FY 2020	
Higher	
<b>Strategic objectives</b>	
Consistent delivery	
<b>KPIs</b>	
Revenue; Profitability; Operational free cashflow; TSR	
<b>Responsibility</b>	
Exco	
<b>Description and impact</b>	
<p>The Company's financial performance is closely linked to rough diamond prices, which are influenced by numerous factors beyond the Company's control, including international economic conditions, world production levels and consumer trends. Growth in the laboratory-grown diamonds ("LGD") market could also impact diamond prices.</p> <p>Low diamond prices may have a negative impact on cashflow, profitability and the overall performance of the business as well as the viability of capital programmes going forward.</p> <p>Whilst the long-term fundamentals of the diamond market remain positive, some volatility in rough diamond pricing may be experienced.</p>	
<b>Mitigation</b>	
<p>Petra maintains regular dialogue with its client base and closely monitors developments across the pipeline in order to assess the overall health of the diamond market and to be able to react in a timely manner to changes in rough diamond prices and demand.</p> <p>Petra is a founding member of the NDC, which aims to maintain and enhance consumer demand for, and confidence in, diamonds by a range of methods, including via exciting advertising campaigns across multiple digital channels.</p> <p>The Company continues to monitor LGD developments. Disclosure and detection remain key; equipment exists which can detect LGDs with 100% accuracy.</p> <p>The diversified nature of the Group's asset portfolio also acts as a mitigant in that Petra produces the full spectrum of diamond sizes and qualities, to minimise reliance on the price performance of any one diamond category.</p>	
<b>FY 2020 risk developments and management</b>	
<p>The rough market was severely impacted in FY 2020. Price weakness continued from FY 2019 into H1 FY 2020, driven by excess inventory in both rough and polished diamonds, growing US/China trade tensions, and social unrest in Hong Kong. The market started to stabilise towards the end of Q2 and early Q3; however, the rapid spread of the COVID-19 pandemic from the end of Q3 then served to effectively bring most parts of the diamond pipeline to a standstill. Only limited sales were possible in Q4 due to the restriction of movement of people, as well as very low demand from the midstream, where the majority of cutting and polishing factories were either closed or operating at significantly reduced volumes. The severe drop in demand led to a corresponding fall in prices, with Petra's realised diamond prices reducing by ca. 18% for the Year. The leading global producers of rough diamonds have responded to the market challenges by cutting production and allowing clients to defer purchases of rough diamonds.</p> <p>The start of the FY 2021 sales season saw conditions in the diamond industry improving, as lockdown measures around the world were eased and retail outlets reopened. Since the outbreak of COVID-19, a period of sustained low supply, particularly from the majors, De Beers and ALROSA, has allowed for a better equilibrium in the market and there is now improved demand from the downstream as retailers look to put orders in place in time for the festive retail season. 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.</p> <p>The number of gem-quality LGDs on the market continued to rise during the Year, but accurate statistics on their volumes are not available so it is hard to quantify the risk. According to Bain and Co, LGD substitution is estimated to stay within 5%–15% in value terms when compared to natural diamonds through to 2030, based on lessons learned from the natural versus synthetic sapphires markets.</p> <p>Petra continues to work with the NDC in its activities to support diamond demand.</p>	
<b>Read more</b>	
Our Market – pages 18 to 23	

## Risk Management continued

**Identifying, managing and mitigating risk continued**

<b>External risks continued</b>	
<b>2. Currency</b>	Long term
<b>Risk change in FY 2020</b>	
No change	
<b>Strategic objectives</b>	
Consistent delivery; Drive optimisation	
<b>KPIs</b>	
Revenue; Profitability; Operational free cashflow; TSR	
<b>Responsibility</b>	
Exco	
<b>Description and impact</b>	
Currency fluctuations may have a significant impact on the Group's performance.	
With Petra's operations mainly in South Africa, but diamond sales based in US Dollars, the volatility and movement in the Rand is a significant factor to the Group.	
<b>Mitigation</b>	
The Group continually monitors the movement of the Rand against the Dollar and takes expert advice from its bankers in this regard. It is the Group's policy to hedge a portion of future diamond sales when weakness in the Rand indicates it appropriate. Such contracts are generally short term in nature.	
The Company looks to actively manage its exposure to the ZAR/USD rate in order to safeguard Group cashflow against a volatile currency outlook.	
<b>FY 2020 risk developments and management</b>	
The ZAR/USD exchange rate saw significant volatility in FY 2020, with the Rand averaging ZAR15.68/USD1 for the 12-month period to 30 June 2020 and closing the Year at ZAR17.32/USD1, compared to ZAR14.07//USD1 on 30 June 2019, amidst weak national economic fundamentals and continued global uncertainties compounded by the COVID-19 pandemic.	
To mitigate volatility, the Company continued with its approach to focus on short-dated hedge positions. Management was mandated by the Board to cover up to 50% of expected FY 2020 USD sales proceeds during the Year.	
<b>Read more</b>	
Financial Review – pages 29 to 36	
Note 9 to the Financial Statements	
<b>3. Country and political</b>	Long term
<b>Risk change in FY 2020</b>	
No change	
<b>Strategic objectives</b>	
Work responsibly; Consistent delivery	
<b>KPIs</b>	
Profitability; Operational free cashflow; TSR	
<b>Responsibility</b>	
Exco; HSE Committee; SED Committee	
<b>Description and impact</b>	
Petra's mining operations are based in South Africa and Tanzania. Emerging market economies are generally subject to greater risks, including legal, regulatory, tax, economic and political risks, and are potentially subject to rapid change.	
<b>Mitigation</b>	
The Petra team is highly experienced at operating in Africa. Petra routinely monitors political, regulatory and legal developments in its countries of operation at both regional and local level.	
<b>FY 2020 risk developments and management</b>	
Political volatility in South Africa eased somewhat with the completion of the 2019 elections. Regulatory uncertainty has reduced in South Africa due to the publication of the new Mining Charter; however, certain components remain under review.	
Petra is in ongoing dialogue with the Government of Tanzania and local advisers in relation to legislative developments and overdue VAT receivables. Petra also continues to communicate with the Government in relation to the blocked parcel of diamonds from Williamson. However, this engagement has been impacted by the COVID-19 pandemic, as well as the Tanzanian elections in October 2020.	
<b>Read more</b>	
N/A	



**External risks continued****4. COVID-19 pandemic (NEW)**

Short to medium term

**Risk change in FY 2020**

New risk

**Strategic objectives**

Work responsibly; Consistent delivery

**KPIs**

Production; Revenue; Profitability; Operational free cashflow

**Responsibility**

Exco; HSE Committee; SED Committee

**Description and impact**

In early CY 2020, the COVID-19 disease (caused by the newly discovered coronavirus) emerged and rapidly became a pandemic as it spread around the world. While the majority of those who contract it may be asymptomatic or may only experience mild symptoms, a number of people (especially those with comorbidities) may become seriously ill or the disease may prove fatal. Most countries around the world have therefore put in place measures to restrict social interaction in order to control the spread of this highly infectious disease, with implications for both companies and citizens, many of whom have experienced profound changes in both their work and personal lives.

**Mitigation**

Petra implemented comprehensive systems and strategies to help prevent and/or contain the spread of virus at our operations in South Africa and Tanzania. Areas of focus included awareness and training, wearing of PPE, regular sanitising, maintaining social distance, identification of those employees with underlying health conditions who may be at greater risk, employee transportation and screening, testing and the handling of suspected positive cases identified. All of the procedures were captured in the MCOPs in the case of the South African operations. An MCOP was not required for the Williamson mine in Tanzania, due to this being a South African obligation, but activity there has followed a similar high standard of health and safety-led protocols. Petra's mitigation activity extends beyond its workforce to help support its local communities in a number of ways. Petra has adopted a flexible sales approach in order to bring goods to market at the optimal time and location based on prevailing market conditions.

**FY 2020 risk developments and management**

The comprehensive systems and strategies put in place by Petra enabled the Company to engage in a phased ramp-up of its South African operations following the end of the initial three-week lockdown put in place from 26 March 2020. A significant challenge to ramping up operations back to steady state is allowing all employees to return to work while complying with the measures vital to the effective implementation of the MCOPs. Petra therefore took the decision, following extensive consultation with organised labour, to move to Contops at the Finsch mine and a similar Contops-like configuration at the Cullinan mine in order to maximise the number of shifts available and thereby optimise production levels while the COVID-19 pandemic remains a significant business threat. This was achieved during August 2020 but during September and October 2020 production at the Finsch mine was impacted by the arrangements to maintain Contops coming to an end. In late October, an agreement was reached with organised labour to reinstate Contops for the remainder of FY 2021. Both Cullinan and Finsch are therefore now operating at planned levels but the ability to maintain Contops could be impacted by potentially rising numbers of COVID-19 infections or the need to quarantine healthy employees, a potential 'second wave' of COVID-19, which could see South Africa revert to stricter lockdown measures, and the continued acceptance of organised labour to the revised shift configurations.

The Company's ability to hold its normal diamond sales tenders was severely impacted in Q3 and Q4 FY 2020 and into Q1 FY 2021. During these constrained sales periods, the Company experienced severely depressed and opportunistic bidding for its goods, particularly in the larger size and higher quality, greater value categories, and the Company therefore chose to withhold some of the higher value goods for sale at its March 2020 tender cycle, all of which were subsequently sold in June or early July 2020. Such sales took place through agreements with some of the Company's long-standing customers and the Company has focused sales efforts in Antwerp in the short term while business travel to South Africa remains challenging. Post Year end, conditions in the diamond market have been improving. The Company's tender in September 2020 saw pricing on a like-for-like basis strengthen ca. 21% in comparison to prices achieved in the March and June sales cycles and the tender in October 2020 saw a further ca. 2% like-for-like price increase; however, prices were still ca. 10% below pre-COVID-19 levels.

As at 30 October 2020, the Company was screening 3,336 individuals a day for COVID-19 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, two colleagues passed away of causes related to the disease post Year end. Employee and community wellbeing is a priority for Petra and the Company launched the Petra Hardship Fund, funded by Director and Senior Management salary and fee sacrifices over the period April to June 2020, to provide assistance to distressed host communities and qualifying employees.

Up to the date of this report, there have been no negative impacts on the Company's supply chain. All Petra's suppliers have re-opened post-COVID-19 lockdown and are delivering in line with their commitments.

The Williamson mine in Tanzania was placed on care and maintenance in April 2020 in order to protect the mine's liquidity position during a period of sustained lower diamond prices, with only essential services permitted to continue. There have been no cases of COVID-19 at the mine to date.

**Read more**

Our response to COVID-19 – page 12  
Operational Review – pages 37 to 42

## Risk Management continued

### Identifying, managing and mitigating risk continued

Operational risks	
<b>5. Mining and production</b>	Long term
Risk change in FY 2020 Higher	
<b>Strategic objectives</b> Consistent delivery; Drive optimisation	
<b>KPIs</b> Production; Revenue; Profitability; Operational free cashflow; TSR	
<b>Responsibility</b> Exco	
<b>Description and impact</b> The mining of diamonds from kimberlite deposits involves an intrinsic degree of risk from various factors, including geological, geotechnical and seismic factors, industrial and mechanical accidents, unscheduled plant shutdowns, technical failures, ground or water conditions, access to energy and inclement or hazardous weather conditions.	
<b>Mitigation</b> Petra's work to extend the lives of its assets is classed as resource extension and brownfields exploration, meaning that the existing knowledge of the deposits, which have long histories of production, allows management to eliminate some of the risk associated with developing a new diamond mine.  The Group's management team is comprised of key personnel with a substantial and specialist knowledge of kimberlite mining and diamond recovery, and this skills base enables the Company to manage mining and production risks.  Petra's diversified portfolio of mines ensures that the Company is not reliant on the performance of just one asset.	
<b>FY 2020 risk developments and management</b> Project 2022 has resulted in the implementation of various initiatives which have eliminated or mitigated the impact of bottlenecks in the production processes of the various mines. This drove throughput improvements in FY 2020 and led to the highest ROM production recorded in the Company's history for the nine months up to 31 March 2020. However, overall performance for the full Year was negatively impacted by the COVID-19 pandemic, which began causing disruptions to operations from March 2020, and the extensive and stringent health and safety-led procedures that were subsequently required to be implemented.  In October 2019, the Cullinan mine experienced scaling of the open pit wall, resulting in 3 Mt of waste material falling into the open pit, and in January 2020, 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. While the pit scaling at Cullinan is not expected to impact production, the immediate surrounding area of the open pit may be impacted over the medium to longer term by this natural degradation (see 'Licence to operate' risk management for further information on plans to mitigate the social impact). In respect of Williamson, the pit slump has restricted access to higher grade material which is expected to lead to grade volatility and an overall grade decrease of approximately 3% over the current LOM to 2030. However, there is the potential to increase production above the current rate of 5–5.5 Mtpa, which could serve to mitigate the lower grade impact. Of the US\$7 million capital expenditure assigned for the mine in FY 2021, approximately 50% has been allocated to clear and stabilise the area, as well as to re-establish appropriate infrastructure for pit access, in order to ensure that this does not materially impact on future production.  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.	
<b>Read more</b> Operational Review – pages 37 to 42	

<b>Operational risks continued</b>	
<b>6. ROM grade and product mix volatility</b>	Short term
<b>Risk change in FY 2020</b>	
No change	
<b>Strategic objectives</b>	
Drive optimisation	
<b>KPIs</b>	
Production; Revenue; Profitability; Operational free cashflow; TSR	
<b>Responsibility</b>	
Exco	
<b>Description and impact</b>	
<p>With Petra's underground expansion projects mostly complete, the Company is now mining the majority of its ore from the newly created mining areas. The ramp-up of underground tonnages involves gaining access across a larger footprint of the orebody which is expected to deliver a greater consistency in grade and product mix.</p> <p>Some level of variability in terms of ROM grade and product mix occurs depending on the mix of ore produced from the current mining areas at each operation and can also be impacted by the inclusion of production from surface resources at some of the mines.</p>	
<b>Mitigation</b>	
<p>Petra's work to extend the lives of its assets is classed as resource extension and brownfields exploration, meaning that the existing knowledge of the deposits, which have long histories of production, allows management to eliminate some of the risk associated with grade and product mix.</p>	
<b>FY 2020 risk developments and management</b>	
<p>ROM grades were generally in line with expectations in terms of resource performance, with both Finsch and Williamson slightly above guidance, while Cullinan and Koffiefontein were slightly below guidance.</p> <p>The mines recovered the full range of diamonds in FY 2020, including the Cullinan mine where the production profile for the Year included a number of larger white diamonds of high quality, as well as the recovery of a number of blue diamonds of varying qualities.</p>	
<b>Read more</b>	
Operational Review – pages 37 to 42	
<b>7. Labour relations</b>	Short to medium term
<b>Risk change in FY 2020</b>	
Higher	
<b>Strategic objectives</b>	
Work responsibly; Consistent delivery; Drive optimisation	
<b>KPIs</b>	
Production; Staff turnover	
<b>Responsibility</b>	
Exco; SED Committee	
<b>Description and impact</b>	
<p>The Group's production, and to a lesser extent its project development activities, is dependent on a stable and productive labour workforce. The mining labour relations environment in South Africa has been notably volatile over the years, but much less so specifically in the diamond sector, where there is a higher incidence of mechanisation and skilled workers, leading to smaller and more manageable workforces which do not rely on migrant labour.</p>	
<b>Mitigation</b>	
<p>Petra remains highly focused on managing labour relations and on maintaining open and effective communication channels with its employees and the appropriate trade union representatives at its operations, as well as local communities.</p> <p>A key part of Petra's labour relations strategy is the IPDET, which is one of the Company's core BEE Partners and owns a 12% interest in each of the South African operations.</p>	
<b>FY 2020 risk developments and management</b>	
<p>Stable labour relations were experienced throughout the Year.</p> <p>The Company's three-year wage agreement relating to semi-skilled employees at its South African operations came to an end on 30 June 2020, following which new negotiations commenced. In October 2020, the Company announced that it had agreed a new one-year wage agreement, rather than the customary three-year agreement, with NUM covering employees graded in the A and B Paterson Bands of its South African operations. This may result in an increased likelihood of industrial action during the early parts of FY 2022 when a further round of salary negotiations is likely to be undertaken. Petra remains highly focused on managing labour relations and on maintaining open and effective communication channels with its employees and the appropriate union representatives at its operations.</p>	
<b>Read more</b>	
Labour relations – page 52	

# Risk Management continued

## Identifying, managing and mitigating risk continued

Strategic risks	
<b>8. Financing</b>	Short to medium term
Risk change in FY 2020	
Higher	
<b>Strategic objectives</b>	
Consistent delivery; Drive optimisation	
<b>KPIs</b>	
Production; Revenue; Profitability; Operational Capex	
<b>Responsibility</b>	
Exco	
<b>Description and impact</b>	
<p>Following a phase of significant capital investment funded by a combination of equity, operational cashflow and third party debt, coupled with certain project and operational delays and business challenges in preceding years, Petra's debt level became higher than originally anticipated. One of the objectives behind the launch of Project 2022 was to address this and while excellent progress was made in terms of optimising throughput, the delivery of significant free cashflow was impacted by a weak diamond market in CY 2019, followed by the outbreak of the COVID-19 pandemic in 2020. Petra's Board subsequently launched a strategic review in order to evaluate an optimal long-term capital structure for the Group.</p> <p>Whilst management prepares detailed projections based on operational plans and sales estimates, actual cashflow results may differ from these projections.</p> <p>Ongoing access to the working capital and revolving credit facilities is required to ensure adequate liquidity headroom, while cashflow generation is negatively impacted by the current weaker diamond market and product mix.</p>	
<b>Mitigation</b>	
<p>The Company closely monitors and manages its liquidity risk, including regularly reviewing its cashflow forecasting to ensure operational plans are adequately financed, and regularly monitors its position with regards to its forecast covenant outlook. Regular updates are provided to the South African Lender Group.</p> <p>Available levers to manage working capital are considered and employed to manage short-term cashflow requirements. Efficiencies and improvements across all aspects of the business associated with Project 2022, which was launched in July 2019, aim to maximise the Company's cashflow generation. The Company also has some flexibility in the roll-out of its future capital spend.</p>	
<b>FY 2020 risk developments and management</b>	
<p>The COVID-19 pandemic had a significant impact on the Company's financial position and required Petra to take steps in order to manage its liquidity through the crisis period.</p> <p>In February 2020, the South Africa Lender Group agreed to waive the EBITDA-related maintenance covenant associated with the first lien banking facilities for the December 2019 measurement period.</p> <p>In March 2020, the Company drew down the full amount available (ZAR500 million) under its WCF and in May 2020, the Company reached agreement with the South African Lender Group to draw down ZAR400 million under its ZAR1.0 billion RCF. At the same time the Company also reached agreement with the South African BEE Lender Group to reschedule the capital repayments due in May 2020 and November 2020 under the Company's outstanding bank financing of its BEE Partners, and it also entered into a Forbearance Agreement with the Company's Noteholders to defer the coupon payment due on 1 May 2020.</p> <p>Petra's operational Capex for the Year of US\$36.6 million was below guidance of ca. US\$43.0 million and the Company is also planning a reduced level of Capex for FY 2021 of ca. US\$28 million. Likewise, the Company maintained a firm grip on its cost base in FY 2020, with adjusted mining and processing costs reducing 25% to US\$225.3 million and corporate overhead reducing 6% to US\$7.2 million.</p> <p>The Company launched a strategic review to evaluate the optimal long-term capital structure for the business and post Year end, 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 a long-term solution for the recapitalisation of the Group. This agreement served to nearly halve the Group's level of Notes debt and requires that the outstanding debt owed to the Noteholders will be converted into equity, with the Noteholder group set to hold 91% of the enlarged share capital of the Company and existing shareholders set to hold the remaining 9%. At the same time, the South African Lender Group agreed to a restructuring of the first lien facilities provided to the Company. 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. The Restructuring is considered to offer a stable, deleveraged capital structure that will ensure the short and long-term viability of the Company.</p> <p>The Restructuring is subject to execution of a Lock-Up agreement and shareholder approval. If this is not received, 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 and/or the Notes will be accelerated, which will likely result in the Company being placed into insolvent liquidation.</p>	
<b>Read more</b>	
Financial Review – pages 29 to 36	
Viability Statement – pages 91 and 92	

**Strategic risks continued****9. Licence to operate**

Long term

**Risk change in FY 2020**

Higher

**Strategic objectives**

Work responsibly; Drive optimisation

**KPIs**

Production; Revenue; Profitability; Responsible business

**Responsibility**

Exco; Audit and Risk Committee; HSE Committee; SED Committee

**Description and impact**

In order to maintain our mining licences, Petra must comply with stringent legislation. Failure to comply with relevant legislation in our countries of operation could lead to litigation proceedings, delays or suspension of our mining activities.

Petra's licence to operate is also dependent on the safety, retention and support of its employees, and its continued acceptance in the communities in which it operates. This encompasses Petra's ESG practices.

**Mitigation**

Mining is an inherently long-term business and therefore the Company's operations are planned and structured with their sustainability in mind, to the benefit of all our stakeholders. Management of ESG matters is integrated into how the Company operates, with formal oversight provided by the Company's HSE, SED and Audit and Risk Committees.

The Company continually monitors developments and changes in laws and regulations and has systems to ensure it meets all the requirements of its mining rights and related matters.

Our community relations efforts continue to be focused on effective engagement, sustainable job creation, skills transfer (education and training), enterprise development and infrastructure development.

Managing and monitoring our environmental impacts remain priorities for Petra and the Company has a tailings management programme in place. See <https://www.petradiamonds.com/sustainability/> for additional detail.

**FY 2020 risk developments and management**

Petra continued to comply in all material aspects with relevant laws and regulations in the countries in which it operates.

The Company again recorded a fatality-free year. While our LTIFR increased to 0.29 from 0.21, the number of total injuries, including those that did not result in a lost shift, reduced by 26%.

Community support is ongoing during the COVID-19 pandemic and aims to address the most pressing needs, particularly food shortages and the availability of PPE and other COVID-19 prevention equipment such as thermal scanners and sanitisers. The Finsch health clinic remains open to community members and sees ca. 50 people per day. Additional support is also offered to local healthcare workers and clinics by donating gazebos and chairs, as well as screening facilities to assist with the testing and screening of community members. The Petra Hardship Fund has also provided targeted assistance to distressed communities.

A number of community projects were completed in FY 2020, including an electrification project to deliver electricity to 118 homes in Daniëlsskui in the Northern Cape of South Africa, the construction of a Technical High School, again in Daniëlsskui, 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. Further information on the Company's community programmes for the Year can be found on pages 55 to 57.

For the tenth year running, there were no major environmental incidents to report during the Year.

The aforementioned pit scaling at Cullinan requires consistent and proactive engagement with the communities residing closest to the pit, as well as with the DMRE in order to keep the regulator up to date on all developments as per the agreed Stakeholder Engagement Plan.

The Board was deeply concerned to learn of human rights abuse allegations in relation to the security operations of the Williamson mine in Tanzania. A sub-committee of the Board, formed entirely of INEDs, has been established to evaluate the allegations. 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. The investigation is scheduled to be completed during Q2 FY 2021 and the committee will consider the outcome of the investigation and the recommendations to address any findings. This may include any required remedy or corrective action to be taken as a result of the investigation's conclusions.

To date, the allegations have not resulted in any negative business impacts on the Company, including loss of partnerships or customers, but the issue remains a reputational risk which could generate significant negative media coverage and which could damage the Company's standing as a diamond mining group committed to a high level of ethical business practices. The claims could also result in the Company being liable to pay financial damages to the claimants, but the exact level of these damages is not yet possible to gauge.

Petra acknowledges that climate change continues to grow in importance, both to the Company and its stakeholders, as a business risk and opportunity. In FY 2021, the Company will therefore continue to evaluate the status of climate change as a principal business risk, guided by the ongoing development of its Climate Change Adaptation Strategy and stated objective of compliance with the TCFD by 2022.

**Read more**

Sustainability – pages 45 to 57

## Report of the Nomination Committee

### Members of the Nomination Committee<sup>1</sup>

Peter Hill (Chair)

Gordon Hamilton

Tony Lowrie<sup>2</sup>

Octavia Matloa

Bernard Pryor

Varda Shine

1. Mr Pouroulis was Chair of the Nomination Committee until he stepped down from the Board on 31 March 2020 and was succeeded by Mr Hill, and Dr Bartlett was a member of the Nomination Committee until he retired from the Board on 30 June 2020.

2. Mr Lowrie was a member of the Nomination Committee until he retired from the Board on 17 November 2020.

### Quote from the Chair:

“In line with the ongoing progression of the Petra business, the Company’s Board of Directors continued to evolve in FY 2020. I was delighted to join the Board in January 2020 before assuming the role of Non-Executive Chairman, as well as becoming Chair of the Nomination Committee, on 31 March 2020. The Nomination Committee will continue to focus on succession planning into FY 2021, bearing in mind the priorities highlighted in our new Diversity and Inclusion Policy.”

I would like to present the first Report of the Nomination Committee since I assumed the role of Non-Executive Chairman of the Company and Chair of the Nomination Committee.

### Board composition, appointment of Chairman and succession planning

The Petra business has evolved significantly over recent years, as the Company has transitioned from its phase of heavy capital investment to that of steady-state operations, and the Company’s Board of Directors and its Board Committees have continued to develop to reflect this.

During the Year the Committee’s main focus was the identification and appointment of a new Chairman, in succession to founder Adonis Pouroulis. To this end, an independent executive search firm, Egon Zehnder, was selected on the basis of its global reach, experience and strong understanding of the mining and metals industry. A job specification was drawn up for the Chairman role, with experience of mining, capital markets, governance and Africa being priorities, as well as noting the Company’s aims to further improve the diversity of its Board. A shortlist of candidates was then generated and the Company was given the opportunity to interview candidates. Accordingly, I was appointed as an iNED on 1 January 2020 and subsequently as Non-Executive Chairman of the Board and Chair of this Committee on 31 March 2020, when Mr Pouroulis stepped down from the Board.

Additionally, Dr Bartlett retired as a Director of the Company and a member of various committees, including this Committee, with effect from 30 June 2020.

In FY 2020, the Committee also recommended a number of changes to the composition of certain Board Committees which were approved by the Board, as follows:

- Mr Breytenbach stepped down from the SED Committee with effect from 12 February 2020;
- Ms Shine succeeded Mr Hamilton as Chair of the Remuneration Committee with effect from 31 March 2020;
- Ms Shine was appointed to the Audit and Risk Committee and the HSE Committee with effect from 1 July 2020;
- Ms Matloa and Mr Pryor were appointed to the Remuneration Committee with effect from 1 July 2020; and
- Ms Matloa, Mr Pryor, and Ms Shine were appointed to the Nomination Committee with effect from 1 July 2020.

Post Year end, Ms Matloa was appointed as the Company’s designated iNED to engage with the workforce, as required by the new Code. The key principles and parameters of the role have been formalised in a document approved by the Board.

Post Year end, the Committee considered the appointment of a successor to Mr Lowrie as Senior Independent Director, following his planned retirement on 17 November 2020, and subsequently recommended to the Board that Ms Shine would assume the role. Ms Shine was considered an outstanding candidate given her deep experience of the diamond industry, as well as the UK corporate world, and her expertise in multi-stakeholder engagement.

Whilst the Committee assesses the current skills, experience (as set out on pages 61 and 62) and diversity of the Board to be appropriate, it continues to review its composition. A further priority in FY 2021 will be the consideration of a successor to Mr Hamilton as Chair of the Audit and Risk Committee, following his planned retirement at the conclusion of the FY 2021 AGM.

## Board evaluation

Donata Denny, an independent and highly respected Leadership Coach and Professional Development Adviser, was appointed to carry out an external Board evaluation post Year end, the results of which are set out on page 72. Ms Denny had not worked with the Company before and it was felt an opportune time to have a fresh pair of eyes examining the workings and performance of the Board.

## Diversity

Increasing diversity is important in terms of facilitating the Board's ability to function effectively to the benefit of the business as a whole and all of its stakeholders.

The overall percentage of females in the Company remained flat at 19%, but this remains slightly higher than the industry average in South Africa, which ranges from 12%–17% depending on the commodity. However, we noted an improvement in the percentage of females in our Senior Management and Management teams. While the percentage of women on our Board remained at 22% in FY 2020, from 1 July 2020 this split improved to 25% further to Dr Bartlett stepping down from the Board at the end of the Year and has increased further to 29% from 17 November 2020 further to Mr Lowrie stepping down from the Board.

In May 2020, the Board approved the Group's Diversity and Inclusion Policy, which will serve to support the development of a diverse skills pipeline for the business. More information on this policy is included in the Report of the SED Committee on page 104.

We have many initiatives in place to further increase female representation in the Company and we were pleased to report further improvement in both Senior Management and Management levels in FY 2020. Read more about Petra's approach to diversity on pages 51 and 52.

## Nomination Committee role and activities

The principal functions of the Nomination Committee are listed below, along with the corresponding activity and performance in FY 2020.

Role	Activities in FY 2020	Outcome
To review the structure, size and composition of the Board (including appropriate skills, knowledge, experience and diversity), and to make recommendations to the Board with regard to any changes.	The Committee reviewed the composition of the Board and its Committees, including discussions around diversity and the effective functioning of these Committees. This resulted in the appointment of a new independent Non-Executive Chairman and a number of changes to the composition of certain Committees.	The Committee will continue to make recommendations regarding the Board, Board Committee and Senior Management composition and structures.
To identify, nominate and recommend, for the approval of the Board, appropriate candidates to fill Board and Committee vacancies as and when they arise.	Mr Hill was appointed as an iNED and subsequent Non-Executive Chairman as successor to Mr Pouroulis during FY 2020.	The Board may make additional changes during FY 2021 and will receive recommendations from the Nomination Committee on this.  Subsequent to the Year end the Committee recommended the appointment of Ms Shine as Senior iNED to succeed Tony Lowrie when he retired from the Board on 17 November 2020.
To satisfy itself, with regards to succession planning, that plans are in place with regards to both Board and Senior Management positions.	The Committee continued to focus on succession planning.	As part of our succession practices, the Nomination Committee will continue to review programmes in place to assimilate talent into leadership and specialist positions.
To recommend to the Board the re-election by shareholders at the AGM of any Director under the retirement and re-election provisions of the Company's Bye-Laws.	An external Board evaluation exercise took place during August 2020.	The overall result was positive in terms of the Board's performance, as well as highlighting a number of areas for further improvement. See page 72.  Each Director was considered to remain effective and was proposed by the Committee for re-election to the Board at the forthcoming AGM.



**Peter Hill**

Nomination Committee Chair

17 November 2020

## Report of the Health, Safety and Environment (“HSE”) Committee

### Members of the HSE Committee<sup>1</sup>

Bernard Pryor (Chair), iNED

Varda Shine, iNED<sup>2</sup>

Richard Duffy, CEO

1. Dr Bartlett was a member of the HSE Committee until he stepped down from the Board on 30 June 2020. However, he will be invited to attend all Committee meetings in FY 2021 for the duration of his consultancy agreement with the Company.

2. Ms Shine became a member of the HSE Committee in July 2020.

### Quote from the Chair:

“The health and safety of all Petra people remains our top priority, along with safeguarding our environment for future generations. The Company is taking measures to continuously improve our performance in this area, working towards our primary goal of zero harm. Despite the ongoing threat of the COVID-19 pandemic to our employees and other stakeholders, I am satisfied that the Company has the right systems and practices in place to mitigate this threat effectively.”

### The purpose of the HSE Committee

The role and purpose of the HSE Committee is to assist the Board in discharging its oversight responsibilities relating to HSE matters, to ensure the Company upholds the principles of good corporate citizenship and conducts its business in an ethical and sustainable manner.

### Safety achievements for FY 2020

Three years	Fatality free
7.47 million	Fatality-free shifts
43% improvement	Non-lost time injuries
26% improvement	Total injuries
34% improvement	Dangerous occurrences
100% achievement	Mandatory compliance
100% achievement	ISO 45001:2018 certification
79% improvement	Section 54 DMRE instructions
17% improvement	Section 55 DMRE instructions

### Other highlights for FY 2020

- Petra continues to show high levels of performance in its environmental reporting, with its CDP score on climate change reporting of ‘B’ higher than average for the Company’s sector and region of reporting.
- No major environmental incidents occurred within the Company for the tenth consecutive year.
- Launch of an environmental pledge demonstrating the Company’s commitment towards a sustainable future.
- All mines were successfully migrated from OSHAS 18001 to ISO 45001, international standard for Occupational Health and Safety.

Further information on HSE matters is included in Petra’s FY 2020 Sustainability Report.



## HSE Committee role and activities

The principal functions of the HSE Committee are listed below, along with the corresponding activity and performance in FY 2020.

Role	Activities in FY 2020	Outcomes
To evaluate the effectiveness of the Group's policies, standards and systems for identifying and managing health, safety and environmental risks within the Group's operations.	The Group's significant HSE hazards and associated risks were reviewed as part of a discovery process as per ISO 14001 and ISO 45001 standards requirements and implemented into the operations.	Material impacts on health, hygiene and safety-related legislative requirements were integrated into existing policies. New policies and processes were developed and implemented for the COVID-19 pandemic including MCOPs which were submitted to the DMRE.
To assess compliance obligations with applicable legal and regulatory requirements with respect to health, safety and environmental aspects.	Changes in legislation were evaluated for potential impact on HSE systems and policies.	No material changes in environmental legislation were identified that required systems or policies to be updated.  Processes are up to date, compliant to international standard requirements and certified by BSI through third party audits.
To ensure, on behalf of the Board, that an internationally recognised Health and Safety Management System and an Environmental Management System are implemented and maintained.	Outcomes of external certification audits for ISO 45001:2018 and ISO 14001:2015 were evaluated.	All South African operations successfully migrated to ISO 45001:2018 and retained ISO 14001:2015 certification through BSI.  Williamson mine remains uncertified but conforms to the HSE Management Systems principles of the certified operations.
To assess the performance of the Group with regards to the impact of health, safety and environmental decisions and actions upon employees, communities and other stakeholders.	Monitoring of HSE performance throughout the Year and review of annual Group occupational HSE objectives and KPIs.  COVID-19 brought significant challenges regarding return to work policies and processes. The implementation of these as well as general performance against the processes were monitored.	The achievement of HSE objectives was noted. The Group's performance was satisfactory and no complaints from stakeholders were received.  The decisions and actions leading from COVID-19 specific policies, codes of practice and procedures did not have a negative effect on any stakeholders including communities and employees.
To review management's investigation of any fatalities and/or serious HSE-related accidents or incidents within the Group and the efficacy of the resultant remedial actions implemented.	Health and safety incidents, investigation outcomes and detailed trending were reported to and reviewed by the Committee on a quarterly basis.  Environmental incidents classified as 'significant' were discussed in detail.	The Company achieved a three-year fatality-free record during June 2020.  The LTI KPI target was not achieved due to an increase in LTIs at Finsch which were assessed to be behavioural in nature and of low severity. A mitigation plan was put in place.  Three 'significant' environmental incidents occurred during FY 2020, deemed moderate in nature. These are listed in the Company's 2020 Sustainability Report on page 83.
To evaluate the quality and integrity of reporting to external stakeholders concerning HSE aspects.	A review of the Company's disclosure requirements was carried out.	Changes to disclosures were instituted where required.



**Bernard Pryor**  
HSE Committee Chair  
17 November 2020

## Report of the Social, Ethics and Diversity (“SED”) Committee

### Members of the SED Committee<sup>1</sup>

Octavia Matloa, NED (Chair)

Varda Shine, NED

Richard Duffy, CEO

1. Mr Breytenbach stepped down from the SED Committee in February 2020.

2. Former Chief Operating Officer, Mr Roode, stepped down from the SED Committee when he left the Company to pursue other interests in November 2019.

### Quote from the Chair:

“It has been a very productive year for the SED Committee and I believe we have made good progress with further developing and enhancing the Group’s risk approach, policies and practices with regards to SED matters. We also reviewed our internal and external reporting requirements, as well as our ongoing legal compliance obligations, which are helping us discharge our oversight responsibilities.”

### The purpose of the SED Committee

The purpose of the SED Committee is to oversee the Group’s social, ethics and diversity systems and policies and the monitoring of compliance. As part of its role, it also monitors and advises the Group on issues of ethics and corruption, social investments and interaction with stakeholders. The aim is to position Petra as a responsible corporate citizen and to promote a diverse organisation in a sustainable and beneficial way.

### Highlights for the Year

The SED Committee has completed its first full year of operation, having been formed in February 2019, and we have worked to align the information requirements and processes of the Committee to the strategic objectives. We are not where we are supposed to be but I am satisfied with the milestones achieved as we gear towards ensuring that the work of the Committee is effectively discharged and that we add value to the Company. I am also satisfied that the Committee fulfilled all its fiduciary duties for the Year.

A key achievement for the Year was the development of the Group’s Diversity and Inclusion Policy, which was recommended for approval by the Committee to the Board in May 2020. The policy applies to the Petra Group, inclusive of the Board, and its aim is to encourage leadership at all levels across the organisation to think broadly about diversity in its different forms and to ensure that appointment and succession planning practices inclusive of retention policies are designed to promote diversity. The policy also seeks to ensure that the Company develops a diverse pipeline for skilled succession to top management, Senior Management and junior management levels and creates the framework for reporting on actions taken to promote diversity in terms of actual progress achieved on diversity and inclusion.

Post Year end, the SED Committee reviewed the management approach for implementation of the Diversity and Inclusion Policy in September 2020. The intention is to develop both a Petra Diamonds South Africa Employment Equity Plan, which will align the Company’s employment equity targets in South Africa with other sector specific targets included in the new Mining Charter (encompassing both racial and gender targets), as well as a Group-wide Diversity and Inclusion Plan, which will set targets for gender representation across the various levels of the organisation, including taking into consideration the UK targets for women at board level. Achieving diversity targets will form part of management’s overall performance scorecard, thereby directly impacting on reward and recognition.

We continued to improve our stakeholder engagement processes, with the revision of our Stakeholder Engagement Policy, as well as an ongoing project to enhance the Company’s stakeholder database in order to effectively monitor historical and current engagements with these stakeholders to identify and mitigate any risks or explore opportunities. Post Year end, the Company has also revised its Stakeholder Feedback and Grievance Procedure in order to allow stakeholders to more easily raise concerns and ensure that these claims are addressed.

Post Year end, the Company announced that it had received allegations of human rights abuses at the Williamson mine in Tanzania. These allegations are being taken extremely seriously by the Company and an independent investigation has been launched, which will be monitored by the separate Tunajali Committee, of which SED Committee Chair Ms Matloa is a member. Read more on pages 6 and 48.

While not in response to the above allegations, but as part of its planned course of business, the SED Committee reviewed the revised Group Human Rights Policy Statement post Year end and will continue its ongoing oversight of the Group’s implementation of the SED policies and activities.

## SED Committee role and activities

The principal functions of the SED Committee are listed below, along with the corresponding activity and performance in FY 2020.

Role	Activities in FY 2020	Outcomes
To assess the policies and systems within Petra for ensuring compliance with material local and international legal and regulatory requirements with respect to SED aspects, including organisational ethics, corporate citizenship, social sustainable development, stakeholder relationships and diversity.	<p>Formulation of the Group's Diversity and Inclusion Policy, which amalgamates the Group's employment equity and diversity strategies and objectives.</p> <p>Progression of the Group Sustainability Framework, which will align Petra's management of sustainability with select SDGs.</p> <p>Review of the revised Group Human Rights Policy Statement.</p>	<p>The Diversity and Inclusion Policy was approved.</p> <p>Finalisation of the Group Sustainability Framework was delayed by the COVID-19 pandemic and is targeted for completion in FY 2021.</p> <p>The Human Rights Policy Statement was approved post Year end.</p>
To evaluate the effectiveness of Petra's framework, policies and systems for identifying and managing SED risks.	<p>Group ERM process commenced.</p> <p>Evaluation of Petra's compliance with the VPSHR.</p>	<p>The Group Sustainability Framework will be finalised and presented to the Board for approval in FY 2021.</p> <p>Incorporating ESG-related risks into the Group ERM processes for risk identification and monitoring.</p> <p>Roll-out of a gap assessment to determine compliance towards the VPSHR.</p>
To monitor technical developments in the fields of SED management and practice and, where appropriate, to oversee the assessment of their impact on Petra and to provide appropriate strategic guidance.	<p>Continued evaluation of the new Mining Charter in South Africa.</p> <p>Continued engagement, via its membership of the Minerals Council SA, on various industry matters, including the draft amended Mineral and Petroleum Resources Development Act ("MPRDA") in South Africa.</p>	<p>The Committee will continue to monitor the potential impact of the new Mining Charter on the Company, as well as the ongoing legal dispute impacting its finalisation.</p> <p>Petra has provided its input via the Minerals Council SA.</p>
<p>To assess Petra's performance regarding the impact of SED decisions and actions upon employees, communities and other stakeholders.</p> <p>To assess the impact of such decisions and actions on the reputation of the Petra Group as a whole.</p>	<p>Evaluation of the Company's Social Compliance Matrix.</p> <p>Monitoring of the risk of ASM at Koffiefontein and co-operation with local authorities to find a long-term solution.</p> <p>Monitoring of the risk of pit scaling at Cullinan and its impact on the local community.</p> <p>Monitoring of the independent whistleblowing hotline with regards to SED issues, including fraud and corruption.</p>	<p>Revision and approval of the Social Compliance Matrix to improve the Company's engagement with internal and external stakeholders.</p> <p>The launch of the ASM Initiative at Koffiefontein, with certain tailings mineral resources transferred for legal mining by the KCM.</p> <p>A stakeholder engagement plan was put in place to guide communication with the local community at Cullinan in relation to pit scaling. A resettlement policy is also planned for FY 2021, to act as the framework should any residential resettlements be required in the future.</p> <p>Enhancement of the whistleblowing service, as set out on page 47.</p>

## Report of the Social, Ethics and Diversity (“SED”) Committee continued

**SED Committee role and activities continued**

Role	Activities in FY 2020	Outcomes
To monitor and evaluate Petra’s organisational culture against the mission and vision of the Company and to advise on issues of general diversity, as well as more specifically gender diversity, as a strategic imperative for Petra.	Employment equity profiling and regular review of the racial and gender diversity performance of the Group at all various levels of the business, as well as monitoring of other employee-related KPIs related to workforce culture.	Revision of the Group’s diversity targets to ensure one plan for the Group to improve both racial and gender diversity.
To ensure an appropriate Stakeholder Engagement Management System is in place and is maintained.	Evaluation of the Company’s Stakeholder Engagement Module.	Implementation and roll-out of an enhanced IsoMetrix Stakeholder Engagement Module to capture and assess historical and ongoing stakeholder engagement, commencing with the South African operations.
To ensure systems are in place to record and submit statistical data that may be required for legal, regulatory and other external reporting.	Review of internal and external reporting requirements; gap analysis to evaluate how Petra could improve its ESG disclosures. Submission of statutory documents.	Monitoring of SED-related data and information at Committee level. Reporting on employment equity and SLP progress to the Department of Labour and the DMRE. Monitoring of SED-related statutory documents per the SED Annual Plan.
To identify and/or ratify those material issues related to SED which could impact the continued sustainability of the Company. Commentary on these issues is included in the FY 2020 Sustainability Report.	Materiality survey carried out with internal and external stakeholders to establish the Company’s key ESG material topics.	Results of materiality survey form the basis of Petra’s ongoing sustainability reporting.



**Octavia Matloa**  
SED Committee Chair  
17 November 2020

# Directors' Remuneration Report

## Letter from the Chair

### Members of the Remuneration Committee<sup>1</sup>

Varda Shine, Chair<sup>2</sup>

Tony Lowrie, iNED<sup>3</sup>

Gordon Hamilton, iNED<sup>4</sup>

Bernard Pryor, iNED<sup>5</sup>

Octavia Matloa, iNED<sup>5</sup>

1. Dr Bartlett was a member of the Committee in FY 2020, until his resignation from the Board on 30 June 2020.
2. Ms Shine became Chair of the Committee with effect from 1 April 2020.
3. Mr Lowrie retired from the Board on 17 November 2020.
4. Mr Hamilton was Chair of the Committee until 31 March 2020.
5. Mr Pryor and Ms Matloa joined the Committee on 1 July 2020.

### Key highlights

- Renewed Committee composition, with Ms Shine assuming the role of Chair from Mr Hamilton on 1 April 2020. Further changes were made post Year end such that all the Company's iNEDs are now members of the Committee.
- During the Year the Board agreed to a temporary reduction to Executive salaries and Non-Executive fee levels. The funds raised were utilised for the Petra Hardship Fund which was established to mitigate the impact of COVID-19 for distressed communities and qualifying employees.
- Taking into account the impact of COVID-19 there are no Executive salary increases for FY 2021 and, although the formulaic outturn was 25.4% of maximum, the Committee determined that there would be no annual bonuses for FY 2020.
- The approach to Performance Share Plan ("PSP") awards will be delayed until there is more certainty on the Group's future capital structure.
- The revised Remuneration Policy is being put to shareholders at the 2020 AGM, updated with some good governance practice features.
- In recognition of the current position of the business the Non-Executive Directors have agreed to a reduction in their fees on an ongoing basis.

### Dear shareholder,

As Chair of the Remuneration Committee (the "Committee") I am pleased to present our Directors' Remuneration Report for the financial year ended 30 June 2020.

### COVID-19 response

Our Board's overriding priority is the health, safety and wellbeing of all of our people. First and foremost Petra continues to prioritise taking all actions necessary to support measures to limit the spread of COVID-19 in the countries in which the Company operates and to decrease the threat to our employees, contractors and other local stakeholders. Regrettably, as at 30 October 2020, 223 Petra employees have been confirmed COVID-19 positive since the outbreak and our deepest condolences go to the families of our two employees who have tragically lost their lives.

In recognition of the pandemic and its impact on the business, it was agreed that salaries for Petra's senior Executives and Non-Executives at Petra would be reduced for the fourth quarter of FY 2020. The salaries of the Chief Executive and Finance Director were reduced by one-third, the salaries of the Company's Non-Executive Directors and other members of the Executive Committee were reduced by 25%, and senior managers reporting to the Executive Committee members were invited to participate in the initiative with a reduction of up to 20% of their salaries.

The Company contributed an amount equivalent to the total salary and fee reductions to the Petra Hardship Fund, which was established to provide targeted assistance to distressed communities and qualifying employees to mitigate the impact of COVID-19. A committee was established to oversee the management and disbursement of these funds, which were awarded on the basis of greatest need.

## Directors' Remuneration Report continued

### Letter from the Chair

#### Remuneration outturns for FY 2020

FY 2020 was an exceptionally challenging year. Prior to March 2020 the Company was on track to meet, and even exceed, its operational targets for the Year. This performance was interrupted by various levels of COVID-19-related lockdowns which led to reduced throughput at the South African operations. On the demand side, the diamond market was significantly impacted. COVID-19 prevented diamond sales for large parts of H2 FY 2020 and the Company was forced to cancel its May 2020 tender, while the bulk of the June 2020 tender was only concluded after Year end. The state of the diamond market also forced the Company to place the Williamson mine in Tanzania on care and maintenance during April 2020, with a future restart of production dependent on diamond market recovery.

In these unprecedented circumstances the Company did not achieve the threshold level of performance required for the free cashflow and revenue targets under the annual bonus plan. As a result of partly meeting targets in relation to cost reduction, Capex and HSE and SED, the Executive Directors were eligible for annual bonuses of 25.4% of maximum. However, in light of the overall impact of the COVID-19 pandemic, it was agreed that no bonuses would be paid in respect of FY 2020.

There were no PSP awards vesting for the current Executive Directors in respect of the three-year period ending in FY 2020. The value of legacy PSP awards for former Directors is less than 0.5% of their original value. The Committee determined that no payments will be made until after the upcoming SGM, planned for early CY 2021.

The Committee considers that the Remuneration Policy operated as intended in respect of FY 2020.

#### Remuneration Policy renewal

Petra's current Remuneration Policy (the "Policy") was approved by shareholders at our 2017 AGM. In accordance with the normal three-year renewal cycle, we are submitting our Policy for a shareholder vote at the 2020 AGM. Taking into account the impact of COVID-19, as well as the current position of the business, we have decided that it is not an appropriate time to undertake a full-scale review of the Policy. We are therefore proposing to update the existing Policy with some relatively minor amendments to reflect good governance practice. During 2020 we consulted with a number of our major shareholders and received broad support for our proposed approach.

Our proposed changes to the Policy to align with good governance are as follows:

- **Pensions:** Petra's executive pension contributions are already aligned with the workforce. Executive Directors are eligible to participate in the Company's defined contribution scheme on the same basis as the Company's South African workforce. This alignment is being formalised in the Policy.
- **PSP holding period:** We introduced a post-vesting holding period to the PSP in FY 2020. The holding period will now form part of the Policy.
- **Post-employment shareholding guidelines:** In line with the UK Corporate Governance Code we are introducing post-employment shareholding guidelines. Executives will be expected to maintain a shareholding in the Company for two years post-employment.

The Committee will continue to monitor the Policy on an ongoing basis and as part of our commitment to meaningful engagement with shareholders we will consult with shareholders if we propose any significant changes.

#### Implementation of the Policy for FY 2021

Executive salaries are not being increased for FY 2021.

During the Year the Committee reviewed the approach to the annual bonus. Annual bonuses will continue to be based on a balanced scorecard linked to the financial, operational and strategic objectives of the Group. For FY 2021 the performance metrics in the scorecard have been adjusted to aggregate the Group's priorities including environmental, social and governance ("ESG") related measures. In addition a portion of the bonus will be linked to the achievement of individual strategic targets.

Given the current status of the envisaged capital restructuring the Company is looking to undertake, the Committee has decided to postpone the determination of PSP awards for FY 2021. The intention is that these awards will be made once the capital restructuring has been completed with more certainty around shareholder expectations, estimated to be early calendar year 2021.

#### Non-Executive Director fees

Non-Executive Director fees remained unchanged for the second year in a row. Following a review, and in recognition of the position of the business, the Senior Independent Director and various chairpersons of the Board sub-committees have agreed to a reduction in their fees on an ongoing basis. Further details are set out on page 114.

#### AGM

94.47% of shareholders voted in favour of the Directors' Annual Remuneration Report at the 2019 AGM.

We hope that our shareholders will continue to support our approach to Directors' remuneration at the Company's upcoming AGM.



**Varda Shine**

Chair of the Remuneration Committee

17 November 2020

This report explains how the Group's Remuneration Policy was implemented during FY 2020 and how it will be applied for FY 2021.

## Overview of Policy and how it will be applied for FY 2021

### Salary

Influenced by role, individual performance, experience and market positioning.	<p>No increases were awarded to Executive Directors from 1 July 2020 in line with the approach followed for the Group's workforce on the same date. The Group's South African workforce will be receiving salary increases with effect from 1 January 2021 following negotiated settlements with organised labour and general increases with reference to inflation to non-unionised employees.</p> <p>With effect from 1 July 2020, Executive Director base annual salaries were as follows:</p> <ul style="list-style-type: none"> <li>• Richard Duffy – £370,800 (FY 2019: £370,800 from date of appointment 1 April 2019); and</li> <li>• Jacques Breytenbach – £265,200 (FY 2019: £265,200).</li> </ul>
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### Benefits

Provision of an appropriate level of benefits for the relevant role and local market.	<p>Executive Directors receive:</p> <ul style="list-style-type: none"> <li>• a benefits allowance of 10% of salary in lieu of both pension and other benefits and, at the Directors' election, the option to participate in the Company's defined contribution pension fund, up to the maximum contribution in line with the wider workforce, funded from this allowance; and</li> <li>• Group life, disability and critical illness insurance.</li> </ul>
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### Annual bonus

Linked to key financial, operational, HSE, SED and strategic goals of the Company, which reflect critical factors of success.	<p>Maximum opportunity for FY 2021 of 150% of salary.</p> <p>The Committee has reviewed the annual bonus targets for FY 2021 to ensure that they are aligned to our strategic priorities. The bonus scorecard for FY 2021, which will have an overall weighting of 70%, will be linked to:</p> <ul style="list-style-type: none"> <li>• free cashflow generation (25%);</li> <li>• cost and capital management (25%);</li> <li>• carats produced and revenue realised (20%);</li> <li>• health and safety objectives (15%); and</li> <li>• ESG objectives (15%).</li> </ul> <p>The remaining 30% of the Executive Directors' bonuses will be linked to the achievement of individual strategic targets.</p> <p>Annual bonus will be subject to a clawback provision, which may apply for up to two years following the end of the performance period.</p>
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### Performance Share Plan

Aligned with shareholders and motivating the delivery of long-term objectives.	<p>Given the current status of the envisaged capital restructuring the Company is looking to undertake, the Committee has decided to postpone the determination of PSP awards for FY 2021. The intention is that these awards will be made once the capital restructuring has been completed with more certainty around shareholder expectations, estimated to be early CY 2021.</p> <p>The current intention is that PSP awards for FY 2021 will have the same broad performance framework as FY 2020, with 50% based on TSR and 50% based on operational and financial measures. Full details of the awards and the performance targets set will be published on our website shortly after the awards have been granted.</p> <p>PSP awards are subject to a two-year holding period post vesting to further align executive remuneration to shareholder interests.</p> <p>The PSP is subject to a clawback provision, which applies for up to two years following the end of the relevant performance period.</p>
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### Shareholding guidelines

Aligned with shareholders.	<p>Shareholding guidelines of 200% of salary.</p> <p>Post-employment shareholding requirement introduced.</p>
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## Directors' Remuneration Report continued

### Overview of Policy and how it will be applied for FY 2021 continued

The following table provides details of how the Remuneration Policy addresses the factors set out in Provision 40 of the 2018 UK Corporate Governance Code:

<b>Clarity</b>	
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	<p>The Committee is mindful of ensuring that our remuneration arrangements are clear and transparent for both participants and shareholders.</p> <p>When considering changes to our Remuneration Policy the Committee engaged with major shareholders and key proxy bodies and took their comments into account.</p>
<b>Simplicity</b>	
Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Petra's remuneration framework is simple, consisting of fixed remuneration, an annual bonus and a single long-term incentive plan.
<b>Risk</b>	
Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	<p>The Committee takes risk factors into account when setting and assessing remuneration arrangements. The performance framework includes a balanced range of measures which include production, financial, health and safety, and ESG measures.</p> <p>The remuneration framework provides the Committee with discretion to adjust incentive outturns or to claw back remuneration in certain circumstances.</p>
<b>Predictability</b>	
The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	<p>Our Policy provides details of the maximum opportunity for elements of variable pay.</p> <p>The scenario charts on page 124 of the Policy provide four illustrations of the application of our Policy for differing levels of performance.</p>
<b>Proportionality</b>	
The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	<p>In order to align executive pay with performance two of the overarching principles of our Policy are that remuneration packages should be weighted towards performance-related pay and that performance targets should be suitably demanding.</p> <p>The Committee has a strong track record of applying discretion to reduce awards where they do not consider them to be appropriate in the context of performance.</p>
<b>Alignment to culture</b>	
Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	The Company's values, purpose and culture are reflected in remuneration outcomes. Salary increases for Executives take account of the wider workforce. In FY 2020 Executive Directors volunteered salary reductions in response to COVID-19. Pension benefits are aligned to the workforce. Incentives reflect broader purpose measures, such as environmental and societal, as well as financial results.



## Single figure of total remuneration

The following table gives a breakdown of the remuneration received by the Executive Directors for FY 2020 and FY 2019. Although the Company's reporting currency is US Dollars, these figures are stated in Pounds Sterling so as to be aligned with the Directors' service contracts.

	£	Richard Duffy Chief Executive		Jacques Breytenbach Finance Director	
		2020	2019 <sup>1</sup>	2020	2019
Salary <sup>2</sup>	£	<b>339,900</b>	92,700	<b>243,100</b>	260,000
Benefits <sup>3</sup>	£	<b>44,356</b>	11,363	<b>22,469</b>	21,696
Retirement benefits <sup>3</sup>	£	—	—	<b>9,255</b>	9,750
Total fixed remuneration	£	<b>384,256</b>	104,063	<b>274,824</b>	291,446
Annual bonus	£	—	41,159	—	92,352
Long-term incentives – PSP awards	£	—	—	—	—
Legacy awards (Management LTIP)	£	—	—	—	5,587
Total variable remuneration	£	—	41,159	—	97,939
Total	£	<b>384,256</b>	145,222	<b>274,824</b>	389,385

- Mr Duffy joined as Chief Executive effective 1 April 2019 and the table reflects his 2019 remuneration for the three-month period to 30 June 2019.
- In light of the COVID-19 pandemic, Executive Directors took temporary salary reductions for a period of three months (April to June 2020); other elements of remuneration were not impacted by this temporary salary reduction.
- Executive Directors are provided with a benefits allowance and may use a portion of such allowance, limited to 7.5% of salary, to contribute to the Company's outsourced defined contribution pension plan which is also available to the Group's South African workforce. No additional retirement benefits are provided.

### Additional notes to the total remuneration table

#### Salary

For FY 2021 the Committee has determined that the base salaries (per annum) for Executive Directors should be as set out below:

	Base salary to 1 July 2019 £	Base salary from 1 July 2020 £
Richard Duffy	370,800	<b>370,800</b>
Jacques Breytenbach	265,200	<b>265,200</b>

Salary increases across the Company's employee population, which will become effective 1 January 2021, were generally aligned to inflation where the employee is based, while the Executive Directors' base salaries were left unchanged.

#### Benefits

In lieu of pension plan participation and other benefits, the Executive Directors receive a benefit cash supplement of 10% of salary. Other than membership of the Group management life insurance scheme (which includes disability and critical illness), Executive Directors are not provided with any further benefits and may elect, at their own discretion, to participate in the Company's defined contribution pension scheme as available to the Group's South African workforce.

## Directors' Remuneration Report continued

**Single figure of total remuneration continued****Annual bonus**

The annual bonus plan is designed to reward and incentivise performance over the financial year. The bonus framework uses a balanced scorecard approach, linked to the financial, operating and strategic objectives of the Company. The maximum bonus for Executive Directors for delivery of exceptional performance is capped at 150% of base salary. Prior to determining the final bonus outcomes, the Committee considers all-round performance to ensure that actual bonuses are appropriate.

For FY 2020, the Committee's assessment of performance against the balanced scorecard of key measures and milestone achievements during the Year included the following key achievements and targets. The Committee and the Board have given careful consideration to the retrospective disclosure of targets and have disclosed targets where this is not considered to be commercially sensitive.

Performance metrics	Performance and targets				Weighting	Vesting outcome	
<b>Operational performance and profitability (including free cashflow generation, revenue, Capex and cost management)</b>				FY 2020 performance	80%	12.8%	
		Threshold	Target	Maximum			
	Free cashflow (\$m)	20.0	37.2	50.0			(57.0)
	Revenue (\$m)	439.7	475.4	501.8			295.8
Cost and Capex	6	8	10	8.4			
<b>Corporate (including corporate and strategic priorities and health, safety, social and environmental performance)</b>	LTIFR of 0.29 (FY 2019: 0.21) – negative LTIFR trend, although total injuries improved year on year; zero fatalities recorded during the Year.  The Committee carefully considered the performance of the Executive Directors in delivering against corporate and strategic priorities, with a key focus on the reaction to mitigate the unprecedented impact of the COVID-19 pandemic, progress towards capital restructuring, progress towards Tanzanian issues, continued business optimisation steps implemented, and Board and management changes.				20%	12.6%	
<b>Total (before application of discretion)</b>					100%	25.4%	

Considering the Company's current financial position, coupled with ongoing uncertainty related to the impact of COVID-19 on the diamond market, the Committee determined that the Executive Directors will not be awarded an annual performance bonus for FY 2020, notwithstanding the formulaic outcome (equating to 25.4% of maximum). This is the sixth consecutive year in which the Committee has made a downwards adjustment to the formulaic outcome for the bonus scorecard.

**Annual bonus for FY 2021**

For FY 2021, the Committee will continue to use a scorecard framework to determine annual bonuses. The Committee has set performance measures, targets and milestone achievements reflecting the increased focus on free cashflow generation and net debt reduction as set out below. In addition, to reflect a focus on key strategic actions for the ongoing benefit of the Company, for FY 2021 the Committee has decided that 30% of the Executive Directors' bonuses will be linked to the achievement of individual strategic targets.

Group performance measure	Scorecard weighting
<b>Operational performance and profitability (including free cashflow generation, carat production, revenue, Capex and cost management)</b>	70%
<b>Health and safety performance (including LTIFR, TIFR and maintaining zero fatalities)</b>	15%
<b>ESG measures (including environmental efficiencies, social and community, and diversity and inclusion performance)</b>	15%

As noted above, the bonus framework includes both measurement against pre-defined targets and the exercise of judgement, within a scoring framework which uses measurable and defined objectives.

## Long-term incentives – Performance Share Plan

Annual long-term share awards are granted under the Performance Share Plan. This plan was originally approved by shareholders at the January 2012 AGM. The vesting of awards is conditional on the achievement of both shareholder return and operational measures.

### FY 2018 to FY 2020 award

There were no PSP awards vesting for the current Executive Directors in respect of the three-year period ending in FY 2020.

The long-term incentive outturn post period end relates to the awards granted under the PSP in October 2017 to former Executive Directors that were subject to performance measures assessed over three years, appropriately pro-rated for time served. These awards were linked to total shareholder return (50%) and to operational performance and project delivery (50%). Following the end of the performance period, the Committee assessed performance achieved against the pre-determined measures and targets.

Performance measure	Weighting	25% of element vests <sup>1</sup>	100% of element vests	Actual performance
Ranked total shareholder return ("TSR") vs FTSE 350 mining companies and diamond mining peers	25%	Median	Upper quartile	Below median (0% vested)
Absolute TSR growth	25%	8% per annum	16% per annum	Below threshold (0% vested)

1. No portion of an element vests for performance below this threshold level.

The elements linked to TSR lapsed in full, reflecting both internal challenges and external macro factors.

	Weighting	25% of element vests <sup>1</sup>	80% of element vests	100% of element vests	Actual performance
Operational performance/efficiency and project delivery	50%	6/10	8/10	10/10	Overall 6.3/10

1. No portion of an element vests for performance below this threshold level.

Operational performance was measured at each mine considering an assessment of performance against operating cashflow generation, production, costs, profitability, project delivery and overall mine management. Performance was in respect of Cullinan, Finsch and Koffiefontein/Williamson together combined (weighted 20%, 20% and 10% respectively). The assessment at the end of the period is based on an agreed framework with vesting based on the weighted average score out of ten across all mines; the objectives for each mine are approved by the Committee and the Board. Further details of performance at each site are set out in the Operational Review of the Strategic Report on pages 37 to 42.

Following the assessment of operational performance and project delivery, this element can be varied by up to 15% (upwards or downwards) to reflect operational efficiency, including factors such as operating cashflow generation, production, revenue, costs and profitability, overall mine management and other metrics considered appropriate by the Committee. The Committee made no further adjustment to the award.

Final vesting of the operational performance and project delivery element was 16.6% (out of 50%).

On the basis of the above performance, the total vesting for the PSP awards for Executive Directors, which is only applicable to past Executive Directors, as none of the current Executives were appointed in their roles at the time of grant, vested at 16.6% of the maximum. The awards are denominated in shares and therefore have been impacted by the significant fall in the share price. The value of the awards at vesting is equivalent to less than 0.5% of the pro-rated face value at the time of grant. The Committee determined that no payments will be made until after the upcoming SGM planned for early CY 2021.

### FY 2021 awards

Given the current status of the envisaged capital restructuring the Company is looking to undertake, the Committee has decided to postpone the determination of PSP awards for FY 2021. The intention is that these awards will be made once the capital restructuring has been completed with more certainty around shareholder expectations, estimated to be early CY 2021.

Full details of the awards and the performance targets set will be published on our website shortly after the awards have been granted.

## Directors' Remuneration Report continued

### Non-Executive Director remuneration

Mr Pouroulis resigned from the position of Non-Executive Chairman with effect from 31 March 2020. Mr Pouroulis continued to receive the benefit of membership of the Group's life insurance scheme up to 30 June 2020.

Mr Hill was appointed as Non-Executive Chairman with effect from 31 March 2020.

The Chairman's fee is £165,000 per annum, payable in cash.

The other Non-Executive Directors receive a fixed basic fee of £56,650 per annum for their normal services rendered during the Year and a fee for chairmanship of Committees and for the role as Senior Independent Director. All fees are payable in cash.

The additional annual fees paid for chairmanship of the Audit and Risk Committee, Remuneration Committee, HSE Committee and SED Committee are £15,579, £12,888, £11,330 and £11,330 respectively. There is no additional fee for chairmanship of the Nomination Committee. The additional annual fee paid to the Senior Independent Director is £23,175.

For FY 2021, the Chairman's fee and the fixed basic fees payable to Non-Executive Directors will not be increased. In recognition of the position of the business, the Senior Independent Director and the various Chairs of the Board sub-committees have agreed to a reduction in their fees on an ongoing basis. The additional annual fees paid for the Senior Independent Director, as well as for the chairmanship of the Audit and Risk Committee, Remuneration Committee, HSE Committee and SED Committee, will be reduced to £10,000, £10,000, £10,000, £7,500 and £7,500 per annum respectively.

Independent Non-Executive Directors do not participate in the Company's bonus arrangements, share schemes or pension plans, and for FY 2020 (in accordance with the Company's normal policy) did not receive any other remuneration from the Company outside of the fee policy outlined above.

Following the outbreak of COVID-19, the Non-Executive Director fees were reduced by 25% for Q4 FY 2020.

### Single figure of total remuneration

The following table gives a breakdown of the remuneration received by the Non-Executive Directors for FY 2020 and FY 2019. Although the Company's reporting currency is US Dollars, these figures are stated in Pounds Sterling so as to be aligned with the Directors' service contracts.

	Year	Fees <sup>1</sup> £	Benefits £	Total £
Adonis Pouroulis	<b>2020</b>	<b>119,738</b>	<b>3,310</b>	<b>123,048</b>
Chairman (resigned 31 March 2020)	2019	159,650	3,466	163,116
Peter Hill	<b>2020</b>	<b>45,100</b>	—	<b>45,100</b>
Chairman (effective 1 April 2020)	2019	—	—	—
Varda Shine	<b>2020</b>	<b>55,526<sup>2</sup></b>	—	<b>55,526</b>
	2019	28,325 <sup>5</sup>	—	28,325
Dr Pat Bartlett	<b>2020</b>	<b>53,109</b>	—	<b>53,109</b>
	2019	56,650	—	56,650
Gordon Hamilton	<b>2020</b>	<b>77,374<sup>3</sup></b>	—	<b>77,374</b>
	2019	84,975	—	84,975
Octavia Matloa	<b>2020</b>	<b>65,856</b>	—	<b>65,856</b>
	2019	62,315 <sup>4</sup>	—	62,315
Bernard Pryor	<b>2020</b>	<b>63,731</b>	—	<b>63,731</b>
	2019	33,990 <sup>4,5</sup>	—	33,990
Tony Lowrie	<b>2020</b>	<b>74,836</b>	—	<b>74,836</b>
	2019	79,825	—	79,825

1. In light of the COVID-19 pandemic, Non-Executive Directors took temporary fee reductions for a period of three months (April to June 2020).

2. Fees pro-rated for services as Remuneration Committee Chair for the period 1 April 2020 to 30 June 2020.

3. Fees pro-rated for services as Remuneration Committee Chair for the period 1 July 2019 to 31 March 2020.

4. Includes pro-rated HSE and SED Committee Chair fees for the period 1 January 2019 to 30 June 2019.

5. Pro-rated from appointment date 1 January 2019 to 30 June 2019.

## Directors' shareholding and share interests

It is the Company's policy that each of the Executive Directors holds a meaningful number of Petra shares. The guideline is a minimum of two years' basic salary for the applicable Director. Executive share ownership and alignment with shareholders is further supported by the Company's bonus deferral and share incentive schemes.

The share interests of the Directors as at 30 June 2020 are detailed below. Mr Breytenbach and Mr Duffy were appointed to the Board effective 19 February 2018 and 1 April 2019 respectively and are expected to build their shareholding over the five-year period from appointment in line with our policy on shareholding guidelines.

		Shareholding as at 30 June 2020	Shareholding as at 30 June 2019	Shareholding guideline <sup>1</sup>
Peter Hill	Chairman	—	—	N/A
Richard Duffy	Chief Executive	240,000	240,000	16,334,802
Jacques Breytenbach <sup>2</sup>	Finance Director	243,750	243,750	11,682,819
Varda Shine <sup>3</sup>	Senior iNED	—	—	N/A
Dr Pat Bartlett	iNED	—	—	N/A
Gordon Hamilton	iNED	247,000	247,000	N/A
Octavia Matloa	iNED	—	—	N/A
Bernard Pryor	iNED	—	—	N/A
Tony Lowrie <sup>4</sup>	iNED	3,737,500	3,737,500	N/A

1. Shareholding guideline of 200% of salary based on three-month average share price to 30 June 2020 of 2.27 pence.

2. Post Year end, 93,034 deferred bonus awards vested adding to Mr Breytenbach's shareholding.

3. Ms Shine assumed the role of Senior iNED on 17 November 2020.

4. Mr Lowrie was Senior iNED up to the date of his retirement from the Board on 17 November 2020.

### Post-employment shareholding guidelines

The Committee has introduced post-employment shareholding guidelines. Executive Directors will be expected to maintain a shareholding for a period of two years post cessation of employment. The expected shareholding will be the lower of the Executive Directors' shareholding guideline of two years' basic salary or their actual relevant shareholding at the date of termination if lower. This requirement will only apply to shares delivered from incentives from the date of the new Policy. The Committee may, in exceptional circumstances, allow an Executive Director to reduce this holding guideline to 50% after at least one year from the date of cessation.

As at 30 June 2020, the Directors' interests in share plans of the Company were as follows:

Breakdown of share plan interests as at 30 June 2020	Shares		Options	
	Unvested and subject to performance <sup>1</sup>	Unvested and not subject to performance <sup>2</sup>	Vested but not exercised	Lapsed in the Year
<b>Executive Directors</b>				
Richard Duffy	2,904,678	116,926	—	—
Jacques Breytenbach	1,940,151	355,398	—	—

1. This comprises awards made in FY 2019 and FY 2020 under the Company's PSP.

2. This comprises outstanding deferred share awards in respect of FY 2018 and FY 2019. During FY 2019, the following awards were granted: Mr Duffy – 116,926 and Mr Breytenbach – 262,364 shares respectively. These awards represent 50% of the total bonus in respect of FY 2019. Post Year end, the FY 2018 deferred share awards vested: Mr Breytenbach – 93,034 shares.

## Directors' Remuneration Report continued

## Directors' shareholding and share interests continued

## Post-employment shareholding guidelines continued

As at 30 June 2020, Executive Directors held the following interests in the 2012 PSP:

	Date of award	Outstanding at 1 July 2019	Awarded during the Year	Vested during the Year	Lapsed during the Year	Outstanding at 30 June 2020	Performance period <sup>4</sup>
Richard Duffy	01/04/2019 <sup>1</sup>	797,860	—	—	—	797,860	FY 2020–FY 2022
	24/10/2019 <sup>2</sup>	—	2,106,818	—	—	2,106,818	FY 2020–FY 2022
<b>Total</b>		<b>797,860</b>	<b>2,106,818</b>	<b>—</b>	<b>—</b>	<b>2,904,678</b>	
Jacques Breytenbach	06/10/2018 <sup>3</sup>	433,333	—	—	—	433,333	FY 2019–FY 2021
	24/10/2019 <sup>2</sup>	—	1,506,818	—	—	1,506,818	FY 2020–FY 2022
<b>Total</b>		<b>433,333</b>	<b>1,506,818</b>	<b>—</b>	<b>—</b>	<b>1,940,151</b>	

- On appointment, Mr Duffy was granted a PSP award equivalent to ca. 40% of salary. Vesting of this award will be subject to the Company achieving a consolidated net debt:consolidated EBITDA ratio of not more than 2.5 times as at April 2022, or at the earliest measurement date thereafter, but not later than 30 June 2022.
- The performance measures applicable to the awards consist of: (a) TSR relative to FTSE 350 mining and listed diamond companies (25%); (b) absolute TSR (25%); and (c) operational performance and project delivery (50%). The share price on 24 October 2019 was 7.0 pence; the six-month average share price used to determine these awards was 17.6 pence, as opposed to the 30-day average price, being 7.5 pence, used historically.
- The performance measures applicable to the awards consist of: (a) TSR relative to FTSE 350 mining and listed diamond companies (25%); (b) absolute TSR (25%); and (c) operational performance (40%) and project delivery (10%). The share price on 4 October 2018 was 36.0 pence; the 30-day trading average price to the date preceding the date of the award was 36.1 pence. The Committee determined it was more appropriate to apply a price that more closely approximated the theoretical ex-rights price ("TERP") of 60.92 pence following the rights issue. A price of 60.0 pence was applied in this regard.
- Performance periods with respect to operational performance metrics are measured on respective financial years' results, whilst the relevant TSR measurements are based on returns from date of award to date of final vesting.

During the Year no awards were granted under the 2005 ESOS and the last remaining options awarded to Directors, totalling 2,206,607 vested share options, lapsed (of which 1,943,433 related to former Chairman Mr Pouroulis and Executive Directors Messrs. Dippenaar and Davidson). As at 30 June 2020, there were no outstanding vested share options for Executive Directors under the 2005 ESOS, with the table below setting out the relevant detail of vested options which lapsed during the Year:

	Date of grant	Exercisable from	Exercise price (p) (pre-Rights Issue)	Outstanding at 1 July 2019	Exercised during the Year	Lapsed during the Year	Outstanding as at 30 June 2020	Exercise price (p)	Expiry date
Jacques Breytenbach	30/09/2009	30/09/2012	45.5	80,977	—	80,977	—	37.5	30/09/2019
	17/03/2010	17/03/2013	60.5	182,197	—	182,197	—	49.8	17/03/2020
<b>Total</b>				<b>263,174</b>	<b>—</b>	<b>263,174</b>	<b>—</b>		

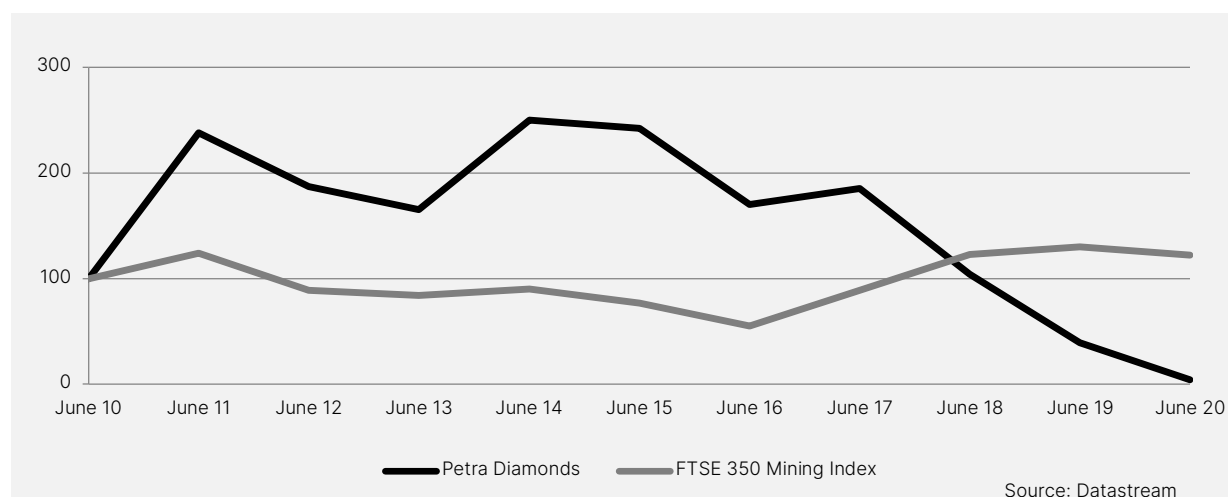
## External non-executive directorships

None of the Company's Executive Directors hold a directorship at another listed company.

## Other disclosures

## Performance graph

The graph below shows a comparison between the TSR for Petra shares for the ten-year period to 30 June 2020 and the TSR for the companies comprising the FTSE 350 Mining Index over the same period. This index has been selected to provide a relevant sector comparator to Petra. The TSR measure is based on a 30-day trading average.



### Table of historical data for the Chief Executive

Before the Company stepped up to the Main Market, Petra operated a different remuneration structure. Prior to FY 2012, there was no set maximum annual bonus opportunity for Executive Directors and the Company granted share options, rather than the more conventional PSP awards with set performance criteria. Therefore it is not possible to provide fully comparable data for awards across this ten-year period.

	Main Market									
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 <sup>3</sup>	FY 2019 <sup>3</sup>	FY 2020
								Johan Dippenaar	Richard Duffy	
Single figure of total remuneration (£)	1,115,496	804,361	1,075,225	999,034	1,137,521	545,687	550,801	449,172	145,222	<b>384,256</b>
Annual bonuses as a % of maximum <sup>1</sup>	68%	72.5%	85.5%	40.0%	55.0%	11.4%	17.6%	23.7%	29.6%	—
Long-term incentives (PSP awards) as a % of maximum <sup>2</sup>	—	—	62.2%	57.0%	55.0%	24.9%	17.5%	16.6%	N/A	—
Long-term incentives (LTSP awards) as a % of maximum	—	—	N/A	42.5%	42.3%	N/A	N/A	N/A	N/A	<b>N/A</b>

1. The Chief Executive's annual bonus for FY 2011 was £170,000.

2. Prior to FY 2012, the Company granted share options to Executive Directors. For the purposes of the single figure for FY 2010 to FY 2013 in the table above, these options have been split into three equal tranches and valued based on the notional gain as at the first, second and third anniversaries of the original grant date.

3. Mr Dippenaar departed effective 31 March 2019 and the table reflects his remuneration (excluding payment in lieu of notice) for the nine-month period to date of his departure. Mr Duffy joined as Chief Executive effective 1 April 2019 and the above table reflects his remuneration for the three-month period to 30 June 2019.

## Directors' Remuneration Report continued

**Annual percentage change in remuneration of the Directors**

The following table sets out the annual percentage change in salary, benefits and bonus in respect of each Director and the average for the Company's employees (on a full-time equivalent basis).

		Year-on-year change in pay		
		Salary	Benefits	Bonus
<b>Average Company employee<sup>1</sup></b>		5.0%	13.0%	10%
<b>Executive Directors</b>				
Mr Duffy	Chief Executive	(8.3%)	(2.4%)	(100%)
Mr Breytenbach	Finance Director	(6.5%)	0.9%	(100%)
<b>Non-Executive Directors<sup>2</sup></b>				
Mr Pouroulis (resigned 31 March 2020)	Non-Executive Chairman	0.0%	(4.5%)	n/a
Mr Hill (appointed 1 April 2020)	Non-Executive Chairman	n/a	n/a	n/a
Ms Shine <sup>3</sup>	Senior Independent Non-Executive Director	(2.0%)	n/a	n/a
Dr Bartlett	Independent Non-Executive Director	(6.3%)	n/a	n/a
Mr Hamilton	Independent Non-Executive Director	(8.9%)	n/a	n/a
Ms Matloa <sup>3</sup>	Independent Non-Executive Director	5.7%	n/a	n/a
Mr Pryor	Independent Non-Executive Director	(6.3%)	n/a	n/a
Mr Lowrie <sup>4,5</sup>	Independent Non-Executive Director	(6.2%)	n/a	n/a

1. Average employee compensation is calculated using all employees in the Group (excluding Executive Directors), as the parent company employs only a small number of employees. The results were calculated by dividing actual salaries, benefits and bonuses paid out during the Year by the average number of employees.
2. The percentage changes in salary and fees for Directors differs from the annual increases awarded for FY 2020 as it takes into account a temporary reduction in salaries and fees for Q4 FY 2020 following the outbreak of the COVID-19 pandemic (as detailed in the relevant sections above), as well as the impact of changes in various chair positions in actual FY 2020 fees paid to the NEDs.
3. Ms Matloa's fees increased due to her role as Chair of the SED Committee for the full Year, following her assuming the role midway through FY 2019.
4. Ms Shine assumed the role of Senior iNED on 17 November 2020.
5. Mr Lowrie was Senior iNED up to the date of his retirement from the Board on 17 November 2020.

**Relative importance of spend on pay**

The following table sets out the percentage change in payments to shareholders and overall expenditure on pay across the Group.

	FY 2020 US\$m	FY 2019 US\$m	Change %
Payments to shareholders	nil	nil	0%
Group employment costs	117.8	143.2	(18%)

**Service contracts**

Director	Role	Date of contract	Contract end date	Notice period by Company or Director
<b>Executive Directors</b>				
Mr Duffy	Chief Executive	1 April 2019	N/A	12 months
Mr Breytenbach	Finance Director	19 February 2018	N/A	12 months
<b>Non-Executive Directors</b>				
Mr Hill	Non-Executive Chairman	1 January 2020	31 December 2022	1 month
Ms Shine	Senior Independent Non-Executive Director	22 October 2018	31 December 2021	1 month
Mr Hamilton	Independent Non-Executive Director	17 September 2018	29 November 2020	1 month
Ms Matloa	Independent Non-Executive Director	17 September 2018	10 November 2020 <sup>1</sup>	1 month
Mr Pryor	Independent Non-Executive Director	22 October 2018	31 December 2021	1 month
Mr Lowrie <sup>1</sup>	Senior Independent Non-Executive Director	17 September 2018	13 September 2020	1 month

1. Ms Matloa's contract is in the process of being extended.
2. Mr Lowrie retired from the Board on 17 November 2020.



## Membership of the Committee

The Committee members for FY 2020 were Varda Shine (Chair from 1 April 2020), Gordon Hamilton (Chair to 31 March 2020), Dr Pat Bartlett (stepped down on 30 June 2020) and Tony Lowrie (stepped down on 17 November 2020). Bernie Pryor and Octavia Matloa became members of the Committee on 1 July 2020, meaning that the Committee membership now comprises all of the Company's iNEDs.

The Committee is responsible for determining on behalf of the Board and shareholders:

- the Company's general policy on the remuneration of the Executive Directors, the Chairman and the Senior Management team;
- the total individual remuneration for the Chairman, Executive Directors and Senior Management including base salary, benefits, performance bonuses and share awards;
- the design and operation of the Company's share incentive plans;
- performance conditions attached to variable incentives;
- service contracts for Executive Directors; and
- oversee Group-wide workforce remuneration.

The full Terms of Reference for the Remuneration Committee have been approved by the Board and are available on the Company's website at [www.petradiamonds.com/about-us/corporate-governance/board-committees](http://www.petradiamonds.com/about-us/corporate-governance/board-committees).

Where appropriate, the Chairman and Executive Directors attend Committee meetings to provide suitable context regarding the business. Individuals who attend meetings do not participate in discussions which determine their own remuneration.

## External advisers

The Committee engages the services of Deloitte LLP ("Deloitte") to provide independent advice to the Committee relating to remuneration matters. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice it has received from Deloitte during the Year has been objective and independent. The fees paid to Deloitte for work carried out in FY 2022 for the Remuneration Committee totalled £39,850 (FY 2019: £17,600) and were based on a time and materials basis.

During the Year Deloitte also provided unrelated tax and general advisory services to the Company. Deloitte's Tanzanian practice (a separate Deloitte Touche Tohmatsu entity) did undertake the local statutory audit for Williamson Diamonds Ltd, a subsidiary of the Petra Diamonds Group, until FY 2019. BDO LLP remains the Group auditors.

## Statement of shareholder voting

The voting outcomes for the 2019 Directors' Remuneration Report and 2017 Directors' Remuneration Policy Report were as follows:

	For	% for	Against	% against	Total votes cast	Withheld
2019 Directors' Remuneration Report	396,518,936	94.47%	23,231,139	5.53%	419,750,075	12,260
2017 Directors' Remuneration Policy	376,406,002	99.96%	164,181	0.04%	376,570,183	9,779,383



**Varda Shine**

Chair of the Remuneration Committee

17 November 2020

## Directors' Remuneration Report continued

### Directors' Remuneration Policy Report

#### Directors' Remuneration Policy Report

The following section sets out the Group's Remuneration Policy (the "Policy Report"). As a Bermuda-incorporated company, Petra is not subject to the UK disclosure regulations. However, the Remuneration Committee continues to recognise the importance of good governance and therefore we are resubmitting our Policy Report to shareholders in accordance with the three-year renewal timeframe. It is intended that this Policy Report will be put forward to shareholders for approval at the 2020 AGM and will thereafter come into immediate effect following the AGM.

#### Remuneration principles

Petra's culture is performance driven. We have a management team that is highly experienced within the specialist world of diamond mining, which therefore brings unique skills to bear. Against this background, our approach to remuneration is guided by the following overarching principles:

- The employment terms for Executive Directors and Senior Management are designed to attract, motivate and retain high calibre individuals who will drive the performance of the business. The Group competes for talent with major mining companies and we aim for packages to be competitive in this market.
- Remuneration packages should be weighted towards performance-related pay.
- Performance measures should be tailored to Petra's strategic goals, and targets should be demanding.
- Share-based reward should be meaningful – the Committee believes long-term share awards provide alignment with the long-term interests of shareholders and the Company.
- Remuneration structures should take into account best practice developments, but these should be applied in a manner that is appropriate for Petra's industry and specific circumstances.
- Remuneration alignment with equitable culture throughout the workforce.

#### Review process and changes to the Policy Report

Taking into account the impact of COVID-19 as well as the current position of the business, the Remuneration Committee decided that it was not an appropriate time to undertake a full-scale review of the Policy Report. We are therefore proposing to roll forward our existing Policy Report, making some minor amendments to reflect good governance practice.

During the review the Committee took into account the latest governance developments, in particular the 2018 UK Corporate Governance Code and the evolving views of shareholders. Input was received from the Chairman and the Committee's independent advisers. Input was also received from the Company's management, whilst ensuring that any conflicts of interest were suitably mitigated.

The key changes between this Policy Report and the policy report which was approved by shareholders at the AGM in November 2017 are as follows:

- Executive Directors are eligible to use a portion of their benefit allowance to participate in the Company's pension plan on the same basis as the Group's South African workforce. This alignment with the workforce is now formalised in the Policy Report.
- The post-vesting holding period that was introduced to the Performance Share Plan ("PSP") in FY 2020 will now form part of the Policy Report.
- Post-employment shareholding requirements have been introduced.

## Fixed remuneration

### Salary

Purpose and link to strategy	<ul style="list-style-type: none"> <li>To attract and retain Executive Directors of the calibre required by the business.</li> <li>This is a core element of the remuneration package.</li> </ul>
Operation	<ul style="list-style-type: none"> <li>The base salaries for Executive Directors are determined by the Committee taking into account a range of factors including:                             <ul style="list-style-type: none"> <li>the scope of the role;</li> <li>the individual's performance and experience; and</li> <li>positioning against comparable roles in other mining companies of similar size and complexity.</li> </ul> </li> <li>Base salaries are normally reviewed annually with changes effective from the start of the financial Year on 1 July.</li> </ul> <p><b>Current implementation</b></p> <ul style="list-style-type: none"> <li>With effect from 1 July 2020, Executive Director salaries were unchanged from 1 July 2019:                             <ul style="list-style-type: none"> <li>Richard Duffy, CEO – £370,800; and</li> <li>Jacques Breytenbach, CFO – £265,200.</li> </ul> </li> </ul>
Maximum opportunity	<ul style="list-style-type: none"> <li>In determining salary increases, the Committee is mindful of general economic conditions and salary increases for the broader Company employee population.</li> <li>More significant increases may be made at the discretion of the Committee in certain circumstances, including (but not limited to):                             <ul style="list-style-type: none"> <li>where an individual's scope of responsibilities has increased;</li> <li>where, in the case of a new Executive Director who is positioned initially on a lower starting salary, an individual has gained appropriate experience in the role; and</li> <li>where the positioning is out of step with salary for comparable roles in the market.</li> </ul> </li> </ul>

### Benefits

Purpose and link to strategy	<ul style="list-style-type: none"> <li>To provide market competitive benefits.</li> </ul>
Operation	<ul style="list-style-type: none"> <li>Benefit policy is to provide an appropriate level of benefit for the role taking into account relevant market practice.</li> <li>Under the current arrangements, Executive Directors receive:                             <ul style="list-style-type: none"> <li>a benefits allowance of 10% of salary in respect of both benefits and pension; and</li> <li>Group life, disability and critical illness insurance.</li> </ul> </li> <li>Executive Directors may use a portion of their benefit allowance to contribute to the Company's defined contribution pension plan up to the maximum contribution in line with the wider workforce, funded from the benefits allowance.</li> <li>The Committee retains the discretion to provide reasonable additional benefits based on individual circumstances (e.g. travel allowance and relocation expenses for new hires, or pension arrangements).</li> </ul>
Maximum opportunity	<ul style="list-style-type: none"> <li>The benefit provision will be set at an appropriate level taking into account the cost to the Company and the individual's circumstances.</li> </ul>

# Directors' Remuneration Report continued

## Directors' Remuneration Policy Report

### Directors' Remuneration Policy Report continued

#### Variable remuneration

##### Annual bonus

Purpose and link to strategy	<ul style="list-style-type: none"> <li>To motivate and reward performance measured against annual key financial, operational and strategic goals of the Company, which reflect critical factors of success.</li> <li>Deferred element of the annual bonus ensures that part of the value of payments earned remains aligned to the Company's share price, thus creating alignment with the shareholder experience.</li> </ul>
Operation	<ul style="list-style-type: none"> <li>Short-term annual incentive based on performance during the financial year.</li> <li>A proportion of the award earned for a financial year will normally be deferred into shares.</li> <li>Deferred shares may accrue dividend equivalents.</li> <li>In exceptional circumstances, where delivery of the deferred element of the bonus in shares is deemed by the Company to be impractical for any reason (e.g. due to exchange control or other regulatory restrictions) cash equivalents linked to the share price provide alignment with shareholders. In the event that awards are, exceptionally, delivered as cash the amount would normally be used to purchase shares.</li> <li>Awards will be subject to malus and clawback provisions.</li> </ul>
Maximum opportunity	<ul style="list-style-type: none"> <li>Maximum award of up to 150% of base salary.</li> </ul>
Performance measures	<ul style="list-style-type: none"> <li>The amount of bonus earned is based on performance against financial, operational, strategic and personal measures.</li> <li>The Committee reviews the performance measures annually and sets targets to ensure that they are linked to corporate priorities and are appropriately stretching in the context of the business plan.</li> <li>Prior to determining bonus outcomes, the Committee considers performance in the round to ensure that actual bonuses are appropriate. The Committee retains the discretion to amend the formulaic outcome if considered appropriate and to ensure fairness to both shareholders and participants.</li> <li>Any amounts deferred into shares, normally for a period of two years, will be subject to continuing employment, but not to any further performance measures.</li> </ul>

##### Performance Share Plan

Purpose and link to strategy	<ul style="list-style-type: none"> <li>To motivate and reward for the delivery of long-term objectives in line with the business strategy.</li> <li>To create alignment with the shareholder experience and motivate long-term objectives.</li> </ul>
Operation	<ul style="list-style-type: none"> <li>Awards of conditional shares (or equivalent) which will normally vest based on performance over a period of three years.</li> <li>Awards granted from FY 2020 are normally subject to a two-year post-vesting holding period.</li> <li>Awards may accrue dividend equivalents.</li> <li>Where delivery in shares is deemed by the Company to be impractical for any reason (e.g. due to exchange control regulations) cash equivalents linked to the share price provide alignment with shareholders.</li> <li>Awards will be subject to malus and clawback provisions.</li> </ul>
Maximum opportunity	<ul style="list-style-type: none"> <li>Maximum award of up to 200% of salary and a normal award of 150% of salary.</li> </ul>
Performance measures	<ul style="list-style-type: none"> <li>Vesting is normally based on performance against financial, operational and strategic measures.</li> <li>The Committee determines targets each year to ensure that targets are stretching and represent value creation for shareholders, while remaining motivational for management.</li> <li>The Committee retains the discretion to amend the formulaic outcome if considered appropriate and to ensure fairness to both shareholders and participants.</li> <li>The Committee has additional discretion to make downward adjustments in the event that a significant increase in the share price leads to potentially excessive rewards.</li> </ul>

**Shareholding guidelines**

It is the Company's policy that each of the Executive Directors holds a meaningful number of Petra shares. The guideline is to build and maintain a minimum of two years' basic salary for the applicable Director. Newly appointed Executive Directors will normally have five years from the date of appointment to reach this guideline.

**Post-employment shareholding guidelines**

Executive Directors will normally be expected to maintain a minimum shareholding for two years following ceasing to be an Executive Director.

**Notes to the Remuneration Policy table****Performance measures for incentives**

The performance measures and targets for the annual bonus and PSP awards to Executive Directors are intended to be closely aligned with the Company's short-term and long-term objectives. The intention is to provide a direct link between reward levels, performance and the shareholder experience. While the Committee has flexibility to adjust the performance measures used over the course of the Policy, the following broadly summarises the performance measures currently used:

Cashflow generation	<ul style="list-style-type: none"> <li>Given Petra's current level of debt, one of the key performance measures for Executive Directors is the generation of cashflow and the resultant deleveraging of the Group.</li> </ul>
Costs and Capex control	<ul style="list-style-type: none"> <li>Petra remains focused on managing costs and profitability. Cost management and capital expenditure measures form part of the annual bonus and PSP metrics.</li> </ul>
Production and revenue	<ul style="list-style-type: none"> <li>Carat production and product mix are at the core of Petra's strategy. These measures are therefore embedded in the performance measurement framework.</li> </ul>
Corporate and ESG	<ul style="list-style-type: none"> <li>Corporate and strategic priorities including health, safety and ESG measures are explicitly included as part of the annual bonus and PSP framework, reflecting Petra's commitment to corporate responsibility.</li> </ul>
Total shareholder return	<ul style="list-style-type: none"> <li>Share awards are linked to value created for shareholders by measuring both relative and absolute total shareholder return ("TSR").</li> </ul>

**Malus and clawback provisions**

In line with best practice, the vesting of deferred bonus and PSP awards is subject to malus and clawback provisions. The malus provision enables the Committee to exercise discretion to reduce, cancel or impose further conditions on an award prior to vesting or exercise (as the case may be). The clawback provision enables the Committee to require participants to return some or all of an award after payment or vesting. Both provisions may be applied in circumstances including:

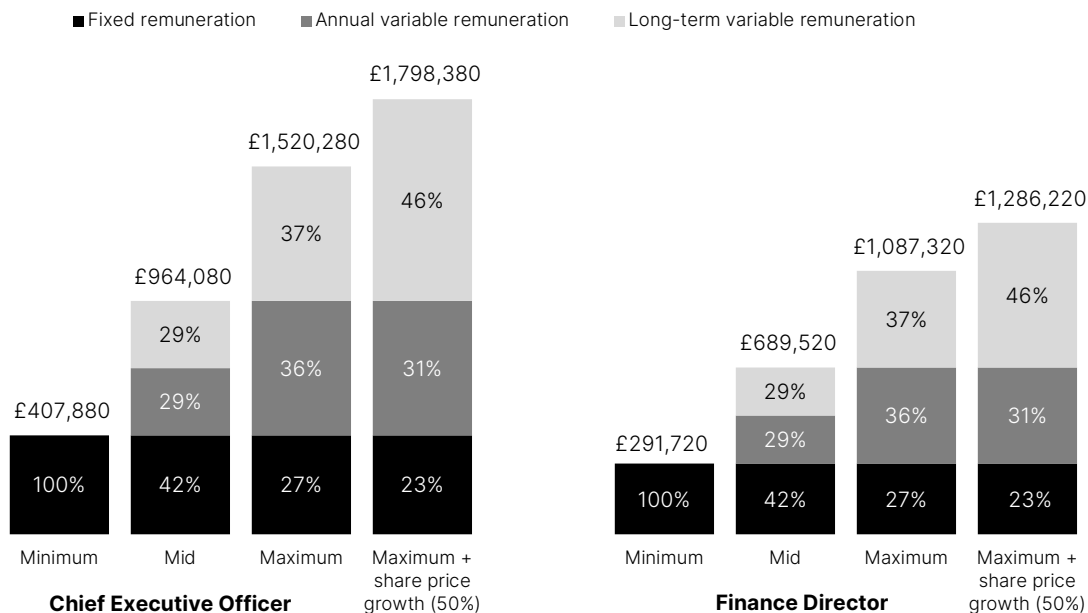
- a serious misstatement of the Company's audited results;
- gross misconduct;
- payments based on erroneous data; or
- a serious failure of risk management.

# Directors' Remuneration Report continued

## Directors' Remuneration Policy Report

### Directors' Remuneration Policy Report continued

#### Illustration of application of the Remuneration Policy



The charts above have been compiled using the following assumptions:

Fixed remuneration	Fixed remuneration (salary and benefits allowance) as at 1 July 2020.
Variable remuneration	<ul style="list-style-type: none"> <li>• <b>Annual bonus:</b> maximum award of up to 150% of salary.</li> <li>• <b>PSP:</b> FY 2021 conditional awards will be determined once the ongoing capital restructuring has been finalised. The normal award size of 150% of annual salary is shown for reference.</li> <li>• The amounts shown in the minimum, mid and maximum scenarios do not take into account share price growth. The amounts in all scenarios do not take into account receipt of dividend equivalents.</li> </ul>

#### Performance scenarios

Minimum	Fixed remuneration only.
Mid	Fixed remuneration plus variable pay for the purpose of illustration as follows: <ul style="list-style-type: none"> <li>• <b>Annual bonus:</b> assumes a bonus pay-out of 50% of maximum.</li> <li>• <b>PSP:</b> assumes vesting of 50% of maximum.</li> </ul>
Maximum	Fixed remuneration plus variable pay for the purpose of illustration as follows: <ul style="list-style-type: none"> <li>• <b>Annual bonus:</b> assumes a bonus pay-out of 100% of maximum.</li> <li>• <b>PSP:</b> assumes vesting of 100% of maximum.</li> </ul>
Maximum + share price growth (50%)	Fixed remuneration plus variable pay for the purpose of illustration as follows: <ul style="list-style-type: none"> <li>• <b>Annual bonus:</b> assumes a bonus pay-out of 100% of maximum.</li> <li>• <b>PSP:</b> assumes vesting of 100% of maximum plus 50% share price growth.</li> </ul>

### Recruitment policy

The Committee's key principle when determining appropriate remuneration arrangements for a new Executive Director (appointed from within the organisation or externally) is to ensure that arrangements are in the best interests of both Petra and its shareholders, without paying more than is considered necessary by the Committee to recruit an executive of the required calibre to develop and deliver the business strategy.

Fixed pay	Salary and benefits would be determined within the bounds of the future policy table above.
Variable pay	The UK regulations require the identification of a maximum level of variable pay which may be granted on recruitment (excluding any buy-out arrangements). The maximum level of variable pay (bonus and long-term incentives) for a new recruit will be consistent with the Policy table on page 122. Within these limits and where appropriate the Committee may tailor the incentives (e.g. timeframe, form and performance criteria) based on the commercial circumstances at the time of recruitment.
Buy-outs	<p>The Committee may need to buy out remuneration forfeited on joining Petra. In such circumstances, the Committee will seek to ensure any buy-out is of comparable commercial value and is capped as appropriate.</p> <p>The quantum, form and structure of any buy-out arrangement will be determined by the Committee taking into account the terms of the forfeited arrangements (e.g. form of award, timeframe, performance criteria, likelihood of vesting, etc.). The buy-out may be structured as an award of cash or shares; however, where appropriate, the Committee will normally seek to make awards under the existing incentive plans.</p>
Non-Executive Directors	On the appointment of a new Non-Executive Chairman or Non-Executive Director, the fees will be consistent with the policy set out on page 126. Fees to Non-Executive Directors will not include share options or other performance-related elements.

### Executive Director service contracts and policy on payment for loss of office

When determining leaving arrangements for an Executive Director, the Committee takes into account any contractual agreements including the provisions of any incentive arrangements, typical market practice and conduct of the individual. The Committee may also make any payments by way of compromise or settlement of any claim arising in connection with an Executive Director's cessation. Any such payments may include amounts in respect of accrued leave and any other professional or legal fees in connection with the cessation.

Notice period	The Executive Director service contracts are terminable by 12 months' written notice on either side and contain non-compete and non-solicitation clauses (dealing with customers/clients and non-solicitation of Directors or senior employees restrictions following termination).
Payment in lieu of notice	In the event of termination by the Company of an Executive Director's employment, the contractual remuneration package (incorporating base salary and benefits including any legal and professional fees), reflecting the 12-month notice period, would normally be payable.
Annual bonus	The Executive Director may, at the discretion of the Committee, remain eligible to receive an annual bonus for the financial year in which they ceased employment. Such a bonus will be determined by the Committee taking into account time in employment and performance.
Share awards	<p><b>'Good leavers' (e.g. ill health or retirement)</b></p> <p>If a participant is deemed to be a good leaver, unvested awards will usually continue until the normal vesting date, unless the Board determines that the award will vest sooner (e.g. at the time of departure). For PSP awards any vesting will normally take account of any performance targets and, unless the Board determines otherwise, the time elapsed since the award was granted. The Board will determine the extent to which any post-vesting holding period will continue to apply.</p> <p><b>'Bad leavers'</b></p> <p>If a participant is deemed to be a bad leaver, unvested awards will lapse.</p>

# Directors' Remuneration Report continued

## Directors' Remuneration Policy Report

### Directors' Remuneration Policy Report continued

#### Future Remuneration Policy for Non-Executive Directors

The remuneration of the independent Non-Executive Directors, with the exception of the Chairman, is determined by the Chairman and the Executive Directors; the remuneration of the Chairman is determined by the Committee. Directors are not involved in any decisions as to their own remuneration.

The table below sets out the Remuneration Policy with respect to the Non-Executive Directors. Independent Non-Executive Directors do not participate in the Company's bonus arrangements, share schemes or pension benefit plans. Any new independent Non-Executive Director will be treated in accordance with this Policy.

<u>Approach to setting fees</u>	<u>Opportunity</u>
The fees for Non-Executive Directors are set at a level which is considered appropriate to attract individuals with the necessary experience and ability to oversee the business.	The fee opportunity reflects responsibility and time commitment.
Fees are reviewed periodically, typically annually.	Additional fees are paid for further responsibilities, such as chairmanship of Committees.
Judgement is used and consideration is given to a number of internal and external factors including responsibilities, market positioning, inflation and pay increases for the broader Company employee population.	The value of benefits provided will be reasonable in the market context and take account of the individual circumstances and benefits provided to comparable roles.
Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties and any associated taxes) incurred in the course of performing their duties may be reimbursed to Non-Executive Directors.	

#### Legacy arrangements

The Committee may approve payments outside of the Remuneration Policy in order to satisfy any legacy arrangements agreed prior to the adoption of this Policy Report or made to a Director prior to (but not in contemplation of) appointment to the Board.

#### Incentive plan discretions

All incentive awards are subject to the terms of the relevant plan rules under which the award was granted. The Committee may adjust or amend awards in accordance with the provisions of the plan rules. This includes making adjustments to awards to reflect corporate events, such as a change in the Company's capital structure.

The Committee may adjust the weightings and measures under the annual bonus and PSP. The Committee retains the discretion to exclude operational, strategic or personal measures.

The Committee may adjust the calibration of performance measures and vesting outcomes, or substitute or amend any vesting condition. The Committee retains the discretion to amend the formulaic outcome if considered appropriate and to ensure fairness to both shareholders and participants, including both upwards and downwards discretion.

In the event of a change of control of the Company, the Committee may determine the extent to which any PSP award will vest, taking into account the extent that any performance target has been satisfied, the period of time that has elapsed since the award was granted, and such other factors the Board deems relevant. Deferred awards will normally vest in full on a change of control, unless the Committee determines otherwise. PSP and deferred bonus awards may be exchanged for an equivalent award in the acquiring company.

#### Minor changes

The Committee may make minor amendments to the Remuneration Policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes).

#### Remuneration elsewhere in the Company

When assessing remuneration, the Committee takes care to ensure that pay levels reflect roles and responsibilities. The Committee also takes care to ensure that packages for senior individuals are appropriate in comparison to the remuneration of other employees within the Company, whilst still supporting delivery of Petra's corporate objectives. Remuneration arrangements throughout the organisation are based on similar reward principles.

#### Shareholder engagement

The Committee believes that it is very important to maintain open dialogue with shareholders on remuneration matters. The Committee consulted with the Company's major shareholders in the development of the Remuneration Policy.



## Directors' Responsibilities Statement

### Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the Bermuda Companies Act 1981.

Company law requires the Directors to prepare Financial Statements for each financial year. The Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to ascertain with reasonable accuracy at any time the financial position of the Company and to ensure that the Financial Statements comply with the Bermuda Companies Act 1981. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Directors' responsibilities pursuant to DTR4

In accordance with Chapter 4 of the Disclosure and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom the Directors confirm to the best of their knowledge:

- the Group's Financial Statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties that it faces.

### Fair, balanced and understandable

The Board considers that the Annual Report and Accounts, taken as a whole, provides shareholders with a fair, balanced and understandable view of Petra's business and the outlook for the future developments of the Group, as well as the principal risks and uncertainties which could affect the Group's performance.

### Auditors

As far as each of the Directors are aware at the time this report was approved:

- there is no relevant available information of which the auditors are unaware; and
- they have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

In accordance with Section 89 of the Bermuda Companies Act 1981 (as amended), a resolution to confirm the re-appointment of BDO LLP as auditors of the Company is to be proposed at the 2020 AGM to be held on 17 December 2020.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Bermuda and the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Financial Statements were approved by the Board of Directors on 17 November 2020 and are signed on its behalf by:



**Richard Duffy**

Chief Executive

17 November 2020

# Independent Auditor's Report

## To the members of Petra Diamonds Limited

### 1. Our opinion

We have audited the Financial Statements of Petra Diamonds Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows, the Consolidated Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's affairs as at 30 June 2020 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Financial Statements have been prepared in accordance with the requirements of the Bermuda Companies Act 1981.

### 2. Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Material uncertainty related to going concern

We draw attention to note 1.1 to the Financial Statements concerning the Group's ability to continue as a going concern. The matters explained in note 1.1 indicate that the Group is reliant on the successful conclusion of the proposed capital Restructuring to continue as a going concern which is dependent on execution of a Lock-Up Agreement and subsequent approval by the Company's shareholders.

Additionally, as set out in note 1.1, in the event of a successful capital Restructuring, the Group's forecasts remain sensitive to both trading conditions and the potential impact of COVID-19, which may 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 for the proposed lending facilities to remain available and, if unavailable, additional funding may be required.

As stated in note 1.1 these events or conditions, along with the other matters disclosed in note 1.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above, we considered going concern to be a key audit matter. Our audit procedures in response to this key audit matter included the following:

#### How we addressed the matter

- We made enquiries of Management and the Board regarding the status and form of the proposed capital Restructuring together with the steps required for completion of the transaction. We reviewed the Term Sheet in respect of the proposed Restructuring to obtain a detailed understanding of the proposed terms.
- We discussed the potential further impact of COVID-19 with Management and the Audit and Risk Committee including their assessment of risks and uncertainties associated with areas such as the Group's tenders, production and diamond prices that are relevant to the Group's business model and operations. We formed our own assessment of risks and uncertainties based on our understanding of the business and mining sector and the impact of COVID-19 to date.
- We obtained Management's sensitivity and reverse stress test analysis, which was performed to determine the point at which covenants and liquidity breaks, and considered whether such scenarios were possible given both normal trading risks and the potential impacts of COVID-19 and continued level of uncertainty.
- We critically reviewed the Group's base case forecasts and challenged Management's assumptions in respect of diamond prices, production, operating costs, foreign exchange rates and capital expenditure. In doing so, we considered factors such as empirical performance, trading to date in H1 FY 2021 and external market data. We specifically confirmed that the forecast period excluded receipts associated with Parcel 1 and outstanding VAT receivables at Williamson.
- We compared the debt service cash flows to the proposed terms in the Term Sheet. We recalculated Management's forecast covenant compliance and assessed the consistency of such calculations with the ratios stated in the Term Sheet.
- We reviewed the disclosures in note 1.1 to the Financial Statements in respect of going concern.

#### 4. Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the Directors' confirmation set out on page 43 in the annual report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement set out on pages 142 to 144 in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; or
- the Directors' explanation set out on pages 91 and 92 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

#### 5. Overview of our audit approach

Materiality	FY 2020	FY 2019	Change
Materiality for the Financial Statements as a whole	<b>US\$5.0 million</b>	US\$6.5 million	↓
Materiality levels used for the audits of the significant components of the audit	<b>US\$1.4 million to USD\$3.3 million</b>	US\$1.1 million to US\$3.8 million	↓
<b>Audit scope coverage</b>	96% of total assets, 100% of revenue and 97% of loss before tax		

#### 6. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<b>What we considered to be a key audit matter</b>	The risk that judgements and estimates in the impairments of the mining assets were inappropriate.	The risk that judgements regarding the recoverability of Williamson's 'Parcel 1' inventory blocked for export and VAT receivables were inappropriate given the legislative environment in Tanzania.	The risk that the judgments in respect of the accounting for the guarantee in respect of the BEE Lender Facilities were inappropriate and that the BEE receivables are not recoverable.
<b>Why it represented a key audit matter</b>	Management were required to exercise significant judgement and estimation in these areas and, in the case of Williamson's inventory and VAT, these are further impacted by the uncertainties associated with the legislative environment of Tanzania. The appropriate disclosure of such judgements and estimates was also a focus for the audit.		
<b>Relevant information in Financial Statements and Report of the Audit and Risk Committee</b>	Note 8. Report of the Audit and Risk Committee page 86.	Notes 18 and 19. Report of the Audit and Risk Committee page 87.	Note 16. Report of the Audit and Risk Committee page 88.

# Independent Auditor's Report continued

To the members of Petra Diamonds Limited

## 6. Key audit matters continued

### 1. The risk that the judgements and estimates in the impairments of the mining assets are inappropriate

As detailed in note 8, the assessment of potential impairments to the carrying value of mining assets required significant judgement and estimates by Management. Given the Group's market capitalisation at 30 June 2020 was significantly below its net assets, together with the recent downturn in the global rough diamond market as a result of COVID-19 which has significantly impacted realised rough diamond prices, Management identified impairment indicators under IFRS and performed an impairment test on each of the Group's mining operations.

As detailed in note 8, as at 30 June 2020, the Group recognised an US\$85.5 million impairment charge across its operations to write the mining assets down to their recoverable amount. The appropriateness of judgements and estimates applied in determination of the recoverable amounts represented a significant risk for our audit, particularly given the sensitivity of the recoverable amount to assumptions including short term and longer term diamond prices, foreign exchange rates, the recoverability of future VAT at Williamson and timing of Williamson re-commencing production (see page 150).

#### How we addressed the matter

- We evaluated Management's impairment models against approved LOM plans and our understanding of the operations, and critically challenged the key estimates and assumptions used by Management for each of the mining operations.
- In respect of short term pricing assumptions, our testing included evaluation of Management's diamond price forecasts against prices achieved during the Year and post Year end. In particular, we challenged Management on their assumptions regarding the impact of the current market downturn on pricing and the basis for their estimates as to the extent to which the market will recover in the short term. In assessing Management's estimates, we considered empirical price recoveries after historical market shocks, utilised public source information including market analyst and other diamond producer commentary on the short term outlook, together with assessment of the effect of product mix on pricing.
- In respect of long term pricing, we considered the appropriateness of the long term diamond price escalator of 1.8% above a long term US inflation rate of 2.5% per annum from FY 2024 to FY 2030. In evaluating whether Management's estimate was within an acceptable range we compared the price escalator to market guidance and historical market pricing trends over various time horizons. In addition, we searched for alternative views on the long term outlook and challenged Management's forecasts using a variety of information sources, including market analyst commentary, other diamond producer pricing outlooks and demand and supply side factors that would be expected to impact market pricing.
- In terms of the recovery of historic VAT at Williamson (see 'The risk that judgements regarding the recoverability of 'Parcel 1' inventory blocked for export and VAT receivables were inappropriate given the legislative environment in Tanzania' to follow), we confirmed that given the risks and uncertainty over the timing of recovery, any cashflows associated with the recovery of historic VAT were excluded from the impairment model and the VAT receivable was excluded from the cash generating unit asset base and tested separately for impairment, as detailed below. With regards to future VAT recovery, we assessed the appropriateness of including future recovery in the forecasts, especially given the significant delays in historic recovery. In doing so, we considered legislative changes and evaluated legal advice obtained by Management, reviewed any correspondence with the tax authorities and made inquiries of Management regarding the status of discussions with the GoT. In addition, we considered the risk of delays in future VAT recovery and the extent to which such risks were adequately reflected in the discount rate.
- In respect of the forecast date at which Williamson would recommence production, we discussed Management's judgement with the Audit and Risk Committee and considered the basis for the judgement with reference to forecast diamond pricing impacting the economic viability of the mine and risks associated with the ongoing negotiations with the GoT regarding the recovery of historic VAT and Parcel 1.
- On the other key assumptions, our testing included comparison of foreign exchange rates to market spot and forward rates; recalculation of discount rates and evaluation of the appropriateness of risk premiums therein; and critical review of the forecast cost, capex and production profiles against approved mine plans, reserves and resources reports and empirical performance.
- We reviewed Management's sensitivity analysis and performed our own sensitivity analysis over individual key inputs.
- We held discussions with the Audit and Risk Committee to consider the recoverable amount under the forecasts, including downside risks and sensitivity around pricing, production, foreign exchange rates, the timing of the Williamson mine re-start and discount rates.
- We evaluated the disclosures given in note 8.

#### Observations

In respect of the recoverable amount of the mining assets, we found the Group's conclusion to be appropriate and that the Board's assessment of the recoverable amount at 30 June 2020 considered both the Group's plans, recent performance and continued risks and uncertainties. We found the disclosures in note 8 to be relevant and informative.

## 6. Key audit matters continued

### 2. The risk that judgements regarding the recoverability of 'Parcel 1' inventory blocked for export and VAT receivables were inappropriate given the legislative environment in Tanzania

The legislative changes in Tanzania targeted at the mining industry, together with the seizure of 'Parcel 1' in September 2017, created a significant commercial risk to the Group and has required the Board to exercise judgement in respect of a number of areas:

#### Inventory

As detailed in note 19, Parcel 1 from FY 2018 of 71,654 cts held at US\$9.2 million being the lower of cost and net realisable value was confiscated by the GoT and is being prevented from export and sale, although subsequent parcels have been released for export. Given the circumstances and continued confinement of the parcel, determination that the inventory remained recoverable required the Board to consider whether it continued to retain legal title to the parcel, the likelihood and form of recovery, together with the timing thereof. As such, the recoverability of Parcel 1 inventory was considered to represent a key focus for our audit.

#### VAT

As detailed in note 18, the gross value of Williamson's VAT receivable has increased to US\$39.9 million at 30 June 2020.

US\$13.0 million relates to historic VAT prior to July 2017 which arose under the pre-2017 VAT legislation in Tanzania. Given the significant ageing of the balance and absence of any significant receipts, the Board needed to consider whether there were indications that the VAT was disputed or invalid, together with the ultimate timing of future recoveries. In doing so, the Board applied judgement and considered factors including the ongoing VAT audits, discussions with relevant authorities in Tanzania and the wider operating environment.

A further US\$26.9 million of VAT relates to VAT arising under the legislation, effective from July 2017 to June 2020. The ability of the Group to recover VAT is dependent on the interpretation and application of the new legislation to diamond mining. In addition, judgement was required in assessing the ultimate timing of recovery of eligible VAT. We note that the VAT legislation was further amended, effective from July 2020, which provided clarity on the legislation enacted from July 2020 removing the element that required specific interpretation previously.

Given these circumstances, the carrying value and presentation of VAT was considered to represent a key risk for our audit.

#### How we addressed the matter

##### Inventory

- During our prior year audits, we reviewed the shipping documentation and export approvals for the parcel together with documents demonstrating that relevant GoT authorities seized the parcel. We obtained confirmation from the GoT that the parcel was held by the GoT and remained unsold. We performed procedures to assess the steps undertaken in the export process to assess Management's conclusion that legislative requirements were appropriately followed. For the current Year, we have reviewed correspondence with the GoT authorities which did not indicate any change to the status of the parcel. We also confirmed with Management and the Board that there have been no indications that the parcel is no longer held by the GoT during their engagement with the GoT.
- We reviewed all correspondence with the GoT and the legal appeal previously filed by the Group, in conjunction with their legal adviser, in relation to the blocked parcel which sets out the Group's legal entitlement to return of the parcel.
- We discussed and critically assessed Management's own assessment of the Group's rights over the parcel with the Group's independent external Tanzanian legal adviser. We have obtained written confirmation from the Group's Tanzanian legal adviser which supports the Directors' assessment that the parcel is being held without any procedural claim or merit, that the Group continues to hold legal title to the parcel and the Group would have a valid claim for compensation if the parcel is not released. In relying upon the assessments made by such expert, we evaluated the competence and objectivity of the professional adviser relied upon by Management.
- We challenged Management regarding the method, likelihood and timing of recovery and discussed the judgement with the Audit and Risk Committee. In doing so, we considered representations regarding the status of discussions with GoT representatives, including GoT representatives on the Williamson board. We obtained written representations from the Board in respect of the judgement.
- We reviewed the carrying value of the inventory, held at net realisable value, against average tender values achieved in H2 FY 2020 and H1 FY 2021.

# Independent Auditor's Report continued

To the members of Petra Diamonds Limited

## 6. Key audit matters continued

### 2. The risk that judgements regarding the recoverability of 'Parcel 1' inventory blocked for export and VAT receivables were inappropriate given the legislative environment in Tanzania continued

#### VAT

- We examined the Group's correspondence with the tax authorities in respect of the US\$13.0 million pre-2017 legislation VAT for indicators that such taxes were irrecoverable under local tax rules or subject to dispute. In addition, we made enquiries of the Board and Management and reviewed minutes of meetings to identify indicators that VAT is disputed or may be irrecoverable.
- In respect of the US\$26.9 million VAT arising under the legislation effective from July 2017 to June 2020, we reviewed the definition of 'raw minerals' under the legislation and in conjunction with our tax specialists, evaluated Management's judgement that rough diamond production is outside of the scope of the legislation. We inspected correspondence from the tax authorities rejecting the Group's assessment. We reviewed correspondence with the tax authorities and made enquiries of Management regarding the nature of their ongoing discussions with the GoT. In addition, we reviewed the VAT legislation that was further amended, effective from July 2020, which provided clarity on the legislation enacted from July 2017.
- We discussed and critically assessed Management's own assessment that the Group can legally recover the VAT with the Group's independent external Tanzanian legal adviser. We have obtained written confirmation from the Group's Tanzanian legal adviser which supports the Board's assessment that the VAT is legally valid and remains recoverable. In addition, we considered the nature of the rough diamond acidisation and sorting processes in assessing whether Management's judgement that the VAT is recoverable under the legislation is acceptable. In relying upon the assessments made by such expert, we evaluated the competence and objectivity of the professional adviser relied upon by Management.
- We considered and challenged Management's assessment of the provision for discounting including the estimates regarding the timing of recovery and risk adjusted discount rate applied in the calculation and performed sensitivity analysis to consider alternative scenarios. In particular, this included consideration of the payment history, apparent fiscal constraints on the GoT and political developments, the nature of ongoing correspondence and other ongoing legislative changes.
- We reviewed the disclosures in the Financial Statements to satisfy ourselves that the judgements and estimates have been appropriately disclosed.

#### Observations

In relation to the Parcel 1, we found the Group's conclusion that they are entitled to the return of the parcel to be acceptable and suitably supported by independent advice from Management's external experts. We found the judgement regarding the likelihood, method and timing of recovery to have been appropriately considered and disclosed.

In relation to the US\$13.0 million VAT under the pre-2017 legislation, we found no evidence of disputes in respect of VAT receivables claimed. We found Management's assessment that the US\$26.9 million VAT under the legislation, effective July 2017 to June 2020, is valid to be an area of significant judgement given the lack of clarity in the tax legislation in that period and dispute ongoing with the GoT. However, based on external legal advice, we found Management's assessment to be acceptable and appropriately disclosed.

We found the estimates regarding the credit adjusted discount rate and timing of recovery to be highly subjective but acceptable.

We found the disclosures included in the Financial Statements in notes 18 and 19 to be appropriate.

### 3. The risk that the judgments in respect of the accounting for the guarantee in respect of the BEE Lender Facilities were inappropriate and that the BEE receivables are not recoverable

As at 30 June 2020, the Group held loan receivables of US\$147.9 million due from its BEE partners as set out in Note 16 which are repayable out of cashflows generated from the Group's mines. The BEE partners hold non-controlling interests in Finsch, Cullinan and Koffiefontein and the Group holds loans payable to its BEE partners totalling US\$108.6 million.

At 30 June 2020, as detailed in Note 16, the Group recorded US\$40.0 million within loans and borrowings in respect of guarantees provided by the Group to the South African BEE Lender Group in respect of the BEE Lender Facilities following the event of default arising on the Second Lien Notes and associated cross default on the BEE Lender Facilities.

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.

Under IFRS 9, the Group performed an expected credit loss assessment on the recoverability of the BEE receivable balance and recorded an expected credit loss provision of US\$10.9 million which required judgement and estimation by Management.

The appropriateness of judgements and estimates applied in determination of the accounting for the guarantee and associated reimbursement asset, together with the expected credit loss determination, represented a key focus for our audit.

## 6. Key audit matters continued

### 3. The risk that the judgments in respect of the accounting for the guarantee in respect of the BEE Lender Facilities were inappropriate and that the BEE receivables are not recoverable continued

#### How we addressed the matter

- We evaluated Management's assessment that the US\$40.0 million guarantee under the BEE Lender facilities met the criteria for recognition under IFRS. In doing so we reviewed the terms of the BEE Lender facilities guarantee and considered the impact of the default under the Second Lien Notes and subsequent Forbearance Agreement on the likelihood of the guarantee being called. We obtained external confirmation of the outstanding amount of the BEE Lender facilities.
- We considered the Group's judgment that the asset recognition criteria were met in respect of the equivalent reimbursement asset. In doing so we reviewed external legal advice obtained by Management regarding the entitlement to such reimbursement under South African legislation and held a call with the Group's legal advisers to discuss their legal analysis.
- We have obtained and reviewed Management's assessment of the expected credit loss (ECL) provision against the BEE receivables and considered whether this is in line with the requirements of IFRS 9.
- We considered and challenged Management's assessment of the ECL provision. In doing so we evaluated the methodology used and scenarios applied against our understanding of the business. We discussed the appropriateness of the probability weightings of each scenario with the Audit and Risk Committee, confirmed the consistency of underlying cashflows with LOM plans and evaluated Management's judgments regarding the impact of the proposed capital Restructuring terms on the models based on information obtained during the course of our audit.
- We reviewed the disclosures in the Financial Statements.

#### Observations

We found Management's assessment to be acceptable. We found the estimates regarding the probability of the various recoverability scenarios to be highly subjective but appropriately considered.

We found the disclosures included in the Financial Statements in note 16 to be appropriate.

## 7. Our application of materiality

The materiality we applied equates to 1.25% of the average revenue for the last three years (FY 2019: 0.5% of the total assets of the Group). We considered revenue to be an appropriate benchmark for materiality given the Group has now substantially completed its capital expansion programmes and is delivering relatively steady state production. Given the impact of COVID-19 on diamond prices and the Group's inability to hold all of its planned tenders in FY 2020, we considered it appropriate to use a three year average revenue figure as the basis for materiality.

Whilst materiality for the Financial Statements as a whole was US\$5.0 million (FY 2019: US\$6.5 million), each significant component of the Group was audited to a lower materiality as detailed in the overview section.

Performance materiality is the application of materiality at the individual account or balance level and is set at an amount which reduces to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the Financial Statements as a whole. Performance materiality was set at 75% (2019: 75%) of the above materiality levels.

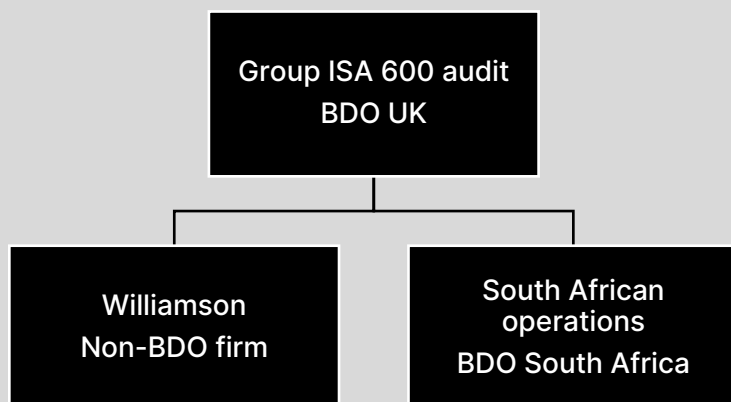
We agreed with the Audit and Risk Committee that we would report to them all individual audit differences identified during the course of our audit in excess of US\$0.1 million (FY 2019: US\$0.2 million). We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

## Independent Auditor's Report continued

To the members of Petra Diamonds Limited

### 8. An overview of the scope of our audit

Whilst Petra Diamonds Limited is a London Stock Exchange listed company, the Group's operating mines are located in South Africa and Tanzania. We assessed there to be four significant components being the Finsch, Cullinan, and Koffiefontein operations in South Africa and the Williamson mine in Tanzania.



Full scope audits for Group reporting purposes were performed on-site on the three significant South African reporting components by BDO in South Africa. The BDO firm in South Africa also performed audits on the South African non-significant components for Group reporting purposes. A full scope audit of the one significant component in Tanzania was performed on-site by a non-BDO firm in Tanzania. The Group audit team performed an audit of Petra Diamonds Limited as a standalone entity, along with the audit of the significant head office component, and the consolidation.

The combined effect of the component audits performed to component level materiality levels for the purpose of the Group audit opinion covered:

Total assets	Revenue	Profit before tax
96%	100%	97%

The remaining non-significant holding companies were principally subject to analytical review procedures.

As part of our audit strategy, as Group auditors:

- Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by the audits (including areas that were considered to be key audit matters as detailed above), and set out the information required to be reported to the Group audit team.
- The Group audit team performed procedures independently over key audit risk areas, as considered necessary, including the key audit matters above.
- The Group audit team was actively involved in the direction of the audits performed by the component auditors for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn.
- Members of the Group audit team attended virtual clearance meetings for all significant components and spent significant periods of time in virtual meetings with the component auditors responsible for the significant components during their fieldwork and completion phases.
- The Group audit team performed remote reviews of the significant component audit files.



## 9. Other information in the annual report set out on pages 1 to 126 and 197 to 216

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2020, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 127** – the statement given by the Directors that they consider the annual report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit and Risk Committee reporting set out on pages 79 to 90** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 63** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rules do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

## 10. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 127, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## 11. Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 12. Other matters

Following the recommendation of the Audit and Risk Committee, we were appointed to audit the Financial Statements for the year ending 30 June 2006 and subsequent financial periods. We were re-appointed by the Directors following a competitive tender to audit the Financial Statements for the period ended 30 June 2018. In respect of the period ended 30 June 2020 we were reappointed as auditor by the members of the Company at the AGM of the Company held on 29 November 2019. The period of total uninterrupted engagement is 15 years, covering the years ending 30 June 2006 to 30 June 2020.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

## Independent Auditor's Report continued

To the members of Petra Diamonds Limited

### **13. Use of our report**

This report is made solely to the Parent Company's members, as a body, in accordance with the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Scott Knight (Senior Statutory Auditor)**

For and on behalf of BDO LLP, Statutory Auditor

London

17 November 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Consolidated Income Statement

For the Year ended 30 June 2020

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

The notes on pages 142 to 196 form part of these Financial Statements.

## Consolidated Statement of Other Comprehensive Income

For the Year ended 30 June 2020

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

1. 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.

The notes on pages 142 to 196 form part of these Financial Statements.

## Consolidated Statement of Financial Position

At 30 June 2020

US\$ million	Notes	2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
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	—
<b>Total non-current assets</b>		<b>851.3</b>	1,087.5
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>191.1</b>	206.7
Non-current assets classified as held for sale	36	0.3	0.6
<b>Total assets</b>		<b>1,042.7</b>	1,294.8
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
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)
<b>Attributable to equity holders of the parent company</b>		<b>30.5</b>	311.7
Non-controlling interests	17	(18.8)	14.4
<b>Total equity</b>		<b>11.7</b>	326.1
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
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
<b>Total non-current liabilities</b>		<b>205.8</b>	866.7
<b>Current liabilities</b>			
Loans and borrowings	22	769.0	47.1
Lease liability	15	3.6	—
Trade and other payables	23	52.5	54.9
<b>Total current liabilities</b>		<b>825.1</b>	102.0
Liabilities directly associated with non-current assets classified as held for sale	36	0.1	—
<b>Total liabilities</b>		<b>1,031.0</b>	968.7
<b>Total equity and liabilities</b>		<b>1,042.7</b>	1,294.8

The notes on pages 142 to 196 form part of the Financial Statements.

The Financial Statements were approved and authorised for issue by the Directors on 17 November 2020.

## Consolidated Statement of Cashflows

For the Year ended 30 June 2020

US\$ million	Notes	2020	2019
<b>Loss before taxation for the Year from continuing and discontinued operations</b>		<b>(275.3)</b>	(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
<b>Operating profit before working capital changes</b>		<b>63.8</b>	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)
<b>Cash generated from operations</b>		<b>27.0</b>	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)
<b>Net cash (utilised in)/generated from operating activities</b>		<b>(8.1)</b>	99.0
<b>Cashflows from investing activities</b>			
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
<b>Net cash utilised in investing activities</b>		<b>(51.0)</b>	(137.9)
<b>Cashflows from financing activities</b>			
Principal paid on lease liabilities		(5.0)	—
Increase in borrowings		100.9	5.8
Repayment of borrowings		(43.5)	(108.5)
<b>Net cash generated from/(utilised in) by financing activities</b>		<b>52.4</b>	(102.7)
<b>Net decrease in cash and cash equivalents</b>		<b>(6.7)</b>	(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)
<b>Cash and cash equivalents at the end of the Year<sup>1</sup></b>	20	<b>53.6</b>	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.

The notes on pages 142 to 196 form part of the Financial Statements.

## 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
<b>At 30 June 2020</b>	<b>133.4</b>	<b>790.2</b>	<b>(453.0)</b>	<b>1.1</b>	<b>(0.8)</b>	<b>(440.4)</b>	<b>30.5</b>	<b>(18.8)</b>	<b>11.7</b>

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 <sup>1</sup>	—	—	(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).

The notes on pages 142 to 196 form part of these Financial Statements.

# 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.

### 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.



## 1. Accounting policies continued

### 1.1 Basis of preparation continued

#### 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 on pages 194 and 195 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.

# Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

## 1. Accounting policies continued

### 1.1 Basis of preparation continued

#### Conclusion continued

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. Accounting policies continued

### 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

# Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

## 1. Accounting policies continued

### 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.

## 1. Accounting policies continued

### 1.4 New standards and interpretations applied continued

#### 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 <sup>1</sup>
Amendments IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023 <sup>1</sup>

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 <sup>1</sup>	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

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**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)
	<b>(2.0)</b>	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
	<b>0.6</b>	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	<b>2.7</b>	2.8

**7. Auditors' remuneration**

US\$ million	2020	2019
Audit services <sup>1</sup>	0.9	0.9
Audit-related assurance services <sup>2</sup>	0.1	0.1
<b>Total</b>	<b>1.0</b>	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 Assurance 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 on pages 149 to 152.

#### 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	<p>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.</p> <p>The LOM for the operations are as follows:</p> <p>Finsch: FY 2030 (FY 2019: FY 2030)</p> <p>Cullinan: FY 2029 (FY 2019: FY 2029)</p> <p>Koffiefontein: FY 2023 (FY 2019: FY 2024)</p> <p>Williamson: FY 2030 (FY 2019: FY 2032)</p> <p>Resources remaining after the current LOM plans have not been included in impairment testing for the operations.</p>

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**8. Impairment of operational assets and other assets continued****8.1 Impairment testing assumptions continued****(a) Impaired continuing operations continued**

LOM – reserves and resources	<p>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).</p> <p>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).</p> <p>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).</p> <p>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).</p>
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	<p>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.</p> <p>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.</p> <p>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.</p>
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	<p>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.</p> <p>Management has not included the recovery of the historical VAT receivable in the impairment model.</p> <p>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.</p>



## 8. Impairment of operational assets and other assets continued

### 8.1 Impairment testing assumptions continued

#### (a) Impaired continuing operations continued

##### 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
<b>Sub-total</b>		<b>844.0</b>	<b>(85.5)</b>	<b>758.5</b>
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
<b>Sub-total</b>		<b>17.1</b>	<b>(6.4)</b>	<b>10.7</b>
<b>Total</b>		<b>861.1</b>	<b>(91.9)</b>	<b>769.2</b>

#### 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
<b>Sub-total</b>		<b>1,187.5</b>	<b>(223.7)</b>	<b>963.8</b>
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
<b>Sub-total</b>		<b>33.0</b>	<b>(22.9)</b>	<b>10.1</b>
<b>Total</b>		<b>1,220.5</b>	<b>(246.6)</b>	<b>973.9</b>

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**8. Impairment of operational assets and other assets continued****8.1 Impairment testing assumptions continued****(a) Impaired continuing operations continued***Sensitivity analysis*

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

(US\$ million)	Additional impairment charge			
	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 <sup>1</sup>	—	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 <sup>1</sup>	(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

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**11. Director and employee remuneration continued****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
	<b>3.7</b>	<b>4.5</b>

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	<b>(190,021,687)</b>	—	<b>(190,021,687)</b>	(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	<b>865,336,485</b>	<b>865,336,485</b>	<b>865,336,485</b>	865,336,485	865,336,485	865,336,485
Effect of shares issued during the Year	<b>63,152</b>	—	<b>63,152</b>	—	—	—
As at 30 June	<b>865,399,637</b>	<b>865,336,485</b>	<b>865,399,637</b>	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	<b>865,399,637</b>	<b>865,336,485</b>	<b>865,399,637</b>	865,336,485	865,336,485	865,336,485

## 12. Loss per share continued

### 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	<b>(21.96)</b>	—	<b>(21.96)</b>	(20.18)	(6.01)	(26.19)
Diluted loss per share	<b>(21.96)</b>	—	<b>(21.96)</b>	(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	<b>(190,021,687)</b>	—	<b>(190,021,687)</b>	(174,622,904)	(52,015,046)	(226,637,950)
Adjustments:						
Net unrealised foreign exchange losses/(gains) <sup>1</sup>	<b>64,036,456</b>	—	<b>64,036,456</b>	(4,022,483)	—	(4,022,483)
Impairment charge – Williamson VAT receivable	<b>6,816,715</b>	—	<b>6,816,715</b>	14,212,444	—	14,212,444
Impairment charge – operations <sup>1</sup>	<b>74,524,791</b>	—	<b>74,524,791</b>	174,009,126	—	174,009,126
(Reversal)/impairment – loan receivables	<b>(382,713)</b>	—	<b>(382,713)</b>	3,941,305	—	3,941,305
Impairment of BEE loans receivable – expected credit loss provision	<b>10,887,714</b>	—	<b>10,887,714</b>	—	—	—
Taxation credit on impairment charge <sup>1</sup>	<b>(8,595,566)</b>	—	<b>(8,595,566)</b>	(36,279,098)	—	(36,279,098)
Adjusted loss for the Year attributable to parent	<b>(42,734,290)</b>	—	<b>(42,734,290)</b>	(22,761,610)	(52,015,046)	(74,776,656)

1. Portion attributable to equity shareholders of the Company.

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**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
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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).

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**14. Property, plant and equipment continued****Significant accounting policies relevant to property, plant and equipment continued**

US\$ million	Plant and machinery	Mineral properties	Assets under construction <sup>1</sup>	Total
<b>Cost</b>				
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)
<b>Balance at 30 June 2020</b>	<b>1,209.5</b>	<b>54.1</b>	<b>18.2</b>	<b>1,281.8</b>
<b>Depreciation and impairment</b>				
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 <sup>2</sup>	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 <sup>2</sup>	85.3	0.2	—	85.5
Provided in the Year	75.3	3.0	—	78.3
<b>Balance at 30 June 2020</b>	<b>570.3</b>	<b>35.7</b>	<b>—</b>	<b>606.0</b>
<b>Net book value</b>				
At 30 June 2019	922.0	25.8	20.0	967.8
<b>At 30 June 2020</b>	<b>639.2</b>	<b>18.4</b>	<b>18.2</b>	<b>675.8</b>

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.



## 15. Leases continued

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
<b>Cost</b>			
Balance at 1 July 2019	1.9	8.2	10.1
Exchange differences	—	—	—
Additions	—	—	—
<b>Balance at 30 June 2020</b>	<b>1.9</b>	<b>8.2</b>	<b>10.1</b>
<b>Depreciation and impairment</b>			
Balance at 1 July 2019	—	—	—
Exchange differences	—	—	—
Impairments	—	—	—
Provided in the Year	(0.3)	(4.9)	(5.2)
<b>Balance at 30 June 2020</b>	<b>(0.3)</b>	<b>(4.9)</b>	<b>(5.2)</b>
<b>Net book value</b>			
At 30 June 2019	—	—	—
<b>At 30 June 2020</b>	<b>1.6</b>	<b>3.3</b>	<b>4.9</b>

### 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)
<b>Balance at 30 June 2020</b>	<b>1.1</b>	<b>3.6</b>	<b>4.7</b>

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.

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**15. Leases continued****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
<b>Non-current assets</b>		
BEE loans receivable <sup>1</sup>	137.0	109.6
<b>Non-current liabilities</b>		
BEE loans payable <sup>2</sup>	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.

## 16. BEE loans receivable and payable continued

### BEE loans receivable continued

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 <sup>1</sup>	—	(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.

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**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)
<b>At 30 June 2020</b>	<b>(20.2)</b>	<b>36.0</b>	<b>(34.7)</b>	<b>0.1</b>	<b>—</b>	<b>(18.8)</b>

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

## 18. Trade and other receivables continued

### Significant judgements and estimates relevant to VAT receivable at Williamson continued

- 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).
- 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.
- 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.
- 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

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**19. Inventories continued****Significant judgements and estimates relevant to diamond inventories continued****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).

## 21. Equity and reserves continued

### Share capital continued

#### 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
<b>Current</b>		
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
	<b>769.0</b>	47.1
<b>Non-current</b>		
Loans and borrowings – senior secured second lien notes	—	603.5
	<b>769.0</b>	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.

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**22. Interest-bearing loans and borrowings continued****(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 <sup>1</sup>	2020	2019 <sup>1</sup>	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 <sup>2</sup>	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)
<b>Consolidated net debt to consolidated EBITDA<sup>1,2</sup>:</b>						
<b>– New covenant ratio:</b>	<b>≤ 4.5x</b>	<b>≤ 4.25x</b>	<b>≤ 3.5x</b>	<b>≤ 3.25x</b>	<b>≤ 3.0x</b>	<b>≤ 2.0x</b>
– Previous covenant ratio:	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.0x
<b>Consolidated EBITDA to consolidated net finance charges:</b>						
<b>– New covenant ratio:</b>	<b>≥ 2.5x</b>	<b>≥ 2.5x</b>	<b>≥ 2.75x</b>	<b>≥ 3.0x</b>	<b>≥ 3.25x</b>	<b>≥ 6.0x</b>
– 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
<b>Current</b>		
Trade payables	<b>18.4</b>	20.9
Accruals and other payables <sup>1</sup>	<b>34.1</b>	34.0
	<b>52.5</b>	54.9
Income tax payable	—	—
	<b>52.5</b>	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).

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**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)
<b>Balance at 30 June 2019</b>	<b>11.7</b>	<b>49.6</b>	<b>61.3</b>
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)
<b>Balance at 30 June 2020</b>	<b>10.3</b>	<b>45.3</b>	<b>55.6</b>

**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)			<b>45</b>	46	<b>10</b>	14	<b>3</b>	8	<b>10</b>	14
Estimated rehabilitation cost (US\$ million)	<b>45.3</b>	49.6	<b>12.4</b>	14.3	<b>20.2</b>	22.4	<b>6.3</b>	6.8	<b>6.4</b>	6.1

## 24. Provisions continued

### Rehabilitation continued

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.

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**25. Deferred taxation continued****Significant estimates and judgments related to deferred tax assets continued**

Deferred taxation comprises:

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

US\$ million	Total	2019 Recognised	2019 Unrecognised
<b>Deferred tax liability</b>			
– Property, plant and equipment	157.4	157.4	—
– Prepayment and accruals	0.3	0.3	—
	157.7	157.7	—
<b>Deferred tax asset</b>			
– 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)
<b>Net deferred taxation liability/(asset)</b>	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.

## 26. Contingent assets/liabilities continued

### Litigation at Williamson continued

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.

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**27. Share-based payments continued****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)	<b>9.5p/10.0p/17.6p</b>	20.3p/25.0p/37.3p
Grant date	<b>24 October 2019</b>	15 October 2018
Share price at grant date	<b>7.0p</b>	37.3p
Expected volatility	<b>55.1%</b>	55.1%
Life of award	<b>3 years</b>	3 years
Expected dividends	—	—
Performance period	<b>3 years</b>	3 years
Correlation	<b>19.8%</b>	19.8%
Risk-free interest rate (based on national Government bonds)	<b>0.5%</b>	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 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	<b>10,479,660</b>	4,635,818
Fair value	<b>17.6p</b>	48.0p
Grant date	<b>24 October 2019</b>	22 November 2018
Share price at grant date	<b>7.0p</b>	48.0p
Life of award	<b>3 years</b>	3 years
Foreign exchange rate (ZAR/USD)	<b>ZAR15.00</b>	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.

## 27. Share-based payments continued

### 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)
<b>Options granted to Senior Management</b>	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 Directors' Remuneration Report on pages 109 to 119. Details relating to Directors' shareholdings in the Company are disclosed 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	<b>Kago Diamonds (14%)</b>	Kago Diamonds (14%)
Finsch	<b>Kago Diamonds (14%)</b>	Kago Diamonds (14%)
Koffiefontein	<b>Kago Diamonds (14%)</b>	Kago Diamonds (14%)

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**28. Related parties continued****BEE Partner and related party balances continued**

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
<b>Non-current receivable</b>		
Kago Diamonds <sup>1</sup>	72.1	54.6
	72.1	54.6
<b>Non-current payable</b>		
Kago Diamonds <sup>1</sup>	58.5	64.9
	58.5	64.9
<b>Current trade and other receivables</b>		
KEM JV <sup>2</sup>	8.0	8.6
Impairment provision <sup>2</sup>	(6.9)	(7.3)
	1.1	1.3
<b>Finance income</b>		
Kago Diamonds <sup>1</sup>	5.1	3.5
Ekapa Mining <sup>2</sup>	—	—
	5.1	3.5
<b>Finance expense</b>		
Kago Diamonds <sup>1</sup>	6.4	6.8
Ekapa Mining <sup>2</sup>	—	—
	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 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
<b>Operating activities</b>		
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
	<b>273.4</b>	406.6
<b>Investing activities</b>		
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
	<b>6.6</b>	6.0
<b>Investing activities</b>		
Non-cash interest payable on BEE loans on investing activity	11.9	12.6
	<b>11.9</b>	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	<b>676.9</b>	<b>52.1</b>	<b>40.0</b>	<b>4.7</b>	<b>773.7</b>	650.6	—	650.6

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**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 <sup>1</sup>	South Africa	Ordinary	74%	74%	Mining and exploration
Cullinan Diamond Mine (Pty) Ltd <sup>1</sup>	South Africa	Ordinary	74%	74%	Mining and exploration
Ealing Management Services (Pty) Ltd <sup>1</sup>	South Africa	Ordinary	100%	100%	Treasury
Finsch Diamond Mine (Pty) Ltd <sup>1</sup>	South Africa	Ordinary	74%	74%	Mining and exploration
Kalahari Diamonds Ltd	United Kingdom	Ordinary	100%	100%	Investment holding
Petra Diamonds Holdings SA (Pty) Ltd <sup>1</sup>	South Africa	Ordinary	100%	100%	Investment holding
Petra Diamonds Jersey Treasury Ltd <sup>1</sup>	Jersey	Ordinary	100%	100%	Treasury
Petra Diamonds Netherlands Treasury B.V. <sup>1</sup>	Netherlands	Ordinary	100%	100%	Treasury
Petra Diamonds Southern Africa (Pty) Ltd <sup>1</sup>	South Africa	Ordinary	100%	100%	Services provision
Petra Diamonds UK Treasury Ltd <sup>1</sup>	United Kingdom	Ordinary	100%	100%	Treasury
Petra Diamonds US\$ Treasury Plc <sup>1</sup>	United Kingdom	Ordinary	100%	100%	Treasury
Premier Rose Management Services (Pty) Ltd <sup>2</sup>	South Africa	Ordinary	—%	100%	Treasury
Sekaka Diamonds Exploration (Pty) Lt <sup>3</sup>	Botswana	Ordinary	100%	100%	Exploration
Tarorite (Pty) Ltd <sup>1</sup>	South Africa	Ordinary	74%	74%	Beneficiation
Willcroft Company Ltd <sup>1</sup>	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.

### 31. Pension scheme continued

#### 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
<b>Defined benefit obligations</b>		
Present value of funded obligations	<b>(7.6)</b>	(10.9)
Fair value of plan assets	<b>7.6</b>	10.9
Recognised deficit for defined benefit obligations	<b>—</b>	—
<b>Expense recognised in the income statement</b>		
Current service cost	<b>(0.1)</b>	(0.2)
Net interest on deficit	<b>—</b>	—
	<b>(0.1)</b>	(0.2)
<b>Change in the fair value of the defined benefit assets</b>		
At 1 July	<b>10.9</b>	11.0
Foreign exchange movement on opening balances	<b>(2.0)</b>	(0.3)
Return on plan assets – net of actuarial movements	<b>(1.0)</b>	0.4
Benefits paid to members	<b>(0.7)</b>	(0.8)
Contributions by Group – net	<b>0.4</b>	0.6
At 30 June	<b>7.6</b>	10.9
<b>Change in the present value of the defined benefit obligations</b>		
At 1 July	<b>(10.9)</b>	(11.3)
Foreign exchange movement on opening balance	<b>2.0</b>	0.4
Benefits paid to members	<b>0.7</b>	0.8
Current service cost	<b>(0.1)</b>	(0.2)
Finance expense	<b>(0.9)</b>	(1.1)
Contributions by members	<b>(0.1)</b>	(0.1)
Net transfers in	<b>1.7</b>	0.6
At 30 June	<b>(7.6)</b>	(10.9)
<b>Analysis of plan assets</b>		
Cash	<b>13.8%</b>	10.4%
Equity	<b>20.8%</b>	30.7%
Bonds	<b>24.5%</b>	24.6%
Property	<b>8.4%</b>	11.8%
Other – offshore	<b>32.5%</b>	22.5%
	<b>100.0%</b>	100.0%

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**31. Pension scheme continued****Defined benefit scheme continued**

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 on page 179.

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%).

**32. Post-retirement medical fund continued****Significant judgements and estimates relevant to medical funds continued**

US\$ million	2020	2019
<b>Post-retirement medical fund</b>		
Present value of post-employment medical care obligations	10.3	11.7
Unfunded status at 30 June	10.3	11.7
<b>Movements in present value of the post-retirement medical fund obligations recognised in the Consolidated Statement of Financial Position</b>		
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
<b>Expense recognised in the income statement</b>		
Current service cost	0.2	0.3
Finance expense	0.9	1.2
	1.1	1.5
<b>The expense is recognised in the following line items in the income statement</b>		
Mining and processing costs	0.2	0.3
Finance expense	0.9	1.2
	1.1	1.5
<b>Reconciliation of fair value of scheme liabilities</b>		
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
<b>Principal actuarial assumptions</b>		
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
	2020	2019
<b>Determination of estimated post-retirement medical fund expense for the Year ended 30 June 2020</b>		
Current service cost	0.8	0.8
Finance expense	0.5	0.5
Benefit payments	(0.5)	(0.5)

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**32. Post-retirement medical fund continued****Significant judgements and estimates relevant to medical funds continued**

US\$ million	2020	2019	2018	2017
<b>Actuarial accrued liability</b>				
Unfunded status	<b>10.3</b>	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	<b>10.3</b>	<b>11.7</b>	<b>9.2</b>
% difference	—	<b>11.9%</b>	<b>(10.7)%</b>

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	<b>10.3</b>	<b>10.7</b>	<b>10.0</b>
% difference	—	<b>3.9%</b>	<b>(2.9)%</b>

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.

### 33. Financial instruments continued

#### Significant accounting policies relevant to financial instruments continued

##### Financial assets continued

##### 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
	<b>145.6</b>	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
	<b>145.6</b>	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
	<b>154.6</b>	175.9

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**33. Financial instruments continued****Other financial liabilities continued****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
	<b>154.6</b>	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
<b>Financial assets</b>		
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
	<b>213.2</b>	225.1
<b>Financial liabilities</b>		
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	—
	<b>923.5</b>	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.



### 33. Financial instruments continued

#### Interest-bearing borrowings continued

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

US\$ million	Total 2020	Total 2019
<b>Financial assets</b>		
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
	<b>213.2</b>	225.1
<b>Financial liabilities</b>		
Botswana Pula	—	—
Euro	0.3	—
Pound Sterling	8.7	4.9
South African Rand	220.9	156.7
US Dollar	693.6	664.9
	<b>923.5</b>	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.

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**33. Financial instruments continued****Derivatives continued**

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:

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

### 33. Financial instruments continued

#### Foreign exchange risk continued

30 June 2019

US\$ million	Year-end US\$ rate	Year-end amount	US\$ strengthens 10%	US\$ weakens 10%
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
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
<b>Cash</b>								
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
<b>Total cash</b>			<b>67.6</b>	<b>53.6</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>14.0</b>
<b>Loans and borrowings</b>								
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
<b>Cashflow of loans and borrowings</b>			<b>774.0</b>	<b>770.4</b>	<b>1.4</b>	<b>1.5</b>	<b>0.4</b>	<b>0.3</b>

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**33. Financial instruments continued****Maturity analysis continued**

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
<b>Cash</b>								
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
<b>Total cash</b>			<b>85.2</b>	<b>71.7</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>13.5</b>
<b>Loans and borrowings</b>								
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
<b>Cashflow of loans and borrowings</b>			<b>791.4</b>	<b>—</b>	<b>23.7</b>	<b>23.5</b>	<b>47.1</b>	<b>697.1</b>

**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	<b>769.0</b>	650.6
Cash and cash equivalents	<b>(67.6)</b>	(85.2)
Net debt	<b>701.4</b>	565.4
Total equity attributable to equity holders of the parent company	<b>30.5</b>	311.7
Net debt to equity ratio	<b>23.0:1</b>	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).

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**34. Segment information continued****Significant accounting policies relevant to segmental reporting continued**

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

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.

### 34. Segment information continued

#### Significant accounting policies relevant to segmental reporting continued

Operating segments US\$ million	South Africa – mining activities			Tanzania – mining activities	Botswana	United Kingdom	South Africa	Inter- segment 2019	Consolidated 2019
	Finsch 2019	Cullinan 2019	Koffiefontein 2019	Williamson 2019	Exploration <sup>5</sup> 2019	Corporate and treasury 2019	Beneficiation <sup>6</sup> 2019		
Revenue	170.2	171.4	28.9	93.0	—	—	0.1	—	463.6
Segment result <sup>1</sup>	32.2	26.2	(9.6)	9.9	(0.5)	(8.6)	(1.2)	(1.5)	46.9
Impairment charge	(85.4)	(63.9)	(33.2)	(41.2)	—	—	—	—	(223.7)
Impairment charge – other receivables	—	—	—	(18.9)	—	(4.0)	—	—	(22.9)
Other direct (expense)/ income	(0.5)	(0.1)	(0.4)	0.2	—	—	—	—	(0.8)
Operating loss <sup>2</sup>	(53.7)	(37.8)	(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) <sup>3</sup>									(49.9)
Non-controlling interest									31.3
Loss attributable to equity holders of the parent company									(226.8)
Segment assets <sup>4</sup>	396.6	611.2	168.7	182.5	—	3,146.8	13.0	(3,224.0)	1,294.8
Segment liabilities <sup>4</sup>	184.3	608.5	303.4	300.6	—	2,306.9	13.8	(2,748.8)	968.7
Capital expenditure	24.1	46.3	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.

# Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

## 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.



### 35. Disposal of operations continued

#### 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 <sup>1</sup>
Mining property, plant and equipment	19.8
Trade and other receivables	3.0
Inventory	10.0
Cash and cash equivalents	0.7
<b>Total assets</b>	<b>33.5</b>
Environmental liabilities and other non-current trade and other payables	(13.8)
Trade and other payables	(11.5)
<b>Total liabilities</b>	<b>(25.3)</b>
<b>Net assets</b>	<b>8.2</b>

#### (ii) Result of KEM JV:

US\$ million	Period ended 30 June 2019 <sup>1</sup>
Revenue	31.3
Cost of sales	(32.2)
Gross loss	(0.9)
Financial income	0.1
Financial expense	(0.7)
<b>Loss before tax</b>	<b>(1.5)</b>
Income tax charge	—
<b>Loss after tax before impairment charge</b>	<b>(1.5)</b>
Impairment charge	—
<b>Net loss for the Year</b>	<b>(1.5)</b>

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.

## Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

**35. Disposal of operations continued****Effect of the transaction continued****(iii) Post-tax loss on disposal of KEM JV:**

US\$ million	Period ended 30 June 2019 <sup>1</sup>
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.

## 35. Disposal of operations continued

### Helam Mining disposal continued

#### (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	—	—
<b>Non-current assets held for sale</b>	<b>0.3</b>	<b>0.6</b>
Trade and other payables	0.1	—
<b>Non-current liabilities associated with non-current assets held for sale</b>	<b>0.1</b>	—
<b>Net assets</b>	<b>0.2</b>	<b>0.6</b>

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.

# Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

## 37. Events after the reporting period continued

### 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:

- US\$30.0 million (reflecting the New Money) allocated only to those Noteholders that contribute New Money, pro rata to their New Money contribution;
- 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);
- US\$145.0 million allocated to all Noteholders, pro rata to their holdings of existing Notes at the close of the Restructuring; and
- 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:
  - 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
  - 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:

- Interest rate (payable every six months) of 10.50%. Payment in kind for the first 24 months and 9.75% cash pay thereafter.
- Maturity date: five years from date of completion.
- Non-call protection: two-year non-call protection (customary make-whole), and coupon step-down profile thereafter at 104.88, 102.44, then par.
- 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.
- 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.
- 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.

## 37. Events after the reporting period continued

### Commercial terms of the Restructuring continued

#### 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.

# Notes to the Annual Financial Statements

For the Year ended 30 June 2020 continued

## 37. Events after the reporting period continued

### Commercial terms of the Restructuring continued

#### 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.

## Alternative Performance Measures

In addition to GAAP figures reported under International Financial Reporting Standards ("IFRS"), Petra provides certain Alternative Performance Measures ("APMs"). These APMs are used internally in the management, planning, budgeting and forecasting of the business and are also considered to be helpful in terms of the external understanding of the Group's underlying performance. 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.

The use of APMs by listed companies to better explain performance and provide additional transparency and comparability is common. However, APMs should always be considered in conjunction with IFRS reported numbers and not used in isolation. Commentary within the Annual Report, including the Financial Review, as well as the Consolidated Financial Statements and the accompanying notes, should be referred to in order to fully appreciate all the factors that affect our business. We strongly encourage readers not to rely on any single financial measure, but to carefully review our reporting in its entirety.

APM	Method of calculation	Relevance
Adjusted EBITDA	Net profit after tax, stated before depreciation, share-based expense, net finance expense (excluding net unrealised foreign exchange gains and losses), tax expense (excluding taxation credit on impairment charge), impairment charges, expected credit loss provision, net unrealised foreign exchange gains and losses and loss/profit on discontinued operations.	Adjusted EBITDA excludes the impact of certain non-cash items and one-off items (i.e. loss/profit on discontinued operations) and is used to provide further clarity on the ongoing, underlying financial performance of the Group.
Adjusted EPS from continuing operations	Earnings per share, stated before impairment charges, expected credit loss provision, taxation credit on impairment charge and net unrealised foreign exchange gains and losses.	This is used to assess the Group's operational performance from continuing operations per Ordinary Share. It removes the effect of items that are not directly related to operational performance.
Adjusted mining and processing costs	Mining and processing costs stated before depreciation and share-based expense.	This removes the impact of non-cash items from the actual operational cost.
Adjusted net profit/loss after tax	Net profit/loss after tax stated before impairment charges, expected credit loss provision, taxation credit on impairment charge, net unrealised foreign exchange gains and losses, and loss/profit on discontinued operation.	By removing the impact of items that are not directly related to operational performance, as well as the effect of any discontinued operations, this is one of the indicators used to assess the underlying performance of the business.
Consolidated net debt:EBITDA	Consolidated net debt:EBITDA is consolidated net debt divided by adjusted EBITDA.	This ratio is used by creditors, credit rating agencies and other stakeholders.
Consolidated net debt for covenant measurement purposes	Bank loans and borrowings plus US\$ loan notes, less cash and diamond debtors and including the BEE guarantees issued by Petra to the lenders as part of the BEE financing concluded in December 2014, refer to note 22.	This consolidated figure is used by the lender group, analysts, rating agencies and other stakeholders.
Operational free cashflow	Cash generated from operations less capital expenditure for the Year as per the Consolidated Cashflow Statement.	Free cashflow reflects the cash generated from operations after capital expenditure requirements have been met. This measure reflects the Company's ability to generate cash from profit, reflecting strong working capital management and capital expenditure discipline.
Net debt	The US\$ loan notes (gross), bank loans and borrowings and BEE guarantee, net of cash at bank (including restricted cash).	Net debt combines the various funding sources that are included in the Consolidated Statement of Financial Position and the accompanying notes. It provides an overview of the Group's net indebtedness, providing transparency on the overall strength of the balance sheet.
Profit from mining activities	Revenue less adjusted mining and processing costs plus other direct income.	Provided to demonstrate the Group's ability to achieve profit from its core operating activities.

## Five-year Summary of Consolidated Figures

For the Year ended 30 June 2020

US\$ million	2020	2019	2018	2017	2016
<b>Income statement</b>					
Revenue (gross) <sup>1</sup>	<b>295.8</b>	463.6	576.4	477.0	430.9
Adjusted mining and processing costs <sup>2</sup>	<b>(225.3)</b>	(301.7)	(291.4)	(311.3)	(257.7)
Profit from mining activity <sup>3</sup>	<b>72.5</b>	161.1	205.1	168.5	176.0
Adjusted EBITDA <sup>3</sup>	<b>64.8</b>	153.0	195.4	157.2	164.3
Adjusted net (loss)/profit after tax <sup>3</sup>	<b>(49.7)</b>	(13.2)	1.6	29.0	63.6
Net (loss)/profit after tax – Group	<b>(223.0)</b>	(258.1)	(203.1)	20.7	66.8
<b>Statement of financial position</b>					
Current assets	<b>191.1</b>	206.7	413.5	354.8	222.5
Non-current assets	<b>851.0</b>	1,087.5	1,329.2	1,500.0	1,117.9
Non-current assets held for sale	<b>0.3</b>	0.6	46.5	—	18.8
Total assets	<b>1,042.7</b>	1,294.8	1,789.2	1,854.8	1,359.2
Borrowings (short and long term)	<b>769.0</b>	650.6	754.8	757.1	424.5
Current liabilities (excluding borrowings)	<b>52.5</b>	54.9	130.8	136.7	125.4
Liabilities directly associated with non-current assets held for sale	<b>—</b>	—	27.8	—	12.2
<b>Total equity</b>	<b>11.7</b>	326.1	566.6	646.4	546.8
<b>Movement in cash</b>					
Net cash generated from operating activities	<b>27.0</b>	156.4	67.9	152.5	153.7
Net cash utilised in investing activities	<b>(51.0)</b>	(137.9)	(201.9)	(292.6)	(324.4)
Net cash generated from/(utilised in) financing activities	<b>52.4</b>	(102.7)	169.7	291.1	82.6
Net (decrease)/increase in cash and cash equivalents	<b>(6.7)</b>	(141.6)	35.7	151.0	(98.1)
<b>Ratios and other key information</b>					
Basic (loss)/earnings per share attributable to the equity holders of the Company – US\$ cents	<b>(21.96)</b>	(20.18)	(15.85)	3.14	10.38
Adjusted basic (loss)/earnings per share from continuing operations attributable to the equity holders of the Company – US\$ cents <sup>3</sup>	<b>(4.94)</b>	(2.63)	0.83	5.50	9.76
Capex	<b>36.4</b>	86.9	145.5	300.1	324.1
Cash at bank (including restricted)	<b>67.6</b>	85.2	236.0	203.7	48.7

The Group uses several non-GAAP measures above and, 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. Revenue (gross) excludes revenues for the KEM JV for FY 2019 (FY 2018 to FY 2015 includes revenues for KEM JV). Under IFRS, these revenues are classified in the Consolidated Income Statement as part of the loss from discontinued operations.
2. Adjusted mining and processing costs are mining and processing costs (excluding KEM JV for FY 2019 and FY 2018) stated before depreciation and share-based expense.
3. For definitions of these non-GAAP measures refer to page 197.



## FY 2020 Summary of Results and Non-GAAP Disclosures

US\$ million	2020	2019
Revenue	<b>295.8</b>	463.6
Adjusted mining and processing costs <sup>1</sup>	<b>(225.3)</b>	(301.7)
Other direct income/(expense)	<b>2.0</b>	(0.8)
<b>Profit from mining activities<sup>2</sup></b>	<b>72.5</b>	161.1
Exploration expense	<b>(0.5)</b>	(0.4)
Corporate overhead	<b>(7.2)</b>	(7.7)
<b>Adjusted EBITDA<sup>3</sup></b>	<b>64.8</b>	153.0
Depreciation	<b>(78.6)</b>	(106.7)
Amortisation of right-of-use asset	<b>(4.9)</b>	—
Share-based expense	<b>(0.7)</b>	(0.2)
Net finance expense	<b>(71.6)</b>	(57.5)
Tax credit (excluding taxation credit on impairment charge)	<b>41.3</b>	3.0
<b>Adjusted net loss after tax<sup>4</sup></b>	<b>(49.7)</b>	(8.4)
Impairment charge <sup>5</sup>	<b>(91.9)</b>	(246.6)
Impairment of BEE loans receivable – expected credit loss provision <sup>6</sup>	<b>(10.9)</b>	—
Net unrealised foreign exchange (loss)/gain	<b>(81.5)</b>	4.0
Taxation credit on impairment charge	<b>11.0</b>	42.8
Loss from continuing operations	<b>(223.0)</b>	(208.2)
Loss on discontinued operations, net of tax <sup>7</sup>	<b>—</b>	(49.9)
<b>Net loss after tax</b>	<b>(223.0)</b>	(258.1)
<b>Earnings per share attributable to equity holders of the Company – US\$ cents</b>		
Basic loss per share – from continuing operations	<b>(21.96)</b>	(26.19)
Adjusted loss per share – from continuing operations <sup>8</sup>	<b>(4.94)</b>	(2.63)

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.

- Adjusted mining and processing costs are mining and processing costs stated before depreciation and share-based expense.
- Profit from mining activities is revenue less adjusted mining and processing costs plus other direct income.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

## Petra's Partners

The Company's partnerships are key in terms of stakeholder sustainability and the long-term success of its operations.

In South Africa, the Company has partner shareholders in its operations which represent the interests of BEE shareholders. These BEE Partners include various commercial BEE entities (including women's groups), as well as, importantly, the Itumeleng Petra Diamonds Employee Trust.

In Tanzania, Petra's partner is the Government of the United Republic of Tanzania at the Williamson mine, the country's most important diamond producer.

To view schematics of our Group structure, including a 'Summary of mine ownership', 'BEE Partner structures' and 'Petra Group structure – operating entities', visit <https://www.petradiamonds.com/about-us/who-we-are/group-structure/>.

## FY 2020 Operations Results Tables

**Cullinan – South Africa**

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

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.

**Finsch – South Africa**

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

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.

## FY 2020 Operations Results Tables continued

**Koffiefontein – South Africa**

	Unit	FY 2020	FY 2019	Variance
<b>Sales</b>				
Revenue	US\$m	25.7	28.9	-11%
Diamonds sold	Carats	66,326	60,291	+10%
Average price per carat	US\$	387	480	-19%
<b>ROM production</b>				
Tonnes treated	Tonnes	891,705	1,000,726	-11%
Diamonds produced	Carats	69,077	63,635	+9%
Grade	Cpht	7.7	6.4	+22%
<b>Total production</b>				
Tonnes treated	Tonnes	891,705	1,000,726	-11%
Diamonds produced	Carats	69,077	63,635	+9%
<b>Costs</b>				
On-mine cash cost per tonne treated	ZAR	510	450	13%
<b>Capex</b>				
Expansion Capex	US\$m	2.7	5.2	-48%
Sustaining Capex	US\$m	1.1	0.9	+22%
Total Capex	US\$m	3.8	6.1	-38%

**Williamson – Tanzania**

	Unit	FY 2020	FY 2019	Variance
<b>Sales</b>				
Revenue	US\$m	52.5	93.0	-44%
Diamonds sold	Carats	297,245	402,329	-26%
Average price per carat	US\$	177	231	-24%
<b>ROM production</b>				
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%
<b>Alluvial production</b>				
Tonnes treated	Tonnes	302,567	413,151	-27%
Diamonds produced	Carats	10,774	13,599	-21%
Grade	Cpht	3.6	3.3	8%
<b>Total production</b>				
Tonnes treated	Tonnes	4,283,005	5,495,470	-22%
Diamonds produced	Carats	298,130	399,615	-25%
<b>Costs</b>				
On-mine cash cost per tonne treated	US\$	10.2	11.1	-8%
<b>Capex</b>				
Expansion Capex	US\$m	—	—	0%
Sustaining Capex	US\$m	8.0	8.6	-7%
Total Capex	US\$m	8.0	8.6	-7%

1. Negatively impacted by the 71,654 carat parcel blocked for export.

## FY 2020 Resource Statement

Petra Diamonds Limited ("Petra" or "the Company" or "the Group") manages one of the world's largest diamond resources of ca. 244 million carats ("Mcts"). This major resource implies that the potential mine lives of Petra's core assets could be considerably longer than the current mine plans in place at each operation, or could support higher production rates (in the case of Cullinan and Williamson).

### Gross resources

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 removal of the Eskom Tailings Mineral Resource 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 the Year to 30 June 2020 ("FY 2020").

### Gross reserves

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)
<b>Reserves</b>			
Proved	—	—	—
Probable	131.4	29.6	38.86
<b>Sub-total</b>	<b>131.4</b>	<b>29.6</b>	<b>38.86</b>
<b>Resources</b>			
Measured	—	—	—
Indicated	354.2	46.8	165.64
Inferred	1,295.5	6.0	77.87
<b>Sub-total</b>	<b>1,649.6</b>	<b>14.8</b>	<b>243.51</b>

#### Note

- 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.

### Cullinan

Category	Gross		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
<b>Reserves</b>			
Proved	—	—	—
Probable	43.0	38.5	16.55
<b>Sub-total</b>	<b>43.0</b>	<b>38.5</b>	<b>16.55</b>
<b>Resources</b>			
Measured	—	—	—
Indicated	228.6	59.2	135.31
Inferred	169.6	10.1	17.20
<b>Sub-total</b>	<b>398.2</b>	<b>38.3</b>	<b>152.50</b>

#### Notes

- Resource bottom cut-off: 1.0mm.
- Reserve bottom cut-off: 1.0mm.
- New resource model includes minor changes to the geological model and all outstanding sampling information from the recently completed C-Cut block cave development.
- B-Cut resource tonnes and grade are based on block cave depletion modelling and include external waste. A portion of the resources in these remnant blocks report into the current caving operations as low grade dilution.
- C-Cut resource stated as in situ.
- Reserves based on PCBC simulations on C-Cut phase 1 and PCSLC simulations for the CC1E.
- Factorised grades and carats are derived from a calculated Plant Recovery Factor ("PRF"). These factors account for the efficiency of sieving (bottom cut-off), diamond liberation and recovery in the ore treatment process.
- The PRF has been revised in line with the new resource model and plant commissioning in 2018. The PRFs currently applied for the new mill plant per rock type are: Brown kimberlite = 73.8%, Grey kimberlite = 67.9%, Black kimberlite = 70.6% and Coherent kimberlite = 68.0%.
- US\$/ct values of 85–95 for ROM, excluding exceptional stones, and 30–40 for tailings based on expected sales values (with reference to FY 2020 sales results and considering the impact of the COVID-19 pandemic on rough diamond prices) and production size frequency distributions.

## FY 2020 Resource Statement continued

## Finsch

Category	Gross		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
<b>Reserves</b>			
Proved	—	—	—
Probable	33.2	55.7	18.48
<b>Sub-total</b>	<b>33.2</b>	<b>55.7</b>	<b>18.48</b>
<b>Resources</b>			
Measured			
Indicated	29.2	67.7	19.78
Inferred	36.2	53.4	19.33
<b>Sub-total</b>	<b>65.4</b>	<b>59.8</b>	<b>39.11</b>

## Notes

1. Resource bottom cut-off: 1.0mm.
2. Reserve bottom cut-off: 1.0mm.
3. Block 4 resource tonnes and grade are based on block cave depletion modelling and include external waste. A portion of this remnant resource reports into the current caving operations as low grade dilution.
4. Block 5 and Block 6 resource stated as in situ.
5. Remaining Block 5 reserves are based on PCSLC and PCBC simulations.
6. US\$/ct values of 75–85 for ROM, based on expected sales values (with reference to FY 2020 sales results and considering the impact of the COVID-19 pandemic on rough diamond prices) and production size frequency distributions.

## Koffiefontein

Category	Gross		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
<b>Reserves</b>			
Proved	—	—	—
Probable	3.0	7.9	0.24
<b>Sub-total</b>	<b>3.0</b>	<b>7.9</b>	<b>0.24</b>
<b>Resources</b>			
Measured			
Indicated	15.0	7.7	1.15
Inferred	125.0	3.3	4.16
<b>Sub-total</b>	<b>140.0</b>	<b>3.8</b>	<b>5.31</b>

## Notes

1. Resource bottom cut-off (Koffiefontein underground and Ebenhaezer): 1.15mm.
2. Reserve bottom cut-off: 1.15mm.
3. Main Pipe resources above 490L are remnants of the front cave mining block and include external waste. A portion of this remnant resource reports into the current caving operations as low grade dilution.
4. Resources below 490L are stated as in situ.
5. The Eskom Tailings Mineral Resource has been removed following a donation of part of the Tailings Mineral Resource to the Koffiefontein Community Mining Primary Cooperative to promote artisanal small-scale mining in the area.
6. Remaining 56–60L sub-level cave reserves are based on PCSLC simulations.
7. US\$/ct values of 400–450 for ROM, based on expected sales values (with reference to FY 2020 sales results and considering the impact of the COVID-19 pandemic on rough diamond prices) and production size frequency distributions.

**Williamson**

Category	Gross		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
<b>Reserves</b>			
Proved	—	—	—
Probable	52.3	6.9	3.59
<b>Sub-total</b>	<b>52.3</b>	<b>6.9</b>	<b>3.59</b>
<b>Resources</b>			
Measured			
Indicated	63.4	4.9	3.08
Inferred	958.0	3.6	34.77
<b>Sub-total</b>	<b>1,021.4</b>	<b>3.7</b>	<b>37.86</b>

**Notes**

1. Resource bottom cut-off: 1.15mm.
2. Reserve bottom cut-off: 1.15mm.
3. Resource depletions based on June 2020 pit surface, adjusted for the in-pit slump experienced in FY 2020.
4. Reserves based on mine scheduling in XPAC, including care and maintenance period and adjustments to the mine plan following the in-pit slump.
5. US\$/ct values of 170–220 for ROM, based on expected sales values (with reference to FY 2020 sales results and considering the impact of the COVID-19 pandemic on rough diamond prices) and production size frequency distributions.

**KX36**

Category	Gross		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
<b>Reserves</b>			
Proved	—	—	—
Probable	—	—	—
<b>Sub-total</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Resources</b>			
Measured	—	—	—
Indicated	17.9	35.3	6.32
Inferred	6.8	35.7	2.41
<b>Sub-total</b>	<b>24.7</b>	<b>35.4</b>	<b>8.73</b>

**Notes**

1. Resource bottom cut-off: 1.15mm
2. Resource estimation based on >10,000m of core drilling and >5,000m of large diameter reverse circulation sample drilling. Resource estimate used a dataset of 1,046 carats recovered from 235 samples. Modelled diamond value of US\$58/ct, based on size frequency distribution of large diameter drill sampling, adjusted to current diamond market prices.

## FY 2020 Resource Statement continued

### **General notes on reporting criteria**

1. Resources are reported inclusive of reserves.
2. Tonnes are reported as millions; contained diamonds are reported per million carats ("Mcts").
3. Tonnes are metric tonnes, and are rounded to the nearest 100,000 tonnes; carats are rounded to the nearest 10,000 carats; rounding off of numbers may result in minor computational discrepancies.
4. Resource tonnages and grades are reported exclusive of external waste, unless where otherwise stated.
5. Reserve tonnages and grades are reported inclusive of external waste, mining and geological losses and plant modifying factors; reserve carats will generally be less than resource carats on conversion and this has been taken into account in the applicable statements.
6. Reserves and resources have been reported in accordance with the South African code for the reporting of mineral reserves and mineral resources (SAMREC 2016).
7. The Petra 2020 annual Resource Statement as shown above is based on information compiled internally within the Group under the guidance and supervision of Andrew Rogers, Pr. Sci. Nat. (reg. no. 120664). Andrew Rogers has 20 years' relevant experience in the diamond industry and is a full-time employee of Petra.
8. All reserves and resources have been independently reviewed and verified by John Kilham, Pr. Sci. Nat. (reg. no. 400018/07), a competent person with 40 years' relevant experience in the diamond mining industry, who was appointed as an independent consultant by the Company for this purpose.



## Shareholder and Corporate Information

### **Petra Diamonds Limited**

#### **Registered office**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

#### **Group management office**

52–53 Conduit Street  
London W1S 2YX  
Tel: +44 20 7494 8203  
info@petradiamonds.com  
www.petradiamonds.com

#### **Corporate Communications team**

Tel: +44 20 7494 8203  
Email: investorrelations@petradiamonds.com

#### **Company registration number**

EC 23123

#### **Company Secretary**

##### **St James's Corporate Services Limited**

Suite 31  
Second Floor  
107 Cheapside  
London EC2V 6DN  
Tel: +44 20 7796 8644  
www.corpserv.co.uk

#### **Banker**

##### **Barclays Bank plc**

1 Churchill Place  
London E14 5HP  
Tel: +44 20 7116 1000  
www.barclays.com

#### **Solicitors**

##### **Bermuda – Conyers Dill & Pearman Limited**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda  
Tel: +1 441 295 1422

##### **United Kingdom – Ashurst LLP**

London Fruit & Wool Exchange  
1 Duval Square  
London E1 6PW  
Tel: +44 20 7638 1111

##### **United Kingdom – Memery Crystal**

165 Fleet Street  
London EC4A 2DY  
Tel: +44 20 7242 5905

#### **Financial adviser**

##### **Rothschild & Co**

New Court, St Swithin's Lane  
London EC4N 8AL  
Tel: +44 20 7280 5000

#### **Financial adviser and stockbroker**

##### **BMO Capital Markets**

95 Queen Victoria Street  
London EC4V 4GH  
Tel: +44 20 7236 1010  
www.bmocm.com

#### **Stockbroker**

##### **Peel Hunt**

Moor House  
120 London Wall  
London EC2Y 5ET  
Tel: +44 20 7418 8900  
www.peelhunt.com

#### **Registrar**

##### **Link Market Services (Jersey) Limited**

First Floor  
IFC5  
The Esplanade  
St. Helier  
Jersey JE2 3BY

Tel: UK: 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate; lines are open 9.00am–5.30pm GMT Mon–Fri)  
International: +44 371 664 0300  
Website: www.linkmarketservices.com  
Email: shareholderenquiries@linkgroup.co.uk

#### **Transfer agent**

##### **Link Asset Services**

The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Tel: UK: 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate; lines are open 9.00am–5.30pm GMT Mon–Fri)  
International: +44 (0) 371 664 0300  
Website: www.linkassetservices.com  
Email: shareholderenquiries@linkgroup.co.uk

#### **Auditor**

##### **BDO LLP**

55 Baker Street  
London W1U 7EU  
Tel: +44 207 486 5888

## Shareholder and Corporate Information continued

### Standard financial calendar

Accounting period end	30 June
Annual Report published	October
Annual General Meeting	November/December
Interim accounting period end	31 December
Interim results announced	February

### Stock exchange listing

The Company's shares are admitted to the premium segment of the Official List and are traded on the Main Market of the London Stock Exchange. The Ordinary Shares (as defined below) themselves are not admitted to CREST, but dematerialised depositary interests representing the underlying Ordinary Shares issued by Capita IRG Trustees Limited can be held and transferred through the CREST system. The rights attached to the Ordinary Shares are governed by the Companies Act 1981 (Bermuda) (as amended) ("the Act") and the Company's Bye-Laws as adopted on 28 November 2011 ("the Bye-Laws").

The Company is a constituent of the FTSE4Good Index.

### Dividend

Distribution covenants were not met for the measurement period to 30 June 2020 and the Company will therefore not declare a dividend for FY 2020.

### Substantial shareholdings

The interests as indicated in the table below in the Ordinary Shares of the Company represented public disclosures of more than 3% of the issued share capital as at 30 October 2020.

Shareholder	Number of voting rights <sup>1</sup>	Percentage of issued share capital
Standard Life Aberdeen plc	90,589,721	10.5%
M&G Plc	87,886,419	10.2%
Directors	4,468,250	0.5%

1. Attached to shares and through voting rights.

### Company Bye-Laws

The Company is incorporated in Bermuda and the UK City Code on Takeovers and Mergers (the "City Code") therefore does not apply to the Company; however, the Company's Bye-Laws incorporate material City Code protections appropriate for a company to which the City Code does not apply.

The Bye-Laws also require that all Directors stand for re-election annually at the Company's Annual General Meeting.

The Bye-Laws of the Company may only be amended by a resolution of the Board and by a resolution of the shareholders. The Bye-Laws of the Company can be accessed here: [www.petradiamonds.com/about-us/corporate-governance](http://www.petradiamonds.com/about-us/corporate-governance).

### Share capital

The Company has one class of shares of 10 pence each ("the Ordinary Shares"). Details of the Company's authorised and issued Ordinary Share capital together with any changes to the share capital during the Year are set out in note 21 to the Financial Statements.

### Power to issue shares

At the AGM held on 29 November 2019 ("the 2019 AGM"), authority was given to the Directors to allot:

- i) Relevant Securities (as defined in the Bye-Laws) up to a maximum aggregate nominal amount of £28,844,549.50 (being 288,445,495 Ordinary Shares); and
- ii) equity securities (as defined in the Bye-Laws) for cash on (a) a non-pre-emptive basis pursuant to a rights issue or other offer to shareholders and (b) in any case up to aggregate maximum nominal amount of £4,326,682.43, representing approximately 5% of the issued share capital of the Company as at 14 October 2019.

### Share rights

In accordance with the Company's Bye-Laws, shareholders have the right to receive notice of and attend any general meeting of the Company. Each shareholder who is present in person (or, being a corporation, by representative) or by proxy at a general meeting on a show of hands has one vote and, on a poll, every such holder present in person (or, being a corporation, by representative) or by proxy shall have one vote in respect of every Ordinary Share held by them.

There are no shareholders who carry any special rights with regard to the control of the Company.

The Company's 2020 AGM will be held at 9:30am on 17 December 2020 at 52-53 Conduit Street, London W1S 2YX. Due to the COVID-19 pandemic, the AGM will be held as a closed meeting; however, shareholders will be given the opportunity to participate remotely. Details of the AGM format are included in the accompanying Notice of AGM.

### Shareholder voting

In advance of the AGM in December 2020, the Company would like to inform shareholders that the Company has moved to a digital approach to voting and therefore requests that all shareholders vote electronically. The Company will not be sending paper proxy forms and, instead, shareholders should vote either via the Shareholder Portal ([www.signalshares.com](http://www.signalshares.com)) or, for CREST holders, via the CREST network. You will require your username and password in order to log in and vote using the Shareholder Portal. If you have forgotten your username or password, you can request a reminder via the Shareholder Portal. If you have not previously registered to use the Shareholder Portal, you will require your investor code (IVC) which can be found on your share certificate. Voting in this way is cost effective and efficient and mitigates the risk of lost items via postal systems thus ensuring your vote is received and recorded.

## Restriction on transfer of shares

There are no restrictions on the transfer of Ordinary Shares other than:

- the Board may at its absolute discretion refuse to register any transfer of Ordinary Shares over which the Company has a lien or which are not fully paid up provided it does not prevent dealings in the Ordinary Shares on an open and proper basis.

During the Year, the Board did not place a lien on any shares nor did it refuse to transfer any Ordinary Shares.

The Board shall refuse to register a transfer if:

- it is not satisfied that all the applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained;
- certain restrictions on transfer from time to time are imposed by laws and regulations;
- pursuant to the Company's share dealing code whereby the Directors and employees of the Company require approval to deal in the Company's Ordinary Shares; and
- where a person who holds default shares (as defined in the Bye-Laws) which represent at least 0.25% of the issued shares of the Company has been served with a disclosure notice and has failed to provide the Company with the requested information in connection with the shares.

## Repurchase of shares

The Company may purchase its own shares for cancellation or to acquire them as Treasury Shares (as defined in the Bye-Laws) in accordance with the Companies Act 1981 (Bermuda) on such terms as the Board shall think fit. The Board may exercise all the powers of the Company to purchase or acquire all or any part of its own shares in accordance with the Companies Act 1981 (Bermuda), provided, however, that such purchase may not be made if the Board determines in its sole discretion that it may result in a non de minimis adverse tax, legal or regulatory consequence to the Company, any of its subsidiaries or any direct or indirect holder of shares or its affiliates.

## Appointment and replacement of Directors

The Directors shall have power at any time to appoint any person as a Director to fill a vacancy on the Board occurring as a result of the death, disability, removal, disqualification or resignation of any Director or to fill any deemed vacancy arising as a result of the number of Directors on the Board being less than the minimum number of Directors that may be appointed to the Board from time to time.

The Company may by resolution at any special general meeting remove any Director before the expiry of their period of office. Notice of such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director not less than 14 clear days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal.

A Director may be removed (with or without cause) by notice in writing by all of their co-Directors, provided such notice is delivered to the Secretary and such Director.

## Financial instruments

The Group makes use of financial instruments in its operations as described in note 33 of the Financial Statements.

## Creditors' payment policy

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all terms and conditions have been complied with.

## Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions.

The Company operates a website which can be found at [www.petradiamonds.com](http://www.petradiamonds.com). This site is regularly updated to provide relevant information about the Group. In particular all of the Company's regulatory announcements and public presentations are made available and there is a dedicated Investors section at [www.petradiamonds.com/investors](http://www.petradiamonds.com/investors).

The maintenance and integrity of the Company's website (as well as the integrity of the Financial Statements contained therein) is the responsibility of the Directors.

## Shareholder enquiries

Any enquiries concerning your shareholding should be addressed to the Company's registrar. The registrar should be notified promptly of any change in a shareholder's address or other details.

The Company also has a frequently asked questions section to assist shareholders available on its website at: [www.petradiamonds.com/investors/shareholders/faqs](http://www.petradiamonds.com/investors/shareholders/faqs).

## Shareholder Portal

The Company has set up an online Shareholder Portal, [www.signalshares.com](http://www.signalshares.com), which offers a host of shareholder services online.

## Investor relations

Requests for further copies of the Annual Report and Accounts, or other investor relations enquiries, should be addressed to the investor relations team in the London office on +44 20 7494 8203 or [InvestorRelations@petradiamonds.com](mailto:InvestorRelations@petradiamonds.com).

## eCommunications

Shareholders have the flexibility to receive communications from Petra electronically, should they so choose, and can update their preferences at any time either by contacting Link Asset Services or by logging in to the Shareholder Portal.

## Shares in issue

There were a total of 865,431,343 Ordinary Shares in issue at 30 June 2020.

## Shareholder and Corporate Information continued

### **Share price information**

The latest information on the Ordinary Share price is available in the Investors section of the corporate website at [www.petradiamonds.com/investors/share-price](http://www.petradiamonds.com/investors/share-price). Closing share prices for the previous business day are quoted in most daily newspapers and, throughout the working day, time delayed share prices are broadcast on the text pages of the principal UK television channels.

### **Share dealing services**

The sale or purchase of shares must be done through a stockbroker or share dealing service provider. The London Stock Exchange provides a 'Locate a broker' facility on its website which gives details of a number of companies offering share dealing services. For more information, please visit the Private Investors section at [www.londonstockexchange.com](http://www.londonstockexchange.com).

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell shares. Shareholders in any doubt about what action to take are recommended to seek financial advice from an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.

### **Shareholder security**

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website. More detailed information can be found at [www.fca.org.uk/consumers/scams/investment-scams](http://www.fca.org.uk/consumers/scams/investment-scams).

## Glossary

<b>"advanced economies"</b>	an advanced economy is a term used by the International Monetary Fund to describe the most developed countries in the world, a list of which can be found at <a href="https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/groups.htm#ae">https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/groups.htm#ae</a>
<b>"AGM"</b>	Annual General Meeting
<b>"AHG"</b>	ad hoc group of holders of the Company's US\$650 million 7.25% senior secured second lien notes due in May 2022
<b>"alluvial"</b>	deposits of diamonds which have been removed from the primary source by natural erosive action over millions of years and eventually deposited in a new environment such as a river bed, an ocean floor or a shoreline
<b>"APM"</b>	alternative performance measure
<b>"ASM"</b>	artisanal small-scale mining
<b>"barring"</b>	barring of underground workings to bring down loose rocks, minimising the potential for fall of ground incidents/accidents
<b>"BBBEE"</b>	broad-based black economic empowerment, a policy of the South African Government to redress past economic imbalances
<b>"BEE"</b>	black economic empowerment, a policy of the South African Government to redress past economic imbalances
<b>"BEE Partners"</b>	the Group's black economic empowerment partners, who hold minority interests in the Group's South African operations, as set out in 'BEE Structure' at <a href="https://www.petradiamonds.com/about-us/who-we-are/group-structure/">https://www.petradiamonds.com/about-us/who-we-are/group-structure/</a>
<b>"beneficiation"</b>	the refining of a commodity; in the case of diamonds, refers to the cutting and polishing of a rough stone
<b>"block caving"</b>	a method of mining in which large blocks of ore are undercut so that the ore breaks and caves under its own weight. The undercut zone is initially drilled and blasted and some broken ore is drawn down to create a void into which initial caving of the overlying ore can take place. As more broken ore is drawn progressively following cave initiation, the cave propagates upwards through the orebody or block until the overlying rock also caves and surface subsidence occurs. The broken ore is removed through the production or extraction level developed below the undercut level. Once the caves have been propagated, it is a low cost mining method which is capable of automation to produce an underground 'rock factory'
<b>"BSI"</b>	British Standards Institute
<b>"bulk sample"</b>	a large sample for the purpose of estimating the grade of a diamond deposit and to produce a large enough quantity of diamonds to enable an evaluation of diamond quality
<b>"C-Cut"</b>	the 'Centenary Cut' a major resource of 133 million carats located beneath the B block of the Cullinan orebody
<b>"CAGR"</b>	compound average growth rate
<b>"Capex"</b>	capital expenditure
<b>"carat" or "ct"</b>	a measure of weight used for diamonds, equivalent to 0.2 grams
<b>"CDP"</b>	Carbon Disclosure Project, a global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts
<b>"CEO"</b>	Chief Executive Officer
<b>"Contops"</b>	continuous operations, involving a seven-day working week, as opposed to the standard five-day working week
<b>"COVID-19"</b>	COVID-19 is an infectious disease caused by a newly discovered coronavirus
<b>"Cpht"</b>	carats per hundred tonnes
<b>"ctpa"</b>	carats per annum
<b>"cut-off grade"</b>	the lowest grade of mineralised material considered economic to extract; used in the calculation of the ore reserves in a given deposit
<b>"CY"</b>	calendar year
<b>"dB(A)"</b>	A-weighted decibels are an expression of the relative loudness of sounds in air as perceived by the human ear
<b>"DMRE"</b>	the South African Department of Minerals Resources and Energy
<b>"drawbell"</b>	a funnel shaped excavation, through which broken ore gravitates, that vertically connects the undercut level to the production level through one or two drawpoints; ore is then loaded from the outlet(s) of the drawbell through the drawpoint(s) on the production level
<b>"drawpoint"</b>	a short connection from a production tunnel to a drawbell

## Glossary continued

<b>"EBITDA"</b>	earnings before interest, tax, depreciation and amortisation
<b>"effluent"</b>	mine effluent is a regulated discharge from a point source like a treatment plant or dam spillway
<b>"EGM"</b>	extraordinary general meeting of shareholders
<b>"EPS"</b>	earnings per share
<b>"ERM"</b>	enterprise risk management
<b>"ESG"</b>	environmental, social and governance
<b>"Exceptional Diamonds"</b>	Petra classifies 'exceptional' diamonds as stones that sell for US\$5 million or more each
<b>"Exco"</b>	Executive Committee
<b>"fissure"</b>	informal term for a narrow, vertical, vein-like kimberlite dyke
<b>"FRC"</b>	the UK's Financial Reporting Council
<b>"FY"</b>	Petra's financial year (1 July to 30 June)
<b>"GAAP"</b>	Generally Accepted Accounting Principles; issued by the Financial Accounting Standards Board
<b>"GDP"</b>	Gross Domestic Product
<b>"Gen Z"</b>	Generation Z is considered to be those born between 1995 and 2012
<b>"GHG"</b>	greenhouse gases
<b>"GHG Protocol"</b>	the Greenhouse Gas Protocol provides standards, guidance, tools and training for businesses and Governments to measure and manage climate-warming emissions
<b>"GM"</b>	General Manager (i.e. the Mine Manager)
<b>"GOT"</b>	Government of the United Republic of Tanzania
<b>"grade"</b>	the content of diamonds, measured in carats, within a volume or mass of rock
<b>"grey water"</b>	wastewater generated in households of office buildings from streams without faecal contamination, such as sinks, showers, washing machines or dishwashers
<b>"GRI"</b>	Global Reporting Initiative
<b>"H1" or "H2"</b>	first half, or second half, of the financial year
<b>"ha"</b>	hectares
<b>"HDSA"</b>	historically disadvantaged South African; refers to any person, category of persons or community disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) came into operation
<b>"high pressure grinding roll crushers"</b>	a gentler liberation technique incorporating inter-particle crushing, in contrast to more traditional high impact cone crushing
<b>"HIV/AIDS"</b>	human immunodeficiency virus infection and acquired immune deficiency syndrome
<b>"HSE"</b>	health, safety and environment
<b>"HSEQ"</b>	health, safety, environmental and quality
<b>"IASB"</b>	International Accounting Standards Board
<b>"IFRIC"</b>	International Financial Reporting Interpretations Committee
<b>"IMF"</b>	International Monetary Fund
<b>"INED"</b>	independent Non-Executive Director
<b>"Indicated Resource"</b>	that part of a diamond resource for which tonnage, densities, shape, physical characteristics, grade and average diamond value can be estimated with a reasonable level of confidence. It is based on exploration sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed and sufficient diamonds have been recovered to allow a confident estimate of average diamond value (SAMREC Code)
<b>"Inferred Resource"</b>	that part of a diamond resource for which tonnage, grade and average diamond value can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified by geological and/or grade continuity and a sufficiently large diamond parcel is not available to ensure reasonable representation of the diamond assortment. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability (SAMREC Code)

<b>"IPDET"</b>	Itumeleng Petra Diamonds Employee Trust, which is a registered trust holding a 12% interest in each of Petra's South African operations, through which the current and certain former employees (with some exceptions in both cases) of Petra's South African operations participate
<b>"IPCC"</b>	the Intergovernmental Panel on Climate Change is the United Nations body for assessing the science related to climate change
<b>"ISO standards"</b>	the ISO standards are a set of quality management standards for companies and organisations developed by ISO, an international standard-setting body composed of representatives from various national standards organisations
<b>"KEM JV"</b>	former joint venture; Petra disposed of its interest in KEM JV during FY 2019
<b>"kimberlite"</b>	an ultramafic igneous rock consisting mainly of olivine, often with phlogopite mica and pyroxenes. Kimberlite is generated at great depth in the Earth's mantle, and may or may not contain diamonds
<b>"KPI"</b>	key performance indicator
<b>"Kt"</b>	thousand tonnes
<b>"LDP"</b>	Leadership Development Programme
<b>"LED"</b>	local economic development
<b>"LGD"</b>	laboratory-grown diamond
<b>"LHD"</b>	load haul dumper
<b>"LOM"</b>	life of mine
<b>"LTI"</b>	lost time injury; a work-related injury resulting in the employee/contractor being unable to attend work on the day following the injury
<b>"LTIFR"</b>	lost time injury frequency rate; the number of LTIs multiplied by 200,000 and divided by the number of hours worked
<b>"major producers"</b>	the major diamond producers, namely De Beers and ALROSA
<b>"MCOP"</b>	Mandatory Code of Practice
<b>"Mctpa"</b>	million carats per annum
<b>"Mcts"</b>	million carats
<b>"Measured Resource"</b>	that part of a diamond resource for which tonnage, densities, shape, physical characteristics, grade and average diamond value can be estimated with a high level of confidence. It is based on detailed and reliable exploration sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity and sufficient diamonds have been recovered to allow a confident estimate of average diamond value
<b>"millennials"</b>	the millennials generation is considered to be those born between 1980 and 1994
<b>"Minerals Council SA"</b>	the Minerals Council of South Africa
<b>"Mining Charter"</b>	the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry in South Africa, commonly known as the Mining Charter, has a core objective to facilitate meaningful participation of HDSAs in the mining industry, by deracialising the ownership of the industry, expanding business opportunities for HDSAs, and enhancing the social and economic welfare of employees and mine communities
<b>"mL"</b>	metre level
<b>"Mt"</b>	million tonnes
<b>"Mtpa"</b>	million tonnes per annum
<b>"NDC"</b>	Natural Diamond Council
<b>"NED"</b>	Non-Executive Director
<b>"new Code"</b>	the UK Corporate Governance Code 2018
<b>"NGO"</b>	non-governmental organisation
<b>"NIHL"</b>	noise induced hearing loss
<b>"NQF"</b>	National Qualifications Framework, being the South African framework used to arrange levels of learning achievements
<b>"Notes"</b>	the Company's US\$650 million 7.25% senior secured second lien notes due in May 2022
<b>"NPAT"</b>	net profit after tax
<b>"NUM"</b>	National Union of Mine Workers in South Africa

## Glossary continued

<b>"OECD"</b>	Organisation for Economic Co-operation and Development
<b>"open pit"</b>	mining in which ore that occurs close to the Earth's surface is extracted from a pit or quarry
<b>"Opex"</b>	operating costs
<b>"orebody"</b>	a continuous well-defined mass of material of sufficient ore content to make extraction feasible
<b>"pa"</b>	per annum
<b>"PAT"</b>	profit after tax
<b>"Paterson A and B Band"</b>	the Paterson grading system is an analytical method of job evaluation, used predominantly in South Africa, and is comprised of grades A through F, with A being the lowest skilled and F being the highest
<b>"PCBC"</b>	GEOVIA PCBC™ is a highly sophisticated software package designed specifically for the planning and scheduling of block cave mines
<b>"PCCAS"</b>	Petra Climate Change Adaptation Strategy
<b>"PCSLC"</b>	a highly sophisticated software package designed specifically for the planning and scheduling of SLCs
<b>"PHF"</b>	Petra Hardship Fund
<b>"pit dewatering sump"</b>	an excavation created at a low point in an open pit to collect ground water seeping into the pit as well as precipitation over the footprint of the open pit from where it is pumped out of the open pit to avoid flooding of the working areas
<b>"PPE"</b>	personal protective equipment
<b>"Probable Reserves"</b>	the economically mineable material derived from a Measured and/or Indicated Resource. It is estimated with a lower level of confidence than a proven reserve. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified
<b>"Proved Reserves"</b>	the economically mineable material derived from a Measured Resource. It is estimated with a high level of confidence. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified
<b>"Project 2022"</b>	business improvement programme launched in July 2019 with the aim of identifying opportunities to increase throughput across the business, drive efficiencies and facilitate continuous improvement
<b>"PSP"</b>	Performance Share Plan
<b>"Q"</b>	quarter of the financial year
<b>"raiseboring"</b>	a method of developing vertical or inclined excavations by drilling a pilot hole, then reaming the pilot hole to the required dimensions
<b>"RCF"</b>	revolving credit facility
<b>"RCPs"</b>	Representative Concentration Pathways try to capture how our climate may change in the future by predicting how concentrations of GHGs in the atmosphere will change as a result of human activities; the four RCPs range from very high (RCP8.5) through to very low (RCP2.6) future concentrations
<b>"re-crush system"</b>	processes oversized material from the primary crushers, further reducing it in size
<b>"red tailings"</b>	normally high-grade stockpiles created from the tailings of the recovery section of a diamond treatment plant; in some cases, these tailings are also mixed with lower grade Dense Media Separation tailings
<b>"rehabilitation"</b>	the process of restoring mined land to a condition approximating to a greater or lesser degree its original state
<b>"ROM"</b>	run of mine, relating to production from the primary orebody



<b>"SAMREC"</b>	South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves
<b>"SDGs"</b>	the United Nation's Sustainable Development Goals
<b>"SED"</b>	Social, ethics and diversity
<b>"Severity Rate"</b>	Severity Rate indicates the severity of work-related injuries (number of days lost due to injuries) where individuals were booked off from work impacting on workforce effectiveness. The rate calculus is as follows: number of days off from work due to injury x 200 000 ÷ total man-hours worked
<b>"shaft"</b>	a vertical or inclined excavation in rock for the purpose of providing access to an orebody. Usually equipped with a hoist at the top, which lowers and raises a conveyance for handling workers and materials
<b>"SHE"</b>	safety, health and environment
<b>"SLC"</b>	sub level cave
<b>"SLP"</b>	social and labour plans
<b>"slimes"</b>	the fine fraction of tailings discharged from a processing plant without being treated; in the case of diamonds, usually that fraction which is less than 1mm in size
<b>"SMMes"</b>	Small, medium and micro enterprises
<b>"South African Lender Group"</b>	providers of the Group's first lien debt facilities, being Absa Corporate and Investment Banking, FirstRand Bank Limited (acting through its Rand Merchant Bank division) and Nedbank Limited
<b>"stockpile"</b>	a store of unprocessed ore
<b>"stripping"</b>	the removal of waste overburden at an open pit mine
<b>"sub level caving"</b>	follows the same basic principles as the block caving mining method; however, work is carried out on intermediate levels and the caves are smaller in size and not as long lasting. This method of mining is quicker to bring into production than block caving, as the related infrastructure does not require the level of permanence needed for a long-term block cave. This method is used to supplement block caving in order to provide production flexibility
<b>"tailings"</b>	material left over after processing ore
<b>"tailings dump"</b>	dumps created of waste material from processed ore after the economically recoverable metal or mineral has been extracted
<b>"TB"</b>	tuberculosis
<b>"TCFD"</b>	Task Force on Climate-related Financial Disclosures; the Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information
<b>"TERS"</b>	Temporary Employment Relief Scheme in South Africa as a result of COVID-19
<b>"TIFR"</b>	total injury frequency rate
<b>"tonnage"</b>	quantities where the tonne is an appropriate unit of measure; typically used to measure reserves of target commodity bearing material or quantities of ore and waste material mined, transported or milled
<b>"tpa"</b>	tonnes per annum
<b>"tpm"</b>	tonnes per month
<b>"trackless equipment"</b>	equipment that does not operate on tracks (rails)
<b>"TSR"</b>	total shareholder return
<b>"Type II diamonds"</b>	<p>Type II diamonds have no measurable nitrogen impurities, meaning they are often of top quality in terms of colour and clarity</p> <ul style="list-style-type: none"> <li>• Type IIa diamonds make up 1–2% of all natural diamonds. These diamonds are almost or entirely devoid of impurities, and consequently are usually colourless. Many large famous diamonds, such as the Cullinan and the Koh-i-Noor, are Type IIa</li> <li>• Type IIb make up about 0.1% of all natural diamonds. In addition to having very low levels of nitrogen impurities comparable to Type IIa diamonds, Type IIb diamonds contain significant boron impurities which is what imparts their blue/grey colour. All blue diamonds are Type IIb, making them one of the rarest natural diamonds and very valuable</li> </ul>

## Glossary continued

<b>"UHNWI"</b>	ultra high net worth individual
<b>"USD"</b>	US Dollar
<b>"VPSHR"</b>	The Voluntary Principles on Security and Human Rights
<b>"WCF"</b>	working capital facility
<b>"WDL"</b>	Williamson Diamonds Limited, the owner and operator of the Williamson mine in Tanzania
<b>"WIL"</b>	women in leadership
<b>"WIM"</b>	women in mining
<b>"XRL"</b>	X-Ray luminescence, a method of sorting in the diamond recovery process
<b>"ZAR"</b>	South African Rand



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# **Petra Diamonds Limited Annual Report and Accounts 2020**